

**East River Regional Sanitation District**

**Financial Report**

**December 31, 2020 and 2019**

**East River Regional Sanitation District  
Financial Report  
December 31, 2020 and 2019**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
East River Regional Sanitation District  
Crested Butte, Colorado**

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

We have audited the accompanying financial statements of the East River Regional Sanitation District (the "District"), as of and for the years ended December 31, 2020 and 2019, as listed in the table of contents, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East River Regional Sanitation District as of December 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**East River Regional Sanitation District**  
**Crested Butte, Colorado**

***Other Matters***

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison is the responsibility of management and 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
July 29, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# EAST RIVER REGIONAL SANITATION DISTRICT

Management's Discussion and Analysis  
December 31, 2020 and 2019

We, the financial managers of the East River Regional Sanitation District (the "District"), offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal years ended December 31, 2020 and 2019.

## Overview of the Financial Statements

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

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

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

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

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

The District's financial statements can be found on pages C1 through C3 of this report.

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

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

**Other Information:** The Schedule of Revenues and Expenditures - Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis on page E1 provides a detailed comparison of the District's actual revenues and expenditures to budgeted amounts. As the District's budget was adopted in a manner that is not consistent with generally accepted accounting principles ("GAAP"), this schedule is presented on a non-GAAP basis with reconciliation to GAAP basis.

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

## Financial Analysis of the District:

The following chart shows the District's assets, liabilities, deferred inflows of resources, and net position for December 31, 2020 and 2019:

### East River Regional Sanitation District's Net Position

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current assets	\$ 4,722,642	4,412,925
Capital assets	1,091,780	1,161,094
<b>Total Assets</b>	<u>5,814,422</u>	<u>5,574,019</u>
<b>Liabilities:</b>		
Current liabilities	15,598	17,306
<b>Total Liabilities</b>	<u>15,598</u>	<u>17,306</u>
<b>Deferred Inflows of Resources</b>	<u>90,919</u>	<u>90,990</u>
<b>Net Position:</b>		
Net invested in capital assets	1,091,780	1,161,094
Restricted	18,000	21,000
Unrestricted	4,598,125	4,283,629
<b>Total Net Position</b>	<u>\$ 5,707,905</u>	<u>5,465,723</u>

The District's assets increased \$240,403 during 2020. Cash and investments increased by \$297,523, and a decrease occurred in capital assets of \$69,314.

In 2020, the District's net position increased \$242,182. Non-operating revenues exceeded non-operating expenses by \$82,459 in 2020, while tap fees totaled \$210,528. These changes in net position were partially offset by an operating loss of \$50,805.

The District's liabilities decreased by \$1,708 in 2020, and the decrease in deferred inflows of resources was attributable to an increase in unavailable property tax liability.

Approximately 19% of the District's net position reflects its investment in capital assets, as of December 31, 2020.

At the end of the years 2020 and 2019, the District reported positive balances in all three categories of net position.

## Financial Analysis of the District (continued):

The following chart is a summary of information relating to the District's Statement of Revenues, Expenses and Changes in Fund Net Position:

### EAST RIVER REGIONAL SANITATION DISTRICT'S CHANGE IN FUND NET POSITION

	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Program revenues:		
Service fees	\$ 260,786	250,622
Rents	900	900
Miscellaneous revenues	1,344	10,493
<b>Total Programs Revenues</b>	<u>263,030</u>	<u>262,015</u>
<b>General Revenues:</b>		
Tap fees	210,528	264,914
Property taxes	91,408	90,703
Specific ownership taxes	5,949	6,810
Interest income	30,610	91,594
<b>Total General Revenues</b>	<u>338,495</u>	<u>454,021</u>
<b>Total Revenues</b>	<u>601,525</u>	<u>716,036</u>
<b>Expenses:</b>		
Operating expenses	243,885	286,761
Depreciation	69,950	113,156
Prior year capitalized asset expensed in the current year	42,755	-
Treasurers fees	2,753	2,728
<b>Total Expenses</b>	<u>359,343</u>	<u>402,645</u>
<b>Change in Net Position</b>	242,182	313,391
<b>Net Position - Beginning</b>	<u>5,465,723</u>	<u>5,152,332</u>
<b>Net Position - Ending</b>	<u>\$ 5,707,905</u>	<u>5,465,723</u>

As mentioned earlier, the increase in net position is partially attributable to \$210,528 of tap fees received by the District in 2020. These tap fees, which are set in excess of actual costs, are used for capital purposes.

