

VALLEY SANITATION DISTRICT
Arapahoe County and
City and County of Denver, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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Independent Auditor's Report

Board of Directors
Valley Sanitation District
Arapahoe County and City and
County of Denver, Colorado

Report for the Financial Statements

We have audited the accompanying financial statements of Valley Sanitation District (District) as of and for the years ended December 31, 2019 and 2018 and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Sanitation District, as of December 31, 2019 and 2018, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
April 23, 2020

**VALLEY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Our discussion and analysis of Valley Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2019 and 2018. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. All changes in 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. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

Net Position - 2019

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets exceed liabilities plus deferred inflows of resources in 2019 by \$1,000,795. This amount increased from 2018 to 2019 by \$146,455 or 17.1%. Current assets increased by 411.0% or \$2,705,100 from 2018 to 2019. A loan in the amount of \$2,700,000 from the Colorado Water Resource and Power Development Authority (CWRPDA) was executed on May 7, 2019. Cash and cash equivalents increased by \$318,472 primarily due to the reimbursement of costs related to the sewer outfall interceptor line relocation project (sewer outfall project). Reimbursement of project costs from the loan included

**VALLEY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

reimbursements that were cash funded during 2018 resulting in a loan draw down of \$382,131 and a loan receivable of \$2,317,869 at December 31, 2019. Additionally, property taxes receivable increased by \$64,200 due to the increase in assessed valuation by 23% and the addition of a debt mill levy of .699. Despite the increase in assessed valuation, the District's 2.493 mill levy was offset by a temporary mill levy reduction of .822 mills by the District to comply with the statutory property tax revenue limitation (5.5% limit) of C.R.S. 29-1-301 and TABOR. The increase in capital assets of \$223,482 and total liabilities of \$2,717,927 relates to the ongoing sewer outfall project that is expected to be completed during 2020 and the CWRPDA loan which will be paid off over 30 years.

Net Position - 2018

District's assets exceed liabilities plus deferred inflows of resources in 2018 by \$854,340. This amount increased from 2017 to 2018 by \$68,471 or 8.7%. Current assets decreased by 22.6% or \$192,248 from 2017 to 2018. Cash and cash equivalents and investments decreased by \$203,502, primarily due to the initial cash funding of the sewer outfall project. This funding explains the increase in capital assets by \$297,059 or 245.8% from 2017 to 2018. Property taxes receivable increased by \$18,400 due to the increase in assessed valuation and the addition of a debt mill levy of .122 for anticipated debt payments related to the voter approved loan in the amount of \$2,700,000 to finance the sewer outfall project. Execution of this loan was delayed until 2019 awaiting bids for construction costs. Assessed valuations increased 7.7%, but the District's 2.493 operating mill levy was offset by a temporary mill levy reduction of .496 mills to comply with TABOR. Current liabilities increased \$17,940, or 63.0%, from 2017 to 2018. This increase is due to costs related to the sewer outfall project incurred during December 2018.

NET POSITION

	December 31,		
	2019	2018	2017
ASSETS			
Current assets	\$ 3,363,350	\$ 658,250	\$ 850,498
Capital assets, net	641,410	417,928	120,869
Total assets	<u>4,004,760</u>	<u>1,076,178</u>	<u>971,367</u>
LIABILITIES			
Current liabilities	103,611	46,438	28,498
Long-term liabilities	2,660,754	-	-
Total liabilities	<u>2,764,365</u>	<u>46,438</u>	<u>28,498</u>
DEFERRED INFLOWS OF RESOURCES	<u>239,600</u>	<u>175,400</u>	<u>157,000</u>
NET POSITION			
Investment in capital assets	259,279	417,928	120,869
Restricted	67,414	5,350	5,200
Unrestricted	674,102	431,062	659,800
Total net position	<u><u>\$ 1,000,795</u></u>	<u><u>\$ 854,340</u></u>	<u><u>\$ 785,869</u></u>

**VALLEY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Changes in Net Position - 2019

As noted in the table below, the District's net position increased by \$146,455. Total revenues increased by \$65,843 from 2018 to 2019. Capital contributions of \$31,700 include system development fees of \$16,800 and capital cost reimbursement in the amount of \$14,900 from Columbine Water and Sanitation District related to the sewer outfall project. There were no such revenues in 2018. Property tax revenue increased by \$19,007 primarily due to the addition of the debt mill levy of .122, discussed above, for anticipated debt payments in the amount of \$10,010 related to the projected loan from CWRPDA. Overall expenses decreased by \$12,141 or 6.8% from 2018 to 2019. This decrease relates to fewer administrative tasks being performed by Platte Canyon Water and Sanitation District during 2019 compared with 2018 (see Note 8).

Changes in Net Position - 2018

The District's net position increased by \$68,471. Total revenues decreased by \$16,279 from 2017 to 2018. The largest portion of this decrease was in capital contributions where the District received \$19,000 in system development fees in 2017 while none were received during 2018. Overall expenses decreased by \$14,335 or 7.4% from 2017 to 2018. Significant administrative costs were incurred during 2017 holding an election and planning for the outfall sewer project. Administrative costs decreased by \$25,156 from 2017 to 2018. This decrease was offset by the increase in sewer operations of \$10,768. More television inspections were planned and scheduled to be completed by Platte Canyon Water and Sanitation District during 2018 compared to 2017 (see Note 8).

