

SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2020 AND 2019

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
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YEARS ENDED DECEMBER 31, 2020 AND 2019**

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Board of Directors
South Englewood Sanitation District No. 1
Arapahoe County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the business-type activities of the South Englewood Sanitation District No. 1, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 respective financial position of the business-type activities of the South Englewood Sanitation District No. 1 as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages III-VII 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 this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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 limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Englewood Sanitation District No. 1's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Simmons & Whelan P.C.

Englewood, CO
May 28, 2021

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

The management of South Englewood Sanitation District No. 1 (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 \$469,273 during 2020.
- The District had \$1,058,186 of operating revenue for sewer services as compared to revenue of \$975,936 in 2019, and \$330,709 of operating expenses for sewer as compared to expenses of \$204,144 in 2019.
- Operating revenues increased 8.4% over 2019 revenues.
- Sewer operating expenses and general and administrative expenses (exclusive of depreciation) increased 17.7% over 2019 expenses.
- Net investment income decreased 69% over 2019 net investment income.
- Funds available (current assets less current liabilities and deferred inflows of resources) increased \$515,254 from \$3,766,207 in 2019 to \$4,281,461 in 2020.
- The District incurred \$43,899 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.

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.

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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 | \$ 4,918,804 | \$ 4,480,048 | \$ 4,213,217 |
| Capital Assets | 3,777,368 | 3,823,349 | 3,366,085 |
| Total Assets | <u>8,696,172</u> | <u>8,303,397</u> | <u>7,579,302</u> |
| LIABILITIES | | | |
| Current Liabilities | <u>637,343</u> | <u>713,841</u> | <u>540,545</u> |
| Total Liabilities | <u>637,343</u> | <u>713,841</u> | <u>540,545</u> |
| NET POSITION | | | |
| Net Assets Invested in Capital Assets | 3,777,368 | 3,823,349 | 3,366,085 |
| Unrestricted Net Position | <u>4,281,461</u> | <u>3,766,207</u> | <u>3,672,672</u> |
| Total Net Position | <u>\$ 8,058,829</u> | <u>\$ 7,589,556</u> | <u>\$ 7,038,757</u> |

The District increased its net position by \$469,273 during 2020 and \$550,799 during 2019. Current assets increased \$438,756 from 2019 primarily due to the increase in cash and investments due to revenues exceeding expenses and a decrease in accounts payable. The District's transmission fee revenue was 60% of Englewood's service treatment fees. The "Funds Available" (current assets less current liabilities and deferred inflows of resources) totaled \$4,281,461 for 2020 and \$3,766,207 for 2019, which is available primarily for future operations and capital projects.

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Review of Change in Net Position

| | <u>December 31,</u> | | |
|---|---------------------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> | |
| REVENUES | | | |
| Operating Revenue: | | | |
| District Transmission Fees | \$ 1,058,186 | \$ 975,936 | \$ 885,782 |
| Total Operating Revenue | <u>1,058,186</u> | <u>975,936</u> | <u>885,782</u> |
| Nonoperating Revenue (Expenses): | | | |
| Investment Income | 27,144 | 87,586 | 71,426 |
| Plan Review/Construction Observation Fees | 10,250 | 4,000 | - |
| Other Income | 1,987 | 2,424 | 2,996 |
| Sewer Tap Fees | 12,000 | 28,000 | 17,018 |
| Total Nonoperating Revenue | <u>51,381</u> | <u>122,010</u> | <u>91,440</u> |
| Total Revenues | <u>1,109,567</u> | <u>1,097,946</u> | <u>977,222</u> |
| EXPENSES | | | |
| Operating Expenses: | | | |
| Sewer | 330,709 | 204,144 | 124,758 |
| Total Operating Expenses | <u>330,709</u> | <u>204,144</u> | <u>124,758</u> |
| General and Administrative | 219,705 | 263,516 | 194,128 |
| Depreciation | 89,880 | 79,487 | 63,623 |
| Total Expenses | <u>640,294</u> | <u>547,147</u> | <u>382,509</u> |
| CHANGE IN NET POSITION | 469,273 | 550,799 | 594,713 |
| Net Position - Beginning of Year | <u>7,589,556</u> | <u>7,038,757</u> | <u>6,444,044</u> |
| NET POSITION - END OF YEAR | <u>\$ 8,058,829</u> | <u>\$ 7,589,556</u> | <u>\$ 7,038,757</u> |

Total revenue increased \$11,621 in 2020. District transmission fees increased \$82,250 and nonoperating revenue decreased \$70,629. In 2020, net sewer tap fees decreased by \$16,000. The decrease in net investment income was due a decrease in interest earnings on the District's local government investment pool, which decreased from 1.86% as of December 31, 2019 to 0.12% as of December 31, 2020. District transmission fees are a percentage of the City's service treatment fees, which were 60% in 2020, 2019, and 2018. Therefore, the increase in District transmission fees was due mainly to an increase in City service treatment fees. Operating and general and administrative expenses increased \$82,754 over 2019 expenses, due mainly to an unanticipated repair to an aerial creek crossing pipeline. In 2019, the District initiated a more aggressive maintenance program.

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.

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Total revenue of the District was greater than the budgeted revenue by \$9,806, due mainly to positive variances for District transmission fees, sewer tap fees, and plan review/construction observation fees, which were offset by a significant negative variance for investment income.

Actual expenditures of the District were less than the budgeted appropriation by \$755,687, which included negative variances for customer communications, plan review/construction observation and repairs and maintenance expenses, offset by positive variances for accounting, engineering management, legal fees, locates, and capital improvements.

Capital Assets Activity

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

| | <u>December 31, 2019</u> | <u>Net Changes</u> | <u>December 31, 2020</u> |
|--------------------------|------------------------------|------------------------|------------------------------|
| Sewer System | \$ 4,941,164 | \$ 42,787 | \$ 4,983,951 |
| Computer Equipment | 39,168 | 1,112 | 40,280 |
| Total Capital Assets | <u>4,980,332</u> | <u>43,899</u> | <u>5,024,231</u> |
| Accumulated Depreciation | <u>(1,156,983)</u> | <u>(89,880)</u> | <u>(1,246,863)</u> |
| Net Capital Assets | <u>\$ 3,823,349</u> | <u>\$ (45,981)</u> | <u>\$ 3,777,368</u> |
| | <u>December 31, 2018</u> | <u>Net Changes</u> | <u>December 31, 2019</u> |
| Sewer System | \$ 4,411,242 | \$ 529,922 | \$ 4,941,164 |
| Computer Equipment | 32,339 | 6,829 | 39,168 |
| Total Capital Assets | <u>4,443,581</u> | <u>536,751</u> | <u>4,980,332</u> |
| Accumulated Depreciation | <u>(1,077,496)</u> | <u>(79,487)</u> | <u>(1,156,983)</u> |
| Net Capital Assets | <u>\$ 3,366,085</u> | <u>\$ 457,264</u> | <u>\$ 3,823,349</u> |
| | <u>December 31, 2017</u> | <u>Net Changes</u> | <u>December 31, 2018</u> |
| Sewer System | \$ 3,939,652 | \$ 471,590 | \$ 4,411,242 |
| Computer Equipment | 32,339 | - | 32,339 |
| Total Capital Assets | <u>3,971,991</u> | <u>471,590</u> | <u>4,443,581</u> |
| Accumulated Depreciation | <u>(1,013,873)</u> | <u>(63,623)</u> | <u>(1,077,496)</u> |
| Net Capital Assets | <u>\$ 2,958,118</u> | <u>\$ 407,967</u> | <u>\$ 3,366,085</u> |

The 2020 capital asset activity of \$43,899 consisted mainly of engineering costs related to the District's contract for 2020 cured-in-place construction, which was delayed until 2021. The 2019 capital asset activity of \$536,751 was spent for engineering, design, and construction of sewer pipe by cured-in-place rehabilitation and manhole rehabilitation.

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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

Economic and Other Factors

The District's wastewater collection system includes over 52 miles of sewer lines, ranging in size from 8" to 24" in diameter, plus over 1,750 manholes. Sewage from the District is conveyed to the South Platte Water Renewal Partners Wastewater Treatment Plant. The District serves approximately 4,612 customers located within the Cities of Englewood and Centennial. The District expects to maintain this customer base and continue with a planned maintenance schedule.

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 Englewood Sanitation District No. 1
8390 E. Crescent Parkway, Suite 300
Greenwood Village, CO 80111

BASIC FINANCIAL STATEMENTS

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

| | 2020 | 2019 |
|---|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 4,189,973 | \$ 3,842,321 |
| Accounts Receivable | 721,669 | 637,635 |
| Other Receivable | - | 92 |
| Prepaid Expenses | 7,162 | - |
| Total Current Assets | 4,918,804 | 4,480,048 |
| CAPITAL ASSETS, Net | | |
| Capital Assets Not Being Depreciated | 42,787 | 446,771 |
| Capital Assets, Net of Accumulated Depreciation | 3,734,581 | 3,376,578 |
| Total Capital Assets, Net | 3,777,368 | 3,823,349 |
| Total Assets | \$ 8,696,172 | \$ 8,303,397 |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 66,685 | \$ 163,319 |
| Retainage Payable | - | 22,339 |
| Unearned Revenue | 570,658 | 528,183 |
| Total Current Liabilities | 637,343 | 713,841 |
| NET POSITION | | |
| Net Investment in Capital Assets | 3,777,368 | 3,823,349 |
| Unrestricted | 4,281,461 | 3,766,207 |
| Total Net Position | 8,058,829 | 7,589,556 |
| Total Liabilities and Net Position | \$ 8,696,172 | \$ 8,303,397 |

See accompanying Notes to Basic Financial Statements.

SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|--------------|--------------|
| OPERATING REVENUES | | |
| District Transmission Fees | \$ 1,058,186 | \$ 975,936 |
| Total Operating Revenues | 1,058,186 | 975,936 |
| OPERATING EXPENSES | | |
| Accounting | 41,906 | 59,995 |
| Auditing | 5,200 | 5,200 |
| Customer Communications | 7,431 | 1,372 |
| Directors' Fees | 5,400 | 5,300 |
| Dues/Licenses | 731 | 620 |
| Engineering Management | 48,109 | 66,624 |
| Insurance and Bonds | 5,011 | 7,724 |
| Legal Fees | 28,244 | 42,802 |
| Locates | 59,911 | 65,379 |
| Miscellaneous | 14 | 601 |
| Payroll Taxes | 413 | 405 |
| Plan Review/Construction Observation | 17,335 | 6,694 |
| Website Maintenance | - | 800 |
| Repairs and Maintenance | 330,709 | 204,144 |
| Depreciation | 89,880 | 79,487 |
| Total Operating Expenses | 640,294 | 547,147 |
| OPERATING INCOME | 417,892 | 428,789 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment Income | 27,144 | 87,586 |
| Plan Review/Construction Observation Fees | 10,250 | 4,000 |
| Sewer Tap Fees | 12,000 | 28,000 |
| Other Income | 1,987 | 2,424 |
| Total Nonoperating Revenues | 51,381 | 122,010 |
| CHANGE IN NET POSITION | 469,273 | 550,799 |
| Total Net Position - Beginning of Year | 7,589,556 | 7,038,757 |
| TOTAL NET POSITION - END OF YEAR | \$ 8,058,829 | \$ 7,589,556 |

See accompanying Notes to Basic Financial Statements.

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

| | 2020 | 2019 |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers | \$ 1,016,627 | \$ 960,594 |
| Payment for Operating Expenses | <u>(676,880)</u> | <u>(413,167)</u> |
| Net Cash Provided by Operating Activities | 339,747 | 547,427 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Sewer Tap Fees | 12,000 | 28,000 |
| Other Nonoperating Revenue | <u>12,329</u> | <u>6,424</u> |
| Net Cash Provided by Noncapital Financing Activities | 24,329 | 34,424 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of Capital Assets | <u>(43,568)</u> | <u>(450,121)</u> |
| Net Cash Used by Capital and Related Financing Activities | (43,568) | (450,121) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received | <u>27,144</u> | <u>87,586</u> |
| Net Cash Provided by Investing Activities | <u>27,144</u> | <u>87,586</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 347,652 | 219,316 |
| Cash and Cash Equivalents - Beginning of Year | <u>3,842,321</u> | <u>3,623,005</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 4,189,973</u></u> | <u><u>\$ 3,842,321</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Income from Operations | \$ 417,892 | \$ 428,789 |
| Adjustments to Reconcile Income (Loss) from Operations to Net Cash Flows Provided by Operating Activities: | | |
| Depreciation/Amortization | 89,880 | 79,487 |
| Net (Increase) Decrease in Accounts Receivable | (84,034) | (55,239) |
| Net (Increase) Decrease in Prepaid Expenses | (7,162) | 7,724 |
| Net Increase (Decrease) in Accounts Payable | (119,304) | 46,861 |
| Net Increase (Decrease) in Unearned Revenue | 42,475 | 39,805 |
| Net Cash Provided by Operating Activities | <u><u>\$ 339,747</u></u> | <u><u>\$ 547,427</u></u> |

See accompanying Notes to Basic Financial Statements.

SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 DEFINITION OF REPORTING ENTITY

South Englewood Sanitation District No. 1 (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, 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 Arapahoe County, Colorado, Englewood, Colorado. The District was established to develop and provide sanitary sewer operations and maintenance services. The District's primary revenues are sewer user fees. Wastewater treatment is provided by the City of Englewood (City), and charges for these services are billed and collected directly from District customers by the City.

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 ENGLEWOOD SANITATION DISTRICT NO. 1
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 computer equipment 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 following estimated economic useful lives:

| | |
|-----------------------------|----------|
| Sewer System | 50 Years |
| Computer Equipment/Software | 5 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 ENGLEWOOD SANITATION DISTRICT NO. 1
 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.

The District did not have any unused lines of credit as of December 31, 2020.

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 | \$ 4,189,973 | \$ 3,842,321 |
| Total Cash and Investments | <u>\$ 4,189,973</u> | <u>\$ 3,842,321</u> |

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

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|---------------------|---------------------|
| Deposits with Financial Institutions | \$ 1,271 | \$ 12,628 |
| Investments | 4,188,702 | 3,829,693 |
| Total Cash and Investments | <u>\$ 4,189,973</u> | <u>\$ 3,842,321</u> |

SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
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 \$102,401 and \$12,628 and a carrying balance of \$1,271 and \$12,628, respectively.

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.

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

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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 | <u>\$ 4,188,702</u> | <u>\$ 3,829,693</u> |

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. 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.

SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
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: | | | | |
| Construction in Process | \$ 446,771 | \$ 42,787 | \$ (446,771) | \$ 42,787 |
| Total Capital Assets, Not Being Depreciated | 446,771 | 42,787 | (446,771) | 42,787 |
| Capital Assets Being Depreciated: | | | | |
| GIS Program | 39,168 | 1,112 | - | 40,280 |
| Sewer System | 4,494,393 | 446,771 | - | 4,941,164 |
| Total Capital Assets Being Depreciated | 4,533,561 | 447,883 | - | 4,981,444 |
| Less Accumulated Depreciation For: | | | | |
| GIS Program | (33,021) | (1,570) | - | (34,591) |
| Sewer System | (1,123,962) | (88,310) | - | (1,212,272) |
| Total Accumulated Depreciation | (1,156,983) | (89,880) | - | (1,246,863) |
| Total Capital Assets Being Depreciated | 3,376,578 | 358,003 | - | 3,734,581 |
| Capital Assets, Net | <u>\$ 3,823,349</u> | <u>\$ 400,790</u> | <u>\$ (446,771)</u> | <u>\$ 3,777,368</u> |

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
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: | | | | |
| Construction in Process | \$ 471,590 | \$ - | \$ (24,819) | \$ 446,771 |
| Total Capital Assets Not Being Depreciated | 471,590 | - | (24,819) | 446,771 |
| Capital Assets Being Depreciated: | | | | |
| GIS Program | 32,339 | 6,829 | - | 39,168 |
| Sewer System | 3,939,652 | 554,741 | - | 4,494,393 |
| Total Capital Assets Being Depreciated | 3,971,991 | 561,570 | - | 4,533,561 |
| Less Accumulated Depreciation For: | | | | |
| GIS Program | (32,339) | (682) | - | (33,021) |
| Sewer System | (1,045,157) | (78,805) | - | (1,123,962) |
| Total Accumulated Depreciation | (1,077,496) | (79,487) | - | (1,156,983) |
| Total Capital Assets Being Depreciated | 2,894,495 | 482,083 | - | 3,376,578 |
| Capital Assets, Net | <u>\$ 3,366,085</u> | <u>\$ 482,083</u> | <u>\$ (24,819)</u> | <u>\$ 3,823,349</u> |

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

| | 2020 | 2019 |
|----------------------------|------------------|------------------|
| Sewer Operations | \$ 89,880 | \$ 79,487 |
| Total Depreciation Expense | <u>\$ 89,880</u> | <u>\$ 79,487</u> |

NOTE 5 INTERGOVERNMENTAL AGREEMENTS

City of Englewood Sewage Treatment

The District has a service contract with the City. Under terms of the contract, the City treats all District sewage, bills District residents for this service, and retains all treatment service billing collections. The District charges for transmission fees which are added to the treatment fees billed by the City. Collection of these fees, net of uncollected transmission and treatment fees, are remitted periodically to the District by the City.

Wastewater System Service Agreement

The District owns and operates a sanitary sewer system consisting of easements, collector and transmission lines, cleanouts, and manholes. A portion of the District's sanitary sewer system is located within the City. Under this Agreement, the City will perform locate services, clean and inspect District lines, and respond to emergency calls for the lines located within the City. Effective in 2019, this agreement was renewed for 20 years at an annual cost of \$54,000, to be increased 2.5% per year during the term of the agreement.

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020 AND 2019**

NOTE 5 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Basin Interceptor Agreement

The District has entered into the Basin Interceptor Agreement (BIA) with the City, Southgate Sanitation District (SGSD), and South Arapahoe Sanitation District (SASD) (the Participants) to provide for the orderly and timely enlargement of the Big Dry Creek Interceptor system (the Interceptor) and to properly allocate the Participants' capacity rights in the Interceptor. Legal title to the Interceptor shall be held by the City and SGSD. The District shall have the capacity rights set forth in the BIA in the amount of 7,147 Single Family Equivalents. The BIA identified eight projects to enlarge the Interceptor and designated SGSD as the project manager. The City bills the residents in each Participant's service area for the estimated maintenance costs of the Interceptor and retains all billing collections in trust.

In late 2005, SGSD advised the other Participants that further enlargement of the Interceptor is unnecessary based upon SGSD's flow projections and engineering analysis. SGSD 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.

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, Net | \$ 5,024,231 | \$ 4,980,332 |
| Less Depreciation | (1,246,863) | (1,156,983) |
| Net Investment in Capital Assets | \$ 3,777,368 | \$ 3,823,349 |

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.

SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7 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.

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes 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 ENGLEWOOD SANITATION DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2020**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------------------|----------------------------|---|
| REVENUES | | | |
| District Transmission Fees | \$ 1,040,361 | \$ 1,058,186 | \$ 17,825 |
| Sewer Tap Fees | 1,500 | 12,000 | 10,500 |
| Plan Review/Construction Observation Fees | 5,000 | 10,250 | 5,250 |
| Investment Income | 51,900 | 27,144 | (24,756) |
| Other Income | 1,000 | 1,987 | 987 |
| Total Revenues | <u>1,099,761</u> | <u>1,109,567</u> | <u>9,806</u> |
| EXPENDITURES | | | |
| Accounting | 55,000 | 41,906 | 13,094 |
| Auditing | 5,200 | 5,200 | - |
| Conferences/Seminars | 2,000 | - | 2,000 |
| Customer Communications | 660 | 7,431 | (6,771) |
| Directors' Fees | 6,000 | 5,400 | 600 |
| Dues/Licenses | 1,000 | 731 | 269 |
| Engineering Management | 85,500 | 48,109 | 37,391 |
| Insurance and Bonds | 8,000 | 5,011 | 2,989 |
| Legal Fees | 45,000 | 28,244 | 16,756 |
| Locates | 83,000 | 59,911 | 23,089 |
| Miscellaneous | 500 | 14 | 486 |
| Payroll Taxes | 458 | 413 | 45 |
| Plan Review/Construction Observation | 9,000 | 17,335 | (8,335) |
| Contingency | 37,182 | - | 37,182 |
| Repairs and Maintenance | 311,500 | 330,709 | (19,209) |
| Total Expenditures | <u>650,000</u> | <u>550,414</u> | <u>99,586</u> |
| CAPITAL IMPROVEMENTS | | | |
| Capital Outlay - Sewer System | 700,000 | 42,787 | 657,213 |
| Capital Outlay - GIS System | - | 1,112 | (1,112) |
| Total Capital Improvements | <u>700,000</u> | <u>43,899</u> | <u>656,101</u> |
| Total Expenditures and Capital Improvements | <u>1,350,000</u> | <u>594,313</u> | <u>755,687</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (250,239) | 515,254 | 765,493 |
| Funds Available - Beginning of Year | <u>3,589,572</u> | <u>3,766,207</u> | <u>176,635</u> |
| FUNDS AVAILABLE - END OF YEAR | <u><u>\$ 3,339,333</u></u> | <u><u>\$ 4,281,461</u></u> | <u><u>\$ 942,128</u></u> |

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
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 | \$ 4,918,804 |
| Less: Current Liabilities | <u>(637,343)</u> |
| Funds Available | <u>\$ 4,281,461</u> |
| | |
| Reconciliation of Budgetary Basis (Actual) To Statement of Revenues, Expenses, and Changes in Net Position: | |
| Revenues (Budgetary Basis) | <u>\$ 1,109,567</u> |
| Total Revenue Per Statement of Revenues, Expenses, and Changes in Net Position | <u>1,109,567</u> |
| | |
| Expenditures (Budgetary Basis) | 594,313 |
| Depreciation | 89,880 |
| Capital Outlay | <u>(43,899)</u> |
| Total Expenses Per Statement of Revenues, Expenses, and Changes in Net Position | <u>640,294</u> |
| Change in Net Position Per Statement of Revenues, Expenses, and Changes in Net Position | <u>\$ 469,273</u> |