There was no significant change in service revenues from the prior year.

When compared to 2019, total 2020 general revenues decreased by \$115,526. The decrease was mainly due to the decrease in tap fees of \$54,386 and a decrease in interest income of \$60,984. Decreases are mainly due to weakened overall economic condition because of COVID-19 pandemic.

Total expenses of the District for 2020 decreased \$43,302 from 2019 levels mainly due to decrease in depreciation expense. Salaries and payroll benefits and repair and maintenance totaled \$154,082 in 2020, or expressed as a percentage, represented 49% of the operating expenses incurred by the District in 2020; and depreciation accounted for 22% of the total operating expenses of the District in 2020.

## Financial Analysis of the District (continued):

### Budget Variances in the Enterprise Fund

The District amended the budget for the 2020 fiscal year to reflect additional revenues and a decrease in total expenditures; the expenses of the District's enterprise fund did not exceed the final budget.

Significant budget variances were as follows:

<u>Account</u>	<u>Original Budget Variance Positive (Negative)</u>	<u>Reason</u>
<i>Revenues:</i>		
Interest	\$ (29,390)	Decrease in monthly average yield due to decrease in interest rate
Tap fees	165,818	More than anticipated construction activities in the District
<i>Expenditures:</i>		
Repair and maintenance	40,612	Conservative budgeting
Legal	11,821	Over estimated for a possible easement to the plant
Capital outlay	241,985	Budgeted, but unspent

### Capital Asset and Debt Administration

**Capital Assets.** The District continued developing a master plan during 2020. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements in Section D.

**Long-term Debts.** The District has no long-term debt at December 31, 2020.

### Next Year's Budget and Rates

The District's budgeted net position at the end of the current fiscal year was \$4,565,117. The District's 2021 budget anticipates an ending balance of approximately \$4,344,018. This anticipated decrease in net position is due to increase in capital expenditures for the service plant, capital engineering, and a decrease in tap fees.

### Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: East River Regional Sanitation District, 350 Country Club Drive, Suite 112A, Crested Butte, CO 81224.

## **FINANCIAL STATEMENTS**

**East River Regional Sanitation District**  
**Statement of Net Position**  
**December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and investments	4,616,347	4,318,824
Property taxes receivable	90,919	90,990
Accounts receivable - Customers, net of allowance of \$0 in 2020 and 2019	2,141	1,863
Due from County Treasurer	506	576
Prepaid insurance	12,229	-
Other prepaids	500	672
<b>Total Current Assets</b>	<b>4,722,642</b>	<b>4,412,925</b>
<b>Non-Current Assets:</b>		
<b>Capital Assets:</b>		
Land	128,842	128,842
Construction in progress	41,045	42,755
Office space	61,087	61,087
Plant and collection system	3,438,282	3,441,638
<b>Total Capital Assets at Cost</b>	<b>3,669,256</b>	<b>3,674,322</b>
Less accumulated depreciation	2,577,476	2,513,228
<b>Total Non-Current Assets</b>	<b>1,091,780</b>	<b>1,161,094</b>
<b>Total Assets</b>	<b>5,814,422</b>	<b>5,574,019</b>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts payable	8,455	10,018
Accrued payroll taxes	2,770	3,686
Prepaid revenue	3,284	2,513
Accrued compensated absences	1,089	1,089
<b>Total Current Liabilities</b>	<b>15,598</b>	<b>17,306</b>
<b>Total Liabilities</b>	<b>15,598</b>	<b>17,306</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable property tax revenue	90,919	90,990
<b>Total Deferred Inflows of Resources</b>	<b>90,919</b>	<b>90,990</b>
<b>Net Position:</b>		
Net invested in capital assets	1,091,780	1,161,094
Restricted for emergencies	18,000	21,000
Unrestricted	4,598,125	4,283,629
<b>Total Net Position</b>	<b>5,707,905</b>	<b>5,465,723</b>

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

**East River Regional Sanitation District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating Revenues:</b>		
Service fees	260,786	250,622
Rents	900	900
Miscellaneous revenues	1,344	10,493
<b>Total Operating Revenues</b>	<b>263,030</b>	<b>262,015</b>
<b>Operating Expenses:</b>		
Accounting and auditing	8,185	8,010
Salaries and payroll benefits	137,724	137,374
Directors' fees	5,400	5,800
Repair and maintenance	16,358	58,414
Legal services	13,179	12,244
Utilities	25,618	25,098
Insurance	12,793	11,504
Office expense	7,740	6,912
Fees and dues	2,062	2,455
Travel and education	-	704
Tests	3,764	4,097
Supplies and chemicals	3,359	3,356
Engineering and consulting	-	846
Telephone	4,130	3,934
Depreciation	69,950	113,156
Miscellaneous expense	800	2,183
Truck expense	2,773	3,830
<b>Total Operating Expenses</b>	<b>313,835</b>	<b>399,917</b>
<b>Operating (Loss)</b>	<b>(50,805)</b>	<b>(137,902)</b>
<b>Non-Operating Revenues (Expenses):</b>		
Property taxes	91,408	90,703
Specific ownership taxes	5,949	6,810
Interest income	30,610	91,594
Prior year capitalized asset expensed in the current year	(42,755)	-
Treasurer's fees	(2,753)	(2,728)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>82,459</b>	<b>186,379</b>
<b>Net Income</b>	31,654	48,477
<b>Contributions - Tap Fees</b>	210,528	264,914
<b>Change in Net Position</b>	<b>242,182</b>	<b>313,391</b>
<b>Net Position - Beginning</b>	5,465,723	5,152,332
<b>Net Position - Ending</b>	<b>5,707,905</b>	<b>5,465,723</b>

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

**East River Regional Sanitation District**  
**Statement Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers	261,280	250,260
Other cash received	2,244	11,393
Cash payments for goods and services	(77,026)	(150,327)
Cash payments to employees - Salaries and benefits	(138,640)	(137,383)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>47,858</b>	<b>(26,057)</b>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Property and specific ownership taxes, net of collection fees	94,674	94,697
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>94,674</b>	<b>94,697</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Tap fees collected	210,528	264,914
Capital outlay	(86,147)	(26,425)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>124,381</b>	<b>238,489</b>
<b>Cash Flows From Investing Activities:</b>		
Interest	30,610	91,594
<b>Net Cash Provided by Investing Activities</b>	<b>30,610</b>	<b>91,594</b>
<b>Net Change in Cash and Cash Equivalents</b>	297,523	398,723
<b>Cash and Investments - Beginning</b>	<b>4,318,824</b>	<b>3,920,101</b>
<b>Cash and Investments - Ending</b>	<b>4,616,347</b>	<b>4,318,824</b>
<b>Reconciliation of Operating (Loss) to Net Cash From Operating Activities:</b>		
Operating (loss)	(50,805)	(137,902)
<b>Adjustments to reconcile operating (loss) to net cash from operating activities:</b>		
Depreciation	69,950	113,156
Prior year capitalized asset expensed in the current year	42,755	-
(Increase) decrease in prepaid expenses	(12,057)	(172)
(Increase) decrease in accounts receivable	(278)	(1,614)
Increase (decrease) in accounts payable and accrued payroll taxes	(2,478)	(777)
Increase (decrease) in prepaid revenue	771	1,252
<b>Total Adjustments</b>	<b>98,663</b>	<b>111,845</b>
<b>Net Cash From Operating Activities</b>	<b>47,858</b>	<b>(26,057)</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**East River Regional Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**I. Summary of Significant Accounting Policies**

The East River Regional Sanitation District (the "District") is a quasi-governmental corporation and governmental subdivision of the State of Colorado located in Gunnison, Colorado. The District was organized on April 25, 1984, for the purpose of providing waste water treatment and transmission service facilities for the District. The District currently is comprised of seven subdivisions covering an area of approximately 1,000 acres.

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

**A. Reporting Entity**

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

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

**B. Accounting Policies**

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

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

**East River Regional Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

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

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

**1. Long-term Economic Focus and Accrual Basis**

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

**2. Financial Statement Presentation**

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

**D. Financial Statement Accounts**

**1. Cash, Cash Equivalents, and Investments**

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

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 60 months)
- Corporate Bonds (maximum maturity of 60 months)
- Prime Commercial Paper (maximum maturity of 60 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligations and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds

**East River Regional Sanitation District  
Notes to the Financial Statements  
December 31, 2020 and 2019  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established at December 31, 2020 and 2019.

**3. Property Taxes**

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

**4. Prepaid Expenses**

Prepaid expenses are amounts paid in advance for expenses related to subsequent years.

**5. Capital Assets**

Capital assets, which include land, sewer collection systems and related improvements and equipment, are reported in the financial statements. The District defines capital assets as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed.

The land and easements on which the waste water treatment plant is situated is recorded at cost plus legal fees incurred for acquisition.

The treatment and sewer collection facilities are recorded at their cost, which includes engineering and capitalized net interest costs and legal fees.

Sewer collection systems and improvements and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Sewer collection system and improvements	10-33
Equipment	3-10

**6. Compensated Absences**

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

**East River Regional Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**7. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This amount is deferred and recognized as an inflow of resources in the period that these amounts become available.

**8. Tap Fees**

*Accounting and Financial Reporting for Non-Exchange Transactions*, GASB 33, requires that government entities that receive tap fees record the tap fees as revenue for accounting periods beginning after June 15, 2000. The District has reported tap fees for the year ended December 31, 2020 as revenue in the accompanying financial statements; for periods prior to December 31, 2001, the tap fees were recorded as contributed capital by the District.

**E. Significant Accounting Policies**

**1. Use of Estimates**

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

**2. Restricted and Unrestricted Resources**

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

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

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

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

**East River Regional Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2020.

1. For the 2020 budget year, prior to August 25, 2019, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10 only once by a single notification to the District.
2. The Manager of the District submitted, on or before October 15, 2019, a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
3. Prior to December 15, 2019, after a required publication of "Notice of Proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; supplemental appropriations were made for the year 2019; b) approve emergency appropriations; and c) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2019 were collected in 2020 and taxes certified in 2020 will be collected in 2021. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

During the year, a supplemental appropriation ordinance was necessary. The budgetary comparison statements reflect the original budget and the final budget after legally authorized revisions were made.

**East River Regional Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

The budget for the proprietary fund is adopted on a Non-GAAP budgetary basis and is reconciled to GAAP basis on the budget to actual statement and as presented below for 2020:

Excess of Revenues Over Expenditures	\$ 311,495
Reconciliation to GAAP Basis:	
Capital outlay	43,392
Depreciation	(69,950)
Prior year capitalized asset expensed in the current year	(42,755)
Net GAAP Adjustments	(69,313)
<b>Change in Net Position - GAAP Basis</b>	<b>\$ 242,182</b>

The reconciliation for 2019 is as follows:

Excess of Revenues Over Expenditures	\$ 400,121
Reconciliation to GAAP Basis:	
Capital outlay	34,166
Depreciation	(113,156)
Disposal of capital assets	(7,740)
Net GAAP Adjustments	(86,730)
<b>Change in Net Position - GAAP Basis</b>	<b>\$ 313,391</b>

**B. TABOR Amendment**

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

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has provided for an emergency reserve of \$18,000 in compliance with TABOR at December 31, 2020.

**East River Regional Sanitation District  
Notes to the Financial Statements  
December 31, 2020 and 2019  
(Continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

The electorate of the District approved the following ballot questions:

- 1) An increase of up to \$700,000 in the final year of a phased-in tax increase by a certification of additional mill levies for general fund operating expenses in addition to debt service, which increase may be levied and spend regardless of any limitations imposed by C.R.S. § 29-1-301, *et seq.* and Article X, Section 20 of the Colorado Constitution; and
- 2) An increase in East River's revenues and spending up to \$700,000 in any one fiscal year to the extent that revenues and spending in each fiscal year are in excess of applicable revenue and spending limits.

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

**III. Detailed Notes on All Funds**

**A. Deposits and Investments**

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. There were no investments requiring disclosure of the fair value hierarchy.

At years ended, the District had the following deposits and maturities:

<b>December 31, 2020</b>				
<b>Type</b>	<b>Rating</b>	<b>Carrying Amount</b>	<b>Maturities</b>	
			<b>Less Than One Year</b>	<b>Less Than Five Years</b>
<i>Deposits:</i>				
Checking	Not rated	\$ 6,436	-	-
Money market	Not rated	367,969	-	-
COLOTRUST investment pool	AAAm	4,241,942	4,241,942	-
		<u>\$ 4,616,347</u>	<u>4,241,942</u>	<u>-</u>

<b>December 31, 2019</b>				
<b>Type</b>	<b>Rating</b>	<b>Carrying Amount</b>	<b>Maturities</b>	
			<b>Less Than One Year</b>	<b>Less Than Five Years</b>
<i>Deposits:</i>				
Checking	Not rated	\$ 3,868	-	-
Money market	Not rated	233,586	-	-
COLOTRUST investment pool	AAAm	4,081,370	4,081,370	-
		<u>\$ 4,318,824</u>	<u>4,081,370</u>	<u>-</u>

**East River Regional Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

The Investment Pool represents an investment in Colorado Liquid Asset Trust (“COLOTRUST”). The investment is measured at the net asset value, and the fair value of the pool is determined by the pool’s share price. The District has no regulatory oversight for the pool.

**1. Interest Rate Risk**

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

**2. Credit Risk**

State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District’s general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

**3. Concentration of Credit Risk**

The District diversifies its investments by security type and institution.

Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, Congressionally authorized mortgage lenders and investments that are federally guaranteed.

Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. Colorado’s PDPA requirement noted above mitigates concentration of credit risk.

**East River Regional Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2020 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 128,842	-	-	128,842
Construction in Progress	42,755	41,045	(42,755)	41,045
<b>Total capital assets not being depreciated</b>	<u>171,597</u>	<u>41,045</u>	<u>(42,755)</u>	<u>169,887</u>
Capital assets, being depreciated:				
Office space	61,087	-	-	61,087
Equipment	136,350	2,347	(5,703)	132,994
Plant and collection system	3,305,288	-	-	3,305,288
<b>Total capital assets being depreciated</b>	<u>3,502,725</u>	<u>2,347</u>	<u>(5,703)</u>	<u>3,499,369</u>
Less accumulated depreciation for:				
Office space	(35,406)	(2,036)	-	(37,442)
Equipment	(71,272)	(13,737)	5,702	(79,307)
Plant and collection system	(2,406,550)	(54,177)	-	(2,460,727)
<b>Total accumulated depreciation</b>	<u>(2,513,228)</u>	<u>(69,950)</u>	<u>5,702</u>	<u>(2,577,476)</u>
Total capital assets being depreciated, net	<u>989,497</u>	<u>(67,603)</u>	<u>(1)</u>	<u>921,893</u>
<b>Total capital assets, net</b>	<u>\$ 1,161,094</u>	<u>(26,558)</u>	<u>(42,756)</u>	<u>1,091,780</u>

**East River Regional Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**B. Capital Assets (continued)**

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 128,842	-	-	128,842
Construction in Progress	38,376	4,379	-	42,755
<b>Total capital assets     not being depreciated</b>	<u>167,218</u>	<u>4,379</u>	<u>-</u>	<u>171,597</u>
Capital assets, being depreciated:				
Office space	61,087	-	-	61,087
Equipment	133,655	29,787	(27,092)	136,350
Plant and collection system	3,305,288	-	-	3,305,288
<b>Total capital assets     being depreciated</b>	<u>3,500,030</u>	<u>29,787</u>	<u>(27,092)</u>	<u>3,502,725</u>
Less accumulated depreciation for:				
Office space	(33,370)	(2,036)	-	(35,406)
Equipment	(77,314)	(13,309)	19,351	(71,272)
Plant and collection system	(2,308,739)	(97,811)	-	(2,406,550)
<b>Total accumulated depreciation</b>	<u>(2,419,423)</u>	<u>(113,156)</u>	<u>19,351</u>	<u>(2,513,228)</u>
Total capital assets being depreciated, net	<u>1,080,607</u>	<u>(83,369)</u>	<u>(7,741)</u>	<u>989,497</u>
<b>Total capital assets, net</b>	<u><u>\$ 1,247,825</u></u>	<u><u>(78,990)</u></u>	<u><u>(7,741)</u></u>	<u><u>1,161,094</u></u>

**IV. Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to workers compensation; general liability, unemployment, torts, theft of, damage to, and destruction of assets; and errors and omissions. The District has acquired commercial coverage for these risks and claims, if any, are not expected to exceed the commercial insurance coverage.

**East River Regional Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

**IV. Other Information (continued)**

**B. Section 401(a) Retirement Plan**

The District offers its employees a retirement savings plan created in accordance with Internal Revenue Code Section 401(a) (the "Plan"). The Plan is administered and invested by Colorado Retirement Association ("CRA"). The benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

The District Manager has the ability to amend benefit terms and has authorized the following terms. Employees of the District, who work at least 12 months per year and 24 hour per week, with 12 months of continuous service, are eligible to participate in the Plan. All participants make required contributions equal to 5% of compensation, as defined in the Plan, and the District makes a matching contribution of 5%. Employee contributions are fully vested upon contribution. The District's contributions vest 25% after two years, and the vesting percentage increase 25% each year after that, and become fully vested after five years.

The District's 2020 and 2019 covered payroll was \$90,441 and \$86,978, respectively. During 2020 and 2019, the District's required and actual contributions amounted to \$4,350 and \$4,521, respectively. No forfeited contributions were used to reduce the District's contributions. Participants' required and actual contributions for 2020 and 2019 amounted to \$4,522 and \$4,349, respectively.

As of December 31, 2020 and 2019, there were no outstanding contribution liabilities.

**C. Section 457 Deferred Compensation Plan**

The District has adopted an IRC Section 457 deferred compensation plan administered by CRA. Participants may defer up to the lesser of \$19,500 or 100% of the participant's includable compensation. The District has elected not to make employer contributions under the plan. Participants over age 50 are eligible to contribute more than the \$19,500 limit due to a catch up provision in the plan. The District is neither the trustee nor the administrator and has no liability under the plan.

**SUPPLEMENTARY INFORMATION**

**East River Regional Sanitation District  
Schedule of Revenues and Expenditures  
Budget (Non-GAAP Basis) and Actual  
With Reconciliation to GAAP Basis  
For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)**

	<u>2020</u>			<b>Final Budget Variance Positive (Negative)</b>	<u>2019</u>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>					
Service fees	252,000	260,786	260,786	-	250,622
Property taxes	90,990	91,408	91,408	-	90,703
Specific ownership taxes	6,000	6,019	5,949	(70)	6,810
Interest	60,000	30,169	30,610	441	91,594
Tap fees	44,710	210,528	210,528	-	264,914
Miscellaneous and rents	1,900	1,664	2,244	580	19,133
<b>Total Revenues</b>	<u>455,600</u>	<u>600,574</u>	<u>601,525</u>	<u>951</u>	<u>723,776</u>
<b>Expenditures:</b>					
Accounting and auditing	8,600	8,185	8,185	-	8,010
Salaries and payroll benefits	139,500	143,100	137,724	5,376	137,374
Directors' fees	7,000	6,000	5,400	600	5,800
Treasurer's fees	2,830	2,842	2,753	89	2,728
Repair and maintenance	50,000	15,000	9,388	5,612	58,414
Legal	25,000	15,000	13,179	1,821	12,244
Utilities	27,000	27,000	25,618	1,382	25,098
Insurance	12,000	25,022	12,793	12,229	11,504
Office expense	10,000	10,000	10,087	(87)	6,912
Operational engineering and consulting	10,000	1,000	-	1,000	846
Fees and dues	3,000	3,000	2,062	938	2,455
Tests	5,000	5,000	3,764	1,236	4,097
Chemicals and supplies	5,000	5,000	3,359	1,641	3,356
Miscellaneous expense	500	516	800	(284)	2,183
Telephone	4,500	4,500	4,130	370	3,934
Travel and education	3,000	500	-	500	704
Truck expense	4,000	3,000	2,773	227	3,830
Capital outlay	290,000	54,000	48,015	5,985	34,166
<b>Total Expenditures</b>	<u>606,930</u>	<u>328,665</u>	<u>290,030</u>	<u>38,635</u>	<u>323,655</u>
<b>Excess of Revenues Over Expenditures</b>	<u>(151,330)</u>	<u>271,909</u>	<u>311,495</u>	<u>39,586</u>	<u>400,121</u>
<b>Reconciliation to GAAP Basis:</b>					
Capitalized assets			43,392		34,166
Depreciation			(69,950)		(113,156)
Gain (Loss) on disposal of capital assets			-		(7,740)
Prior year capitalized asset expensed in the current year			(42,755)		-
<b>Net GAAP Basis Adjustments</b>			<u>(69,313)</u>		<u>(86,730)</u>
<b>Change in Net Position</b>			<u>242,182</u>		<u>313,391</u>

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