CHANGES IN NET POSITION

	Years Ended December 31,		
	2019	2018	2017
REVENUES			
Program revenues:			
Charges for services	\$ 80,569	\$ 70,134	\$ 72,898
General revenues:			
Property taxes	175,074	156,067	151,981
Specific ownership taxes	13,946	10,957	12,449
Investment earnings	11,992	10,280	7,389
Capital contributions	31,700	-	19,000
Total revenues	<u>313,281</u>	<u>247,438</u>	<u>263,717</u>
EXPENSES			
Sewer operations	91,089	92,710	81,942
Administration	73,285	84,054	109,210
Other	2,452	2,203	2,150
Total expenses	<u>166,826</u>	<u>178,967</u>	<u>193,302</u>
CHANGE IN NET POSITION	146,455	68,471	70,415
NET POSITION - BEGINNING OF YEAR	<u>854,340</u>	<u>785,869</u>	<u>715,454</u>
NET POSITION - END OF YEAR	<u>\$ 1,000,795</u>	<u>\$ 854,340</u>	<u>\$ 785,869</u>

**VALLEY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

BUDGETARY HIGHLIGHTS

During 2019 the District's budget was not amended. Total revenue was budgeted at \$3,008,766 for 2019, and actual revenue was \$3,013,281, which resulted in a positive budget variance of \$4,515. IGA cost sharing budgeted in the amount of \$34,900 included \$14,900 anticipated from Columbine Water and Sanitation District and \$20,000 anticipated from Bow Mar Water and Sanitation related to the share in costs of the sewer outfall project. Although payment arrangements are anticipated to be finalized during 2020 when the project is complete, Columbine Sanitation District committed to make the scheduled annual payment during 2019. System development fees were not anticipated during 2019, but fees related to three different developments were received totaling \$16,800. The total actual expenditures were \$390,308 or \$2,675,427 under budget due to the sewer outfall project not progressing as planned. Based on the planned timing of the project and receipt of the loan, the District had anticipated making its first debt service payment in November of 2019. The District did execute a loan agreement with CWRPDA in May of 2019, but the first debt service payment is not scheduled until May of 2020. Details of the 2019 budget to actual results can be found on page 14 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

All of the District's capital assets were fully depreciated at December 31, 2019 and 2018, with the exception of the construction in progress of the sewer outfall project of \$641,410 that was started in 2015 for \$5,829, had no additions in 2016, increased by \$115,040 in 2017, by \$297,059 in 2018, and by \$223,482 in 2019. The sewer outfall project is still in process at December 31, 2019. Additional information on the District's capital assets can be found in Note 4 of this report.

The District issued a loan on May 7, 2019 in the amount of \$2,700,000 with the Colorado Water Resource Power and Development Authority for the funding of the outfall sewer project. Principal and interest payments are scheduled to begin in 2020. Details of the long-term debt obligations are presented in Note 5.

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

Total revenue in 2020 is projected to be \$381,121 which includes the following revenue sources: property tax revenue of \$239,538, specific ownership tax revenue of \$17,980, investment earnings of \$11,010, sewer service surcharge revenue of \$74,585, capital project cost sharing revenue of \$34,900 and other revenue of \$3,108. Total expenditures for 2020 are budgeted at \$2,796,095 with \$228,750 for operations, \$70,691 for debt service, \$2,444,714 for capital outlay and \$51,940 for contingencies and emergency reserves. Budgeted expenditures are expected to exceed revenues resulting in a decrease of funds available of \$2,414,974.

**VALLEY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Valley Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Administrator, Valley Sanitation District, 8739 W. Coal Mine Ave., Littleton, CO 80123.

BASIC FINANCIAL STATEMENTS

**VALLEY SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2019 and 2018**

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 706,285	\$ 387,813
Due from county treasurer	1,142	895
Prepaid expenses	409	4,543
Loan receivable from CWRPDA	2,317,869	-
Accounts receivable:		
Sewer service surcharge	92,200	87,275
Other	5,845	2,324
Property taxes receivable	239,600	175,400
Total current assets	3,363,350	658,250
Capital assets		
Capital assets, not being depreciated	641,410	417,928
Capital assets, being depreciated	659,646	659,646
	1,301,056	1,077,574
Less accumulated depreciation and amortization	(659,646)	(659,646)
Total capital assets	641,410	417,928
TOTAL ASSETS	4,004,760	1,076,178
LIABILITIES		
Current liabilities		
Accounts payable	60,554	46,438
Retainage payable	3,811	-
Current portion of loan payable	39,246	-
Total current liabilities	103,611	46,438
Long-term liabilities		
Loan Payable, net of current portion	2,660,754	-
TOTAL LIABILITIES	2,764,365	46,438
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	239,600	175,400
TOTAL DEