

SOUTH ARAPAHOE SANITATION DISTRICT
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2020 AND 2019

**SOUTH ARAPAHOE SANITATION DISTRICT
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YEARS ENDED DECEMBER 31, 2020 AND 2019**

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Independent Auditor's Report

Board of Directors
South Arapahoe Sanitation District
Arapahoe County, Colorado

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 general accepted in the United States. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of South Arapahoe Sanitation District as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

The management's discussion and analysis information on pages III through VIII is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Sincerely,

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP
April 7, 2021

**SOUTH ARAPAHOE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

The management of South Arapahoe Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2020.

Financial Highlights

- Net position increased \$161,903 during 2020.
- The District had \$1,395,695 of operating revenue for sewer services as compared to revenue of \$1,327,882 in 2019, and \$1,284,162 of operating expenses for sewer as compared to expenses of \$1,132,828 in 2019.
- Operating revenues and operating expenses, exclusive of depreciation and third party reimbursements, increased 5.11% and decreased 6.94% over 2019 revenues and expenses, respectively.
- One sewer tap was issued in 2020, raising the total number of Single Family Equivalents (SFE) in the District to 11,116.
- Funds available (current assets less current liabilities and deferred inflows of resources) increased \$149,246 from \$5,241,404 in 2019 to \$5,390,650 in 2020.
- The District constructed \$345,577 of capital improvements during 2020.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of Financial Statements and Notes to Financial Statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The financial statements of the District are presented as a special purpose government engaged only in business type activities - providing sewer utility services.

The *statement of net position* presents information on all of the District's assets, liabilities and deferred inflow of resources, with the difference between the three reported as net position. Over time, increases or decreases in the 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 net position* presents information that reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *statement of cash flows* reports the District's cash flows from operating, noncapital financing, capital, and investing activities.

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

**SOUTH ARAPAHOE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

The *supplemental information* contained in this report provides a schedule of budget and actual information and a reconciliation of budgetary basis to the statement of revenues, expenses, and changes in net assets.

The statement of net position and reviews of revenue and expenses are condensed with comments and presented as follows:

Statement of Net Position

	December 31,		
	2020	2019	2018
ASSETS			
Current Assets	\$ 6,358,712	\$ 6,165,540	\$ 6,127,640
Capital Assets	7,557,271	7,544,614	7,454,133
Total Assets	<u>13,915,983</u>	<u>13,710,154</u>	<u>13,581,773</u>
LIABILITIES			
Current Liabilities	968,062	924,136	1,139,151
Total Liabilities	<u>968,062</u>	<u>924,136</u>	<u>1,139,151</u>
NET POSITION			
Net Assets Invested in Capital Assets	7,557,271	7,544,614	7,454,133
Unrestricted Net Position	5,390,650	5,241,404	4,988,489
Total Net Position	<u>\$ 12,947,921</u>	<u>\$ 12,786,018</u>	<u>\$ 12,442,622</u>

The District increased its net position \$161,903 during 2020 and \$343,396 during 2019. Current assets increased \$193,172 from 2019. The "Funds Available" (current assets less current liabilities and deferred inflows of resources) calculates to \$5,390,650 for 2020 and \$5,241,404 for 2019, which is available primarily for future operations and capital projects.

**SOUTH ARAPAHOE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Review of Change in Net Position

	December 31,		
	2020	2019	2018
REVENUES			
Operating Revenue:			
Sewer Services	\$ 1,395,695	\$ 1,327,882	\$ 1,314,032
Total Operating Revenue	<u>1,395,695</u>	<u>1,327,882</u>	<u>1,314,032</u>
Nonoperating Revenue (Expenses):			
Investment Income	39,865	119,878	86,751
Other Income	8,000	6,464	8,004
Total Nonoperating Revenue	<u>47,865</u>	<u>126,342</u>	<u>94,755</u>
Capital Contributions:			
Tap Fees	2,505	1,500	17,010
Capital Contributions from Third Parties	-	20,500	-
Total Capital Contributions	<u>2,505</u>	<u>22,000</u>	<u>17,010</u>
Total Revenue	<u>1,446,065</u>	<u>1,476,224</u>	<u>1,425,797</u>
EXPENSES			
Operating Expenses:			
Sewer	663,164	701,110	639,554
Total Operating Expenses	<u>663,164</u>	<u>701,110</u>	<u>639,554</u>
General and Administrative	88,078	106,183	115,026
Other	200,000	-	-
Depreciation	332,920	325,535	315,553
Total Expenses	<u>1,284,162</u>	<u>1,132,828</u>	<u>1,070,133</u>
CHANGE IN NET POSITION	161,903	343,396	355,664
Net Position - Beginning of Year	<u>12,786,018</u>	<u>12,442,622</u>	<u>12,086,958</u>
NET POSITION - END OF YEAR	<u>\$ 12,947,921</u>	<u>\$ 12,786,018</u>	<u>\$ 12,442,622</u>

Total revenue decreased \$30,159 in 2020. Sewer services increased \$67,813 and nonoperating revenue decreased \$78,477. In 2020, tap fees increased by \$1,005. The decrease in net investment income was due to lower interest rate yields on the District's local government investment pool, which decreased from 1.87% as of December 31, 2019 to 0.12% as of December 31, 2020. The City bills annually in advance in June, September, and December. District transmission fees are a percentage of the City's service treatment fees, which were 43% in 2020 and 2019 and 44% in 2018. Operating and general and administrative expenses decreased \$56,051 over 2019 expenses, due mainly to decreased costs for engineering management, locates, and repairs and maintenance. The District also paid \$200,000 to a 3rd party for participation in a construction project that benefited District improvements.

**SOUTH ARAPAHOE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets, and debt repayments, as well as capital outlay, in addition to operations and nonoperating revenue and contributions. Depreciation is not reflected on the budget since it does not affect "funds available." This budgetary accounting is required by State statutes.

Total revenue of the District was less than the budgeted revenue by \$65,935 due mainly to the negative variances for investment income and District transmission fees.

Actual expenditures of the District were less than the budgeted appropriation by \$299,581, which included positive variances for repairs and maintenance, engineering management, and capital improvements. The positive variances were offset by a negative variance for the 3rd party reimbursement.

**SOUTH ARAPAHOE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Capital Assets Activity

The activity related to capital assets during 2020, 2019, and 2018 is as follows:

	December 31, 2019	Net Changes	December 31, 2020
Land and Easements	\$ 64,057	\$ -	\$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor Sewer System	343,026 16,002,003	- 345,577	343,026 16,347,580
Total Capital Assets	<u>16,409,086</u>	<u>345,577</u>	<u>16,754,663</u>
Accumulated Depreciation	<u>(8,864,472)</u>	<u>(332,920)</u>	<u>(9,197,392)</u>
Net Capital Assets	<u>\$ 7,544,614</u>	<u>\$ 12,657</u>	<u>\$ 7,557,271</u>
	December 31, 2018	Net Changes	December 31, 2019
Land and Easements	\$ 64,057	\$ -	\$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor Sewer System	343,026 15,585,987	- 416,016	343,026 16,002,003
Total Capital Assets	<u>15,993,070</u>	<u>416,016</u>	<u>16,409,086</u>
Accumulated Depreciation	<u>(8,538,937)</u>	<u>(325,535)</u>	<u>(8,864,472)</u>
Net Capital Assets	<u>\$ 7,454,133</u>	<u>\$ 90,481</u>	<u>\$ 7,544,614</u>
	December 31, 2017	Net Changes	December 31, 2018
Land and Easements	\$ 64,057	\$ -	\$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor Sewer System	343,026 15,108,767	- 477,220	343,026 15,585,987
Total Capital Assets	<u>15,515,850</u>	<u>477,220</u>	<u>15,993,070</u>
Accumulated Depreciation	<u>(8,223,384)</u>	<u>(315,553)</u>	<u>(8,538,937)</u>
Net Capital Assets	<u>\$ 7,292,466</u>	<u>\$ 161,667</u>	<u>\$ 7,454,133</u>

The 2020 capital asset activity of \$325,577 and the 2019 capital asset activity of \$395,516 were spent for engineering, design, and construction of sewer pipe by cured-in-place rehabilitation and manhole rehabilitation. In 2020, the District also spent \$20,000 for a GIS system upgrade. In 2019, the District accepted \$20,500 of contributed capital.

Additional information on the District's capital assets can be found in Note 4 of this report.

**SOUTH ARAPAHOE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Economic and Other Factors

The District expects to maintain a customer base of approximately 11,000 Single Family Equivalents (SFE). The planned continuing maintenance schedule of the District will videotape all clay lines over a two-year period, all PVC lines over a four-year period, and all outfall lines over a four-year period. All line types will be jet cleaned at least every four years. The District is also developing a Geographic Information System (GIS) that will provide detailed information on the District's sewer assets.

The District intends to maintain its percentage for transmission fees at a rate that will generate revenues to produce a funds available balance that will be sufficient to provide a capital reserve for future replacement of the District's sewer system assets, as well as unforeseen contingencies. The District's targeted reserves for capital replacement at December 31, 2020, was \$3,103,753.

Request for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Arapahoe Sanitation District
8390 E. Crescent Parkway, Suite 300
Greenwood Village, CO 80111

BASIC FINANCIAL STATEMENTS

**SOUTH ARAPAHOE SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,167	\$ 5,335
Certificates of Deposit	262,799	257,853
Investments	5,210,854	5,118,351
Accounts Receivable	831,245	779,276
Other Receivable	41,228	-
Interest Receivable	3,050	4,725
Prepaid Expenses	6,369	-
Total Current Assets	6,358,712	6,165,540
CAPITAL ASSETS, Net		
Capital Assets Not Being Depreciated	407,083	407,083
Capital Assets, Net of Accumulated Depreciation	7,150,188	7,137,531
Total Capital Assets, Net	7,557,271	7,544,614
Total Assets	\$ 13,915,983	\$ 13,710,154
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 87,381	\$ 90,224
Unearned Revenue	880,681	833,912
Total Current Liabilities	968,062	924,136
NET POSITION		
Net Investment in Capital Assets	7,557,271	7,544,614
Unrestricted	5,390,650	5,241,404
Total Net Position	12,947,921	12,786,018
Total Liabilities and Net Position	\$ 13,915,983	\$ 13,710,154

See accompanying Notes to Basic Financial Statements.

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

	2020	2019
OPERATING REVENUES		
District Transmission Fees	\$ 1,379,981	\$ 1,313,382
Industrial Pretreatment Program	15,714	14,500
Total Operating Revenues	1,395,695	1,327,882
OPERATING EXPENSES		
General and Administrative:		
Accounting	43,122	52,129
Audit	3,850	3,850
Conferences/Seminars	-	2,570
Customer Communications	1,000	4,103
Directors' Fees	6,000	5,400
Dues/Licenses	1,238	1,238
Insurance and Fidelity Bonds	6,771	6,586
Legal Fees	24,380	28,293
Miscellaneous	391	580
Payroll Taxes	459	413
Utilities	867	1,021
Sewer:		
Depreciation	332,920	325,535
Engineering Management	179,838	192,065
Locates	51,268	63,149
Plan Review/Construction Observation	11,573	5,822
Repairs and Maintenance	420,485	440,074
Other:		
3rd Party Reimbursement	200,000	-
Total Operating Expenses	1,284,162	1,132,828
OPERATING INCOME	111,533	195,054
NONOPERATING REVENUES (EXPENSES)		
Investment Income	39,865	119,878
Plan Review/Construction Observation Fees	7,000	2,000
Other Income	1,000	4,464
Total Nonoperating Revenues	47,865	126,342
CAPITAL CONTRIBUTIONS		
Tap Fees	2,505	1,500
Capital Contributions from Third Parties	-	20,500
Total Capital Contributions	2,505	22,000
CHANGE IN NET POSITION	161,903	343,396
Total Net Position - Beginning of Year	12,786,018	12,442,622
TOTAL NET POSITION - END OF YEAR	\$ 12,947,921	\$ 12,786,018

See accompanying Notes to Basic Financial Statements.

**SOUTH ARAPAHOE SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 1,349,267	\$ 1,345,290
Payment for Operating Expenses	<u>(960,454)</u>	<u>(1,047,438)</u>
Net Cash Provided by Operating Activities	388,813	297,852
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tap Fees	2,505	1,500
Other Nonoperating Revenue	<u>8,000</u>	<u>6,464</u>
Net Cash Provided by Noncapital Financing Activities	10,505	7,964
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	<u>(345,577)</u>	<u>(395,516)</u>
Net Cash (Required) by Capital and Related Financing Activities	(345,577)	(395,516)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Certificate of Deposit Maturity	250,000	495,000
Purchase of Certificate of Deposit	(250,000)	(250,000)
Decrease in U.S. Government Investments	-	2,181,153
Interest Received	<u>41,540</u>	<u>123,710</u>
Net Cash Provided by Investing Activities	41,540	2,549,863
 NET INCREASE IN CASH AND CASH EQUIVALENTS	95,281	2,460,163
 Cash and Cash Equivalents - Beginning of Year	<u>5,131,539</u>	<u>2,671,376</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,226,820</u></u>	<u><u>\$ 5,131,539</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from Operations	\$ 111,533	\$ 195,054
Adjustments to Reconcile Income from Operations to Net Cash Flows Provided by Operating Activities:		
Depreciation/Amortization	332,920	325,535
Net (Increase) Decrease in Accounts Receivable and Other Receivables	(93,197)	(14,308)
Net (Increase) Decrease in Prepaid Expenses	(6,369)	6,586
Net Increase (Decrease) in Accounts Payable and Accrued Expenses	(2,843)	(246,731)
Net Increase (Decrease) in Unearned Revenue	<u>46,769</u>	<u>31,716</u>
Net Cash Provided by Operating Activities	<u><u>\$ 388,813</u></u>	<u><u>\$ 297,852</u></u>

See accompanying Notes to Basic Financial Statements.

**SOUTH ARAPAHOE SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 DEFINITION OF REPORTING ENTITY

South Arapahoe Sanitation District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for Arapahoe County on July 30, 1957, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in unincorporated Arapahoe County, Colorado, City of Greenwood Village, Colorado, City of Littleton, Colorado, and City of Centennial, Colorado. The District was established to provide and maintain sanitary sewer lines and contracts with the City of Englewood (City) for sewage treatment services.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting

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

**SOUTH ARAPAHOE SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

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

Budgets

In accordance with the State Budget Law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Cash Equivalents

For purposes of the statements of cash flows, the District considers all cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Capital Assets

Capital assets, which include land and easements, capacity rights, and sewer system components, are reported by the District. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of 10 to 40 years.

Contributed Public Improvements

Public improvements contributed to the District by developers are recorded as capital contributions and additions to the systems at estimated fair value when received.

**SOUTH ARAPAHOE SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Public Improvements (Continued)

The District receives contributions in aid of construction from various sources. They are recorded as follows:

Sewer System – Sewer lines are temporarily accepted by the District for a probationary period of twelve months, during which time the developer remains responsible for maintenance and operation of the lines. Upon completion of the probationary period and the meeting of certain requirements, the lines are permanently accepted by the District. The lines are recorded at the time of probationary acceptance by the District at actual or estimated cost to the developer as capital contributions.

Tap Fees – These fees become collectible upon issuance of the tap permit and are classified as capital contributions at the time of collection.

Inclusion Fees – The District, upon approval of the board of directors, allows lines from outside the District's boundaries to connect to its sewer lines. The users of these lines are billed for the cost of the facilities to be constructed by the District in order to complete the connection.

Reclassifications

For comparability, certain 2019 amounts have been reclassified where appropriate to conform with the 2020 financial statement presentation.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020 and 2019 are classified in the accompanying financial statements as follows:

	<u>2020</u>	<u>2019</u>
Statement of Net Position:		
Cash	\$ 3,167	\$ 5,335
Certificates of Deposit	262,799	257,853
Investments	<u>5,210,854</u>	<u>5,118,351</u>
Total Cash and Investments	<u>\$ 5,476,820</u>	<u>\$ 5,381,539</u>

Cash and cash equivalents per the statement of cash flows as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Deposits with Financial Institutions	\$ 3,167	\$ 5,335
Certificates of Deposits	262,799	257,853
Less Principal Amount of CDs	(250,000)	(250,000)
Investments	<u>5,210,854</u>	<u>5,118,351</u>
Total Cash and Investments, Net	<u>\$ 5,226,820</u>	<u>\$ 5,131,539</u>

**SOUTH ARAPAHOE SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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

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

At December 31, 2020 and 2019, the District's cash deposits had a bank balance of \$130,169 and \$6,385 and a carrying balance of \$3,167 and \$5,335, respectively.

At December 31, 2020 and 2019, the District's deposits also included certificates of deposit with financial institutions of \$262,799 and \$257,853, respectively; \$250,000 and \$250,000, respectively, is insured through the FDIC, with the remaining balance collateralized through single institution pools.

Investments

The District has adopted a formal investment policy which follows state statutes regarding investments.

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

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

**SOUTH ARAPAHOE SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 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, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

Fair Value Measurement and Application

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

As of December 31, 2020 and 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>	
		<u>2020</u>	<u>2019</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	\$ 5,210,854	\$ 3,296,066
Morgan Stanley - MSILF Govt Sec Part	Weighted Average 33 Days	-	1,822,285
Total		<u>\$ 5,210,854</u>	<u>\$ 5,118,351</u>

**SOUTH ARAPAHOE SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The state securities commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both 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 (S&P). COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Morgan Stanley Institutional Liquidity Funds

The District invested in the Morgan Stanley Institutional Liquidity Funds – Governmental Securities Portfolio. This portfolio is an institutional mutual fund which invests in U.S. Agency and U.S. Treasury securities, with weighted average maturities of 33 days or less. The portfolio is rated AAAM by S&P.

**SOUTH ARAPAHOE SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2020 and 2019 follows:

	Balance - December 31, 2019	Increases	Decreases	Balance - December 31, 2020
Capital Assets Not Being Depreciated:				
Land and Easements Capacity in Southgate's Big Dry Creek Interceptor	\$ 64,057	\$ -	\$ -	\$ 64,057
Total Capital Assets, Not Being Depreciated	<u>343,026</u>	<u>-</u>	<u>-</u>	<u>343,026</u>
Capital Assets Being Depreciated:				
GIS Program	92,022	20,000	-	112,022
Sewer System	15,909,981	325,577	-	16,235,558
Total Capital Assets Being Depreciated	<u>16,002,003</u>	<u>345,577</u>	<u>-</u>	<u>16,347,580</u>
Less Accumulated Depreciation For:				
GIS Program	(62,534)	(10,202)	-	(72,736)
Sewer System	(8,801,938)	(322,718)	-	(9,124,656)
Total Accumulated Depreciation	<u>(8,864,472)</u>	<u>(332,920)</u>	<u>-</u>	<u>(9,197,392)</u>
Total Capital Assets Being Depreciated	<u>7,137,531</u>	<u>12,657</u>	<u>-</u>	<u>7,150,188</u>
Capital Assets, Net	<u>\$ 7,544,614</u>	<u>\$ 12,657</u>	<u>\$ -</u>	<u>\$ 7,557,271</u>

**SOUTH ARAPAHOE SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance - December 31, 2018	Increases	Decreases	Balance - December 31, 2019
Capital Assets Not Being Depreciated:				
Land and Easements Capacity in Southgate's Big Dry Creek Interceptor	\$ 64,057	\$ -	\$ -	\$ 64,057
Total Capital Assets Not Being Depreciated	<u>343,026</u>	<u>-</u>	<u>-</u>	<u>343,026</u>
Capital Assets Being Depreciated:				
GIS Program	92,022	-	-	92,022
Sewer System	15,493,965	416,016	-	15,909,981
Total Capital Assets Being Depreciated	<u>15,585,987</u>	<u>416,016</u>	<u>-</u>	<u>16,002,003</u>
Less Accumulated Depreciation For:				
GIS Program	(53,331)	(9,203)	-	(62,534)
Sewer System	(8,485,606)	(316,332)	-	(8,801,938)
Total Accumulated Depreciation	<u>(8,538,937)</u>	<u>(325,535)</u>	<u>-</u>	<u>(8,864,472)</u>
Total Capital Assets Being Depreciated	<u>7,047,050</u>	<u>90,481</u>	<u>-</u>	<u>7,137,531</u>
Capital Assets, Net	<u>\$ 7,454,133</u>	<u>\$ 90,481</u>	<u>\$ -</u>	<u>\$ 7,544,614</u>

Depreciation expense for the year ended December 31, 2020 and 2019 was charged to the following operations:

	2020	2019
Sewer	<u>\$ 332,920</u>	<u>\$ 325,535</u>
Total Depreciation Expense	<u>\$ 332,920</u>	<u>\$ 325,535</u>

NOTE 5 INTERGOVERNMENTAL AGREEMENTS

City of Englewood Sewage Treatment

The District has a service contract with the City of Englewood. Under the terms of the contract, Englewood treats all District sewage, bills District residents for this service, and retains all treatment service billing collections. Englewood Service treatment fees were \$3,327,453 and \$3,150,949 in 2020 and 2019, respectively.

The District charges for transmission fees which are added to the treatment fees billed by Englewood. Collection of these fees, net of uncollected transmission and treatment fees, are remitted periodically to the District by Englewood.

**SOUTH ARAPAHOE SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 5 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Basin Interceptor Agreement

The District has entered into an intergovernmental agreement (Basin Interceptor Agreement) with the City of Englewood, Southgate Sanitation District, and the South Englewood Sanitation District to provide for the orderly and timely enlargement of the Big Dry Creek Interceptor system and to properly allocate the individual entities' capacity rights of the interceptor. Legal title to the interceptor shall be held by the City of Englewood and the Southgate Sanitation District. The District shall have the capacity rights set forth in the agreement in the amount of 13,331 Single Family Equivalents. The Agreement identifies eight projects to enlarge the Big Creek Interceptor.

Englewood bills the residents in each party's service area for the estimated maintenance costs of the interceptor and retains all billing collections in trust. The Basin Interceptor Agreement charges were \$202,170 and \$207,839 in 2020 and 2019, respectively.

In late 2005, Southgate Sanitation District advised the other parties to the Basin Interceptor Agreement that further enlargement of the interceptor is unnecessary based upon Southgate's flow projections and engineering analysis. Southgate will limit repair and refurbishment of the interceptor to improvements and measures needed to maintain existing capacity. The participants will be subject to proportionate billings for major repairs/improvements above the amounts contributed for routine maintenance.

Southgate Sanitation District

In conjunction with the Basin Interceptor Agreement, the District has entered into an agreement with the Southgate Sanitation District whereby Southgate assumes the liability for any further capital payments due under the Basin Interceptor Agreement until such time as 1,000 SFE taps have been authorized for service in South Arapahoe. The District estimates that 1,000 SFE taps are more than will be required by the District, and therefore, does not estimate that any payments will be required on the Basin Interceptor Agreement for enlargement of the facilities.

Wastewater Connector and Transmission Agreement

On April 24, 2017, the District entered into an agreement with Arapahoe County, the City of Englewood, and Waste Management of Colorado, Inc. The agreement permits Arapahoe County and Waste Management of Colorado, Inc. to connect a line to the District's sewer system to transmit effluent for the continued dewatering of a landfill site. The City of Englewood is a party to the agreement because it provides the wastewater treatment. The District charges an annual base service charge for the landfill tap in the amount of \$1,000, due in advance. The agreement is in effect through December 31, 2032.

**SOUTH ARAPAHOE SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 NET POSITION

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

Net investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2020 and 2019, the District had net investment in capital assets calculated as follows:

	2020	2019
Net Investment in Capital Assets:		
Capital Assets	\$ 16,754,663	\$ 16,409,086
Less Depreciation	(9,197,392)	(8,864,472)
Net Investment in Capital Assets	\$ 7,557,271	\$ 7,544,614

The unrestricted component of net position is the net amount of the assets, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 7 COMMITMENTS

On July 15, 2019, the District entered into a contract with Insituform Technologies, Inc. for cured-in-place lining of the District's 8" pipeline and associated manhole rehabilitation. The amount of the contract was for \$380,031. The amount remaining on the contract as of December 31, 2019 was \$16,893. The District had no contract commitments as of December 31, 2020.

NOTE 8 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

The District pays annual premiums to the Pool for 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.

**SOUTH ARAPAHOE SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an enterprise will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**SOUTH ARAPAHOE SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
District Transmission Fees	\$ 1,414,000	\$ 1,379,981	\$ (34,019)
Tap Fees	1,500	2,505	1,005
Industrial Pretreatment Program	15,000	15,714	714
Plan Review Fees	2,000	7,000	5,000
Investment Income	74,500	39,865	(34,635)
Other Income	5,000	1,000	(4,000)
Total Revenues	<u>1,512,000</u>	<u>1,446,065</u>	<u>(65,935)</u>
EXPENDITURES			
Repairs and Maintenance	509,800	420,485	89,315
Engineering Management	244,000	179,838	64,162
Accounting	58,000	43,122	14,878
Audit	3,850	3,850	-
Conferences/Seminars	2,500	-	2,500
Customer Communications	4,160	1,000	3,160
Directors' Fees	6,000	6,000	-
Dues/Licenses	1,500	1,238	262
Insurance and Fidelity Bonds	7,000	6,771	229
Legal Fees	40,000	24,380	15,620
Locates	60,000	51,268	8,732
Miscellaneous	1,000	391	609
Payroll Taxes	459	459	-
Plan Review/Construction Observation	27,000	11,573	15,427
Utilities	1,200	867	333
3rd Party Reimbursement	-	200,000	(200,000)
Capital Improvements	620,000	345,577	274,423
Contingency	9,931	-	9,931
Total Expenditures	<u>1,596,400</u>	<u>1,296,819</u>	<u>299,581</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(84,400)	149,246	233,646
Funds Available - Beginning of Year	<u>5,014,433</u>	<u>5,241,404</u>	<u>226,971</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 4,930,033</u>	<u>\$ 5,390,650</u>	<u>\$ 460,617</u>

**SOUTH ARAPAHOE SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020**

	Actual
Funds Available Are Defined As Follows:	
Current Assets	\$ 6,358,712
Less Current Liabilities	<u>(968,062)</u>
Funds Available	<u>\$ 5,390,650</u>
Reconciliation of Budgetary Basis (Actual) To Statement of Revenues, Expenses, and Changes in Net Position:	
Revenues (Budgetary Basis)	<u>\$ 1,446,065</u>
Total Revenue Per Statement of Revenues, Expenses, and Changes in Net Position	<u>1,446,065</u>
Expenditures (Budgetary Basis)	1,296,819
Depreciation	332,920
Capital Outlay	<u>(345,577)</u>
Total Expenses Per Statement of Revenues, Expenses, and Changes in Net Position	<u>1,284,162</u>
Change in Net Position Per Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 161,903</u>