

# **BUENA VISTA SANITATION DISTRICT**

## **FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

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**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS SPECIALISTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors

**Buena Vista Sanitation District**

Buena Vista, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Buena Vista Sanitation District ("District") as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 previously present fairly, in all material respects, the financial position of Buena Vista Sanitation District as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required supplementary Information*

The management's discussion and analysis information on pages 3 through 9 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Colorado Springs, Colorado

July 21, 2021

**BUENA VISTA SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2020 and 2019**

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**AUDIT ASSURANCE**

The unqualified opinion of our independent external auditors, BiggsKofford, P.C., is included in this report.

This section will present management's discussion and analysis of the District's financial condition and projects for the year ended December 31, 2020. This information should be read in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

Management feels that the District's financial position is strong. The following are key financial highlights:

- For 2020, the District collected \$374,190 in tap fees.
- Excluding the Colorado Department of Corrections, sewer charges for 2020 increased by \$39,479 over 2019.
- In 2020, the District treated 210 million gallons of wastewater.
- In 2020, 996,000 gallons of septage were treated.
- There were no permit violations during 2020.
- There were variations between actual results and budgeted amounts as compared on the budgetary basis (modified cash). There was a favorable budget variance of \$145,096 for operating revenues and \$809,355 for operating expenses. The expense categories of Contract Services and Maintenance and Repair were under budget by \$514,879 and \$20,434, respectively, due to moving projects to 2021. Utilities and Laboratory expenses were under budget by \$68,835 and \$8,928, respectively. Legal expense was under budget by \$36,040 as the District anticipated legal costs for the Grove case that were not incurred.
- Total assets at year end were \$14,017,529 and total liabilities at year end were \$94,779. Of the total net position, \$8,754,008 was unrestricted and available to support short term operations.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District report information about the District's use of accounting methods. These statements offer short-term and long-term financial information about its activities.

**BUENA VISTA SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2020 and 2019**

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**REQUIRED FINANCIAL STATEMENTS (CONTINUED)**

The Statement of Revenues, Expenses and Changes in Net Position for the District reports all of the current year's revenues and expenses. This statement measures the success of the District's operations over the previous year, and may determine whether the District has successfully recovered all its costs through its sewage disposal rates and other fees. The District's rates are based on a cost of service rate study that was conducted in 2016.

The District's Statement of Net Position includes all of the District's assets and liabilities. It also provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities).

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and the change in cash during the year.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

**SUMMARY OF ORGANIZATION AND BUSINESS**

The Buena Vista Sanitation District is a public body organized and created by taxpaying electors of the District on March 17, 1953. The purpose of the District is to provide a complete sanitary sewer system for the District and the inhabitants thereof. In the organization petition to the Chaffee County District Court, the description of improvements to be constructed and installed was: "Sewer mains and laterals, with necessary appurtenances and incidentals to provide a complete sanitary sewer system for said District, including a sewage disposal or treatment plant." The boundaries of the District were to be identical to those of the Town of Buena Vista. However, over the years, the boundaries have changed due to numerous inclusions into the District, which were not included in annexation to the Town.

The District is governed by five directors who are members of the District, and are elected by electors of the District. Directors serve four year terms.

**BUENA VISTA SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2020 and 2019**

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**SUMMARY OF ORGANIZATION AND BUSINESS (CONTINUED)**

The District and the Colorado Department of Corrections, ("CDOC"), signed a service agreement in which the District would build a sewage treatment plant on land leased from CDOC, and the CDOC would have reserved treatment capacity and share in the annual operating costs of the plant in proportion to its actual use as measured by the volume of sewage it contributed. In May of 2000, the District moved into the new treatment plant facilities and the former lagoons were drained. The District's infrastructure assets consist of approximately 32 miles of sewer main lines. The collection system, consisting of mains, is owned and maintained by the District.

The District sets a mill levy every year and the members of the District are taxed accordingly. The taxes collected constitute a small portion of the District's total revenues (approximately 6.2%). The primary income for the District comes from monthly sewer charges which are set at a flat rate, septage charges, CDOC charges and sewer tap fees.

In 2002, the District entered into an intergovernmental agreement with Chaffee County to allow persons in the unincorporated area known as Johnson Village to tap into the District main. Chaffee County formed an improvement district and constructed a collection system for Johnson Village which then discharged into the Buena Vista Sanitation sewer main. The rates for Johnson Village differ from the normal rates charged to members of the District (Johnson Village is not in the District boundaries).

In 2014, the District found it necessary to increase the user fees for the District's customers in order to support the ongoing operation of the wastewater treatment plant and maintaining of the collection system, including replacements and improvements (capital projects) that will allow the District to comply with new discharge regulations that have been mandated by the Colorado Department of Health. The wastewater user charges for the residential and commercial customers of the District are \$39.00 per month per EQR, effective November 1, 2014. The wastewater user charges for the residential and commercial customers of Johnson Village Division of the Chaffee County Sewer Enterprise to be effective on November 1, 2014 are \$34.00 per month/per active EQR and \$20.17 per month/per inactive EQR. Of the \$34.00, Chaffee County receives \$11.42, and the Buena Vista Sanitation District receives \$22.58. Of the \$20.17, Chaffee County receives \$11.42 and the District receives \$8.75. Quarterly payments are made to the County for its share of these fees.

**BUENA VISTA SANITATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED DECEMBER 31, 2020 and 2019**

**SUMMARY OF ORGANIZATION AND BUSINESS (CONTINUED)**

**Condensed Statements of Net Position**

	<b>2020</b>	<b>2019</b>
<b>Current assets</b>	\$ 9,016,660	\$ 7,782,502
<b>Capital assets</b>	5,000,869	5,126,069
<b>Total assets</b>	<b>\$ 14,017,529</b>	<b>\$ 12,908,571</b>
<b>Total liabilities</b>	<b>94,779</b>	<b>210,342</b>
<b>Deferred inflows of resources</b>	<b>128,117</b>	<b>120,504</b>
<b>Invested in capital assets, net of related debt</b>	5,000,869	5,126,069
<b>Restricted for emergency reserves</b>	39,756	38,502
<b>Unrestricted</b>	8,754,008	7,413,154
<b>Total net position</b>	<b>13,794,633</b>	<b>12,577,725</b>
	<b>\$ 14,017,529</b>	<b>\$ 12,908,571</b>

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<b>2020</b>	<b>2019</b>
<b>Operating revenues</b>	\$ 1,997,634	\$ 1,960,871
<b>Non-operating revenues</b>	548,081	489,717
<b>Total revenues</b>	<b>2,545,715</b>	<b>2,450,588</b>
<b>Collection and treatment expense</b>	484,165	503,086
<b>Depreciation expense</b>	206,495	191,965
<b>Administrative expense</b>	634,526	588,342
<b>Non-operating expense</b>	3,621	3,415
<b>Total expenses</b>	<b>1,328,807</b>	<b>1,286,808</b>
<b>Change in net position</b>	<b>1,216,908</b>	<b>1,163,780</b>
<b>Beginning net position</b>	12,577,725	11,413,945
<b>Ending net position</b>	<b>\$ 13,794,633</b>	<b>\$ 12,577,725</b>

**BUENA VISTA SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2020 and 2019**

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**OTHER SELECTED INFORMATION**

The Buena Vista Sanitation District employs five full time employees.

The current monthly rate for a single family home (1.0 EQR) is \$39.00, in District. All other rates are based on the 1.0 EQR. Only those accounts in Johnson Village differ from those within the District. The monthly rate for a single family home (1.0 EQR) outside of the district is 1.5x the rate of those in the district.

Tap fees are calculated differently starting January 1, 2016. The District shall make reference to the Plumbing Code used by Chaffee County and/or the Town of Buena Vista for governing the design, construction and operation of plumbing fixtures and facilities connected to the District's system. The Drainage Fixture Unit (DFU) value assigned to any wastewater fixture type by the 2009 Plumbing Code shall be used to assign an EQR value. The District shall consider an EQR equal to 18 DFUs. The tabulated DFU value for a fixture or group of fixtures shall be divided by a value of 18 DFUs per EQR, rounded to the nearest 0.05, to give an EQR value upon which plant investment fees or tap fees shall be based.

The tap fee for connection to the Buena Vista Sanitation District system shall be four thousand one hundred dollars, (\$4,100) per EQR. Out of District connections tap fees shall be six thousand one hundred fifty dollars (\$6,150) per EQR. Tap fees must be paid at the time application is made for the permit. Tapping must occur within six months of applying. Tap fees shall be due at the time the permit is issued.

Monthly service charges: The user charges will be based on eighteen (18) DFUs to be equal to one (1) EQR. The minimum monthly charge will be equal to one EQR. More than eighteen (18) DFUs the user charge will be 1 EQR plus percentage.

**GENERAL TRENDS AND SIGNIFICANT EVENTS**

As stated earlier, numerous subdivisions are being developed every year. If they are not within the District boundaries, inclusion must be requested and, if approved, such subdivisions become members of the District. This is a savings for them on both tap fees and monthly rates. Out-of-District rates are one and a half times the in-District rates.

**FINANCIAL CONDITION**

The District's financial condition remained strong at year-end with adequate liquid assets and a reasonable level of unrestricted net position. The current financial condition, staff capabilities, operating plans and upgrade plans to meet future wastewater quality requirements are well balanced and under control.

**BUENA VISTA SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2020 and 2019**

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**RESULTS OF OPERATIONS**

Operating revenues: The District's primary revenues from operations are as follows: sewer charges to in- and out-of-District customers; sewer charges to the Johnson Village Improvement District; Septage receiving; and the Department of Corrections monthly charges.

Expenses: Total operating expenses for 2020 were \$1,325,186.

**FINAL COMMENTS**

The year 2020 continued a trend of strong financial performance by the District. This strength will be needed in the coming years for future expansion of the plant as this little area in the Arkansas Valley continues to grow with ever increasing development of homes and businesses.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGER**

This financial report is designed to provide our electors, customers, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Buena Vista Sanitation District's Financial Manager, Amanda Nye at PO Box 3069, Buena Vista, Colorado 81211.

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## **BASIC FINANCIAL STATEMENTS**

**BUENA VISTA SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

<b><u>ASSETS</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Current assets:		
Cash and investments	\$ 8,673,010	\$ 7,437,425
Cash and investments - restricted	39,756	38,502
Accounts receivable	175,777	186,071
General property taxes receivable	128,117	120,504
<u>Total current assets</u>	<u>9,016,660</u>	<u>7,782,502</u>
Capital assets:		
Building	1,813,100	1,813,100
Sewage treatment facilities	5,685,142	5,685,142
Biosolid treatment beds	151,449	151,449
Sewer collection and transmission system	1,032,697	1,032,697
General equipment	1,049,948	968,653
Transportation equipment	141,086	141,086
	9,873,422	9,792,127
<u>Accumulated depreciation</u>	<u>(4,900,809)</u>	<u>(4,694,314)</u>
<u>Total depreciable assets</u>	<u>4,972,613</u>	<u>5,097,813</u>
Land	28,256	28,256
<u>Total capital assets</u>	<u>5,000,869</u>	<u>5,126,069</u>
<u>Total assets</u>	<u>\$ 14,017,529</u>	<u>\$ 12,908,571</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**BUENA VISTA SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>LIABILITIES</u></b>		
Current liabilities:		
<u>Accounts payable</u>	\$ 39,139	\$ 65,599
<u>Accrued liabilities</u>	43,816	132,009
<u>Prebilled charges</u>	11,824	12,734
<u>Total current liabilities</u>	<u>94,779</u>	<u>210,342</u>
<u>Total liabilities</u>	<u>94,779</u>	<u>210,342</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
<u>Deferred revenues</u>	<u>128,117</u>	<u>120,504</u>
<b><u>NET POSITION</u></b>		
<u>Invested in capital assets, net of related debt</u>	5,000,869	5,126,069
<u>Restricted for emergency reserves</u>	39,756	38,502
<u>Unrestricted</u>	8,754,008	7,413,154
<u>Total net position</u>	<u>13,794,633</u>	<u>12,577,725</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 14,017,529</u>	<u>\$ 12,908,571</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**BUENA VISTA SANITATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for services	\$ 1,211,572	\$ 1,172,093
Sewer revenues - Department of Corrections	696,974	706,436
Septage receiving	84,488	76,632
Inspection fees and service review	4,600	5,710
Total operating revenues	<u>1,997,634</u>	<u>1,960,871</u>
<b><u>OPERATING EXPENSES</u></b>		
Collection and treatment	484,165	503,086
Salaries, wages and related costs	370,328	395,415
Administrative	264,198	192,927
Depreciation	206,495	191,965
Total operating expenses	<u>1,325,186</u>	<u>1,283,393</u>
Operating income	<u>672,448</u>	<u>677,478</u>
<b><u>NON-OPERATING REVENUES AND (EXPENSES)</u></b>		
Property tax revenues	133,828	128,118
Interest income	40,063	109,439
County Treasurer fees	(3,621)	(3,415)
Net non-operating revenues	<u>170,270</u>	<u>234,142</u>
Income before contributions	842,718	911,620
Capital contributions (tap fees)	<u>374,190</u>	<u>252,160</u>
Change in net position	1,216,908	1,163,780
Net position, beginning of year	<u>12,577,725</u>	<u>11,413,945</u>
Net position, end of year	<u>\$ 13,794,633</u>	<u>\$ 12,577,725</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**BUENA VISTA SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from customers/operations	\$ 2,007,928	\$ 1,948,872
Cash payments to suppliers for goods and services	(871,296)	(645,522)
Payments for employees for services	(362,958)	(343,613)
Net change in cash from operating activities	<u>773,674</u>	<u>959,737</u>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
Property taxes, net of fees	<u>130,207</u>	<u>124,704</u>
Net change in cash from non-capital financing activities	<u>130,207</u>	<u>124,704</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Tap fees received	374,190	252,160
Acquisitions and construction of capital assets	(81,295)	(73,631)
Net change in cash from capital and related financing activities	<u>292,895</u>	<u>178,529</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Maturities of certificates of deposit	-	525,843
Interest income	40,063	109,439
Net change in cash from investing activities	<u>40,063</u>	<u>635,282</u>
Net change in cash and investments	1,236,839	1,898,252
Cash and investments, beginning of year	<u>7,475,927</u>	<u>5,577,675</u>
Cash and investments, end of year	<u>\$ 8,712,766</u>	<u>\$ 7,475,927</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**BUENA VISTA SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b><u>RECONCILIATION OF OPERATING INCOME TO</u></b>		
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		
Operating income	\$ 672,448	\$ 677,478
Adjustments to reconcile operating income to net change in cash from operating activities:		
Depreciation	206,495	191,965
Changes in assets and liabilities related to operations:		
Accounts receivable	10,294	(11,999)
Accounts payable	(26,460)	4,281
Accrued liabilities	(88,193)	107,346
Prebilled charges	(910)	(9,334)
 Net cash provided by operating activities	 \$ 773,674	 \$ 959,737

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Buena Vista Sanitation District (the "District") was organized in 1953 to provide a complete sanitary sewer system, including a sewage disposal or treatment plant. The District serves the town of Buena Vista ("Town") in Chaffee County, Colorado ("County"), and certain portions of properties outside the Town, which have been annexed during the years subsequent to organization.

The governing body consists of a five-member board of directors elected by the residents of the District.

The District grants credit to its customers, all of whom are local residents and businesses. The basic operations of the District are financed by sewage treatment revenues and property taxes levied and collected by the County.

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 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 financial reporting. 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.

Financial reporting entity

The District's policy is to include in the financial statements all funds, enterprises, account groups, departments, agencies, boards, commissions, and other material component units for which the District is considered to be financially accountable.

The District is considered a special independent district by Colorado revised statutes and as such, is not to be included with any other governmental authority. Accordingly, 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

The accounts of the District are organized on the basis of an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise.

See independent auditor's report.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of accounting (continued)

The District's financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liabilities are incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP") requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported balances of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

Operating revenues and expenses

The District distinguishes between operating revenues and expenses and non-operating 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 services provided. Operating expenses include the cost of service, administrative expenses, depreciation and amortization. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Budgets and budgetary accounting

Budgetary comparison schedules are provided as supplemental information as required by the Colorado Revised Statutes.

The District is required by state law to adopt an annual budget. The budget is prepared on a cash basis. The supplemental information compares the budgeted activity to the actual activity and reconciles such to the actual revenues earned and expenses incurred as shown in the financial statements.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgets and budgetary accounting (continued)

Once a budget is approved, it can be amended in accordance with state provisions only by approval of a majority of the members of the board of directors. A copy of the adopted resolution must be filed with the State Division of Local Governments.

The District's budget establishes control over the following categories of expenditures: general operating, capital outlay, contingency, general fund reserve and emergency fund reserve. Unexpended budgeted amounts lapse at year-end. Contributions of sewer lines are not reflected as a budgetary revenue item or expenditure as they do not generate or require the use of available funds.

Cash and investments

For purposes of the statements of cash flows, the District considers cash deposits and all highly liquid investments (including restricted assets) with initial maturities of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable of the District consist of sewage collection service charges receivable including amounts due from the Department of Corrections. Accounts receivable are unsecured and are stated at the amount the District expects to collect. The District maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the District's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. As of December 31, 2020 and 2019, accounts receivable are considered fully collectible and no allowance for doubtful accounts has been recorded.

Accounts receivable include \$17,070 and \$24,673, respectively of certified accounts for the years ended December 31, 2020 and 2019. Certified accounts are past-due customer accounts for sewer service charges, which have been turned over to the Chaffee County Treasurer for collection. These certified accounts are considered to be fully collectible.

See independent auditor's report.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes

The District has recorded annual property taxes assessed in the current year, to be collected in the following year, as receivable at December 31 of the current year offset by a deferred revenues account. The amounts of assessments receivable and deferred revenues as of December 31, 2020 and 2019 were \$128,117 and \$120,504, respectively. The County handles the levying and the collecting of the taxes. The taxes are levied on December 15 of each year and are due January 1 of the following year. For purposes of collections, taxpayers can pay half of the tax liability in February with the remaining half due in July, or the entire amount may be paid in April. If the taxes remain unpaid, the County may file liens beginning in October of each year. Assessed taxes are anticipated to be fully collected within one year.

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

Capital assets

It is the District's policy to capitalize items that cost more than \$5,000 and have useful lives in excess of one year. Capital assets are recorded at cost except for those assets that have been contributed which are stated at estimated fair value at the date of contribution or at the developer's cost. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Building	40 years
Sewage treatment facilities	34 years
Biosolid treatment beds	34 years
Sewer collection and transmission system	33 - 50 years
Equipment	5 - 10 years

Maintenance and repairs are charged to expense as incurred. Major improvements are capitalized and depreciated or amortized. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in change in net position.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets (continued)

Costs of certain engineering, feasibility, environmental and other studies are capitalized until the related projects become operational. When projects become operational, the related costs are included in property and equipment and depreciated over the estimated useful lives of the assets.

Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenues from one source, property taxes. This amount is deferred and recognized as an inflow of resources in the year the property taxes are levied and budgeted for.

Net position

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

**2. CASH AND INVESTMENTS**

Cash and investments consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and investments - unrestricted	\$ 8,673,010	\$ 7,437,425
Cash and investments - restricted	39,756	38,502
	<u>\$ 8,712,766</u>	<u>\$ 7,475,927</u>

See independent auditor's report.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**2. CASH AND INVESTMENTS (CONTINUED)**

Cash and investments as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,427,042	\$ 2,228,635
Investments	<u>6,285,724</u>	<u>5,247,292</u>
Total cash and investments	<u>\$ 8,712,766</u>	<u>\$ 7,475,927</u>

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 equal to 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, 2020, the District had cash deposits with a bank balance of \$2,497,298 and a carrying balance of \$2,427,042. At December 31, 2019, the District had cash deposits with a bank balance of \$2,251,763 and a carrying balance of \$2,228,635.

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 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 disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

The Colorado Revised Statutes limit investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

See independent auditor's report.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**2. CASH AND INVESTMENTS (CONTINUED)**

Investments (continued)

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 United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- \* Local government investment pools

<b>Investments</b>	<b>Maturity</b>	<u><b>2020</b></u>	<u><b>2019</b></u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 6,285,724</u>	<u>\$ 5,247,292</u>

*COLOTRUST*

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST") (the "Trust"). The Trust is 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 portfolios 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.

Restricted cash

The District has restricted cash of \$39,756 and \$38,502 as of December 31, 2020 and 2019, respectively related to emergency reserve requirements of TABOR.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**3. CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	<u>Balance at January 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2020</u>
Non-depreciable assets:				
Land	\$ 28,256	\$ -	\$ -	\$ 28,256
Depreciable assets:				
Building	1,813,100	-	-	1,813,100
Sewage treatment facilities	5,685,142	-	-	5,685,142
Sewer collection and transmission system	1,032,697	-	-	1,032,697
General equipment	968,653	81,295	-	1,049,948
Transportation equipment	141,086	-	-	141,086
Bio solid treatment beds	151,449	-	-	151,449
Totals assets being depreciated	<u>9,792,127</u>	<u>81,295</u>	<u>-</u>	<u>9,873,422</u>
Less accumulated depreciation:				
Building	(568,610)	(45,328)	-	(613,938)
Sewage treatment facilities	(2,229,585)	(114,456)	-	(2,344,041)
Sewer collection and transmission system	(862,717)	(15,642)	-	(878,359)
General equipment	(896,904)	(11,889)	-	(908,793)
Transportation equipment	(67,455)	(14,726)	-	(82,181)
Bio solid treatment beds	(69,043)	(4,454)	-	(73,497)
Total accumulated depreciation	<u>(4,694,314)</u>	<u>(206,495)</u>	<u>-</u>	<u>(4,900,809)</u>
Total capital assets, net	<u>\$ 5,126,069</u>	<u>\$ (125,200)</u>	<u>\$ -</u>	<u>\$ 5,000,869</u>

See independent auditor's report.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**3. CAPITAL ASSETS (CONTINUED)**

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

	<u>Balance at January 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2019</u>
Non-depreciable assets:				
Land	\$ 28,256	\$ -	\$ -	\$ 28,256
Depreciable assets:				
Building	1,813,100	-	-	1,813,100
Sewage treatment facilities	5,685,142	-	-	5,685,142
Sewer collection and transmission system	1,032,697	-	-	1,032,697
General equipment	968,653	-	-	968,653
Transportation equipment	67,455	73,631	-	141,086
Bio solid treatment beds	151,449	-	-	151,449
Totals assets being depreciated	<u>9,718,496</u>	<u>73,631</u>	<u>-</u>	<u>9,792,127</u>
Less accumulated depreciation:				
Building	(523,282)	(45,328)	-	(568,610)
Sewage treatment facilities	(2,115,129)	(114,456)	-	(2,229,585)
Sewer collection and transmission system	(847,075)	(15,642)	-	(862,717)
General equipment	(884,819)	(12,085)	-	(896,904)
Transportation equipment	(67,455)	-	-	(67,455)
Bio solid treatment beds	(64,589)	(4,454)	-	(69,043)
Total accumulated depreciation	<u>(4,502,349)</u>	<u>(191,965)</u>	<u>-</u>	<u>(4,694,314)</u>
Total capital assets, net	<u>\$ 5,244,403</u>	<u>\$ (118,334)</u>	<u>\$ -</u>	<u>\$ 5,126,069</u>

Depreciation expense for the year ended December 31, 2020 and 2019 totaled \$206,495 and \$191,965, respectively.

See independent auditor's report.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**4. NET POSITION**

The basic financial statements utilize a net position presentation. Net position is categorized as invested in capital assets; restricted; and unrestricted. Net invested in capital assets reflect the portion of net position that are associated with non-liquid, capital assets. As of December 31, 2020 and 2019, the District had an investment in capital assets, net of accumulated depreciation as follows:

	<b>2020</b>	<b>2019</b>
Capital assets, net of accumulated depreciation	\$ 5,000,869	\$ 5,126,069

Restricted net position includes items that are restricted for use either externally by creditors, grantors or contributors, or by laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net positions as of December 31, 2020 and 2019 as follows:

Restricted for emergency reserves (see Note 9)	\$ 39,756	\$ 38,502
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Unrestricted net position consists of net assets that do not meet the definition of net position invested in capital assets or restricted. The District's unrestricted net position as of December 31, 2020 and 2019 totaled \$8,754,008 and \$7,413,154, respectively.

**5. CONCENTRATIONS**

Accounts receivable

For the years ended December 31, 2020 and 2019, 27% and 30% of accounts receivable were from one customer, respectively.

Revenues

For the years ended December 31, 2020 and 2019, 35% and 36% of operating revenues were from one customer, respectively.

**6. 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.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**6. RISK MANAGEMENT (CONTINUED)**

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2020 and 2019. 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 liability, property, public officials liability and workers compensation 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.

**7. EMPLOYEE BENEFIT PLAN**

The District offers a Section 457 Deferred Compensation Plan for which employees are eligible beginning on their first day of employment. The District contributes 3% of employees' salaries for the calendar year. All contributions made under the plan are fully vested and nonrefundable. The District contributed \$8,851 and \$10,274 to the plan for the years ended December 31, 2020 and 2019, respectively.

**8. COMMITMENTS AND INTERGOVERNMENTAL AGREEMENTS**

Colorado Department of Corrections

As part of the construction of a new treatment facility, the District entered into an intergovernmental agreement with the Colorado Department of Corrections ("CDOC"). The Buena Vista Correctional Facility abandoned its previous sewage facility and utilized the services of a new facility. Under the agreement, CDOC leases to the District the land used for the new facility and paid 29.9% of the total cost related to planning, designing and constructing the new facility. The District owns the new facility and is responsible for its operations. The service agreement approved in February of 2001 sets forth the user rates for the services, including a monthly minimum charge. The agreement also provided for a connection fee in 2001, which was recorded as a tap fee.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**8. COMMITMENTS AND INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

Johnson Village

In 2002, the District entered into an intergovernmental agreement with the Board of County Commissioners of the County. The County constructed and installed wastewater collection lines in an area known as Johnson Village. The County entered into an agreement with the District for the operations of the system, and for the billing and collection of the District's and County's service fees. The District remits the County's portion of the service fees quarterly to the County. During the years ended December 31, 2020 and 2019, total charges to Johnson Village users were \$57,767 and \$57,850, respectively. As of December 31, 2020 and 2019, \$148 and \$8,908 was payable to the County, respectively.

**9. TAX, SPENDING AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the Colorado State Constitution, Article X, Section 20, known as the Taxpayer's Bill of Rights ("TABOR") which imposes several limitations on the District, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment and that the enterprise activity is not subject to the amendment's limitations. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

TABOR provisions require that annual property tax revenue changes be restricted to the same growth rate applicable to the District's general spending. TABOR also requires the local government to reserve 3% of total expenditures for emergencies in 1995 and years thereafter. The definition of an "emergency," under TABOR is restricted to natural events and excludes "economic conditions, revenue shortfalls or District salary and fringe benefit increase."

TABOR requires that any increases in spending over a calculated base must be approved, and revenues received in excess of the defined spending limit are subject to refund unless approved by the voters. Property tax revenues are also subject to limitations under TABOR. The amendment also required the establishment of an emergency reserve based upon defined calculations.

The District has reviewed the existing reserves and determined that a minimum of 3%, or \$39,756 and \$38,502 were restricted at December 31, 2020 and 2019, respectively, to comply with the provisions of TABOR.

**BUENA VISTA SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**9. TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

On May 7, 1996, an election was held in which the voters in the District approved the authorization of the District to retain and spend all tap fee revenues collected in excess of the spending limits established by TABOR in 1994 and thereafter. This authorization was granted for a period of 40 years.

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## **SUPPLEMENTAL INFORMATION**

**BUENA VISTA SANITATION DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET COMPARED TO ACTUAL**  
**CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>REVENUES:</b>			
Charges for services	\$ 1,207,000	\$ 1,211,572	\$ 4,572
Sewer revenues - Dept. of Corrections	700,000	650,331	(49,669)
Tap connection fees	130,000	374,190	244,190
Septage receiving	65,000	79,239	14,239
Inspection fees and service review	1,500	4,600	3,100
Property taxes	120,504	118,572	(1,932)
Specific ownership tax	16,000	16,533	533
Interest income	110,000	40,063	(69,937)
Total revenues	<u>\$ 2,350,004</u>	<u>\$ 2,495,100</u>	<u>\$ 145,096</u>
<b>OPERATING EXPENDITURES:</b>			
Sewage collection and transmission:			
Contract services	\$ 650,000	\$ 135,121	\$ 514,879
Laboratory	30,000	21,072	8,928
Maintenance and repair	45,000	24,566	20,434
Employee benefits	58,860	50,469	8,391
Salaries	292,000	280,021	11,979
Payroll Taxes	30,000	21,585	8,415
Training	2,500	803	1,697
Travel	600	600	-
Supplies	25,000	23,863	1,137
Vehicle	100,000	54,518	45,482
Utilities	347,000	278,165	68,835
Miscellaneous	7,000	4,500	2,500

See independent auditor's report.

**BUENA VISTA SANITATION DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET COMPARED TO ACTUAL**  
**CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Sewage administration:			
Accounting and auditing	11,000	9,550	1,450
Directors fees	8,000	6,000	2,000
Discharge permit	12,000	8,344	3,656
Dues and publications	3,500	1,605	1,895
Election	10,000	-	10,000
Engineering	75,000	54,871	20,129
Insurance	60,500	35,339	25,161
Legal	40,000	3,960	36,040
County Treasurer fees	3,500	3,621	(121)
Meeting expense	1,000	95	905
Miscellaneous	1,700	(348)	2,048
Office administration:			
Employee benefits	20,100	16,584	3,516
Salaries	78,000	82,937	(4,937)
Payroll taxes	10,000	6,426	3,574
Maintenance and repair	7,000	1,594	5,406
Supplies	6,100	6,485	(385)
Postage	9,000	5,722	3,278
Travel	150	150	-
Telephone	5,000	4,244	756
Training	500	-	500
Miscellaneous	11,500	9,693	1,807
<b>Total operating expenditures</b>	<b>1,961,510</b>	<b>1,152,155</b>	<b>809,355</b>
<b>Total expenditures</b>	<b>1,961,510</b>	<b>1,152,155</b>	<b>809,355</b>
<b>Income budgetary basis</b>	<b>\$ 388,494</b>	<b>\$ 1,342,945</b>	<b>\$ 954,451</b>

See independent auditor's report.

**BUENA VISTA SANITATION DISTRICT**  
**RECONCILIATION OF AMOUNTS FROM US GAAP BASIS TO CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2020**

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The accompanying Schedule of Revenues and Expenditures - Budget Compared to Actual on pages 30 - 31 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant differences in revenues and expenditures for the year ended December 31, 2020 is presented

Total revenue per financial statements	
(operating revenues, non-operating revenues and capital contributions)	\$ 2,545,715
<hr/>	
Less:	
Revenue accruals and non-cash adjustments at December 31, 2020	(50,615)
<hr/>	
Total actual revenue and receipts per the budget	<u>\$ 2,495,100</u>
<hr/>	
Total expenses and capital expenditures per financial statements	\$ 1,328,807
<hr/>	
Add:	
Expense and capital expenditure accruals and non-cash adjustments at at December 31, 2020	29,843
<hr/>	
Less:	
Depreciation	(206,495)
<hr/>	
Total actual expenses and capital expenditures per the budget	<u>\$ 1,152,155</u>

See independent auditor's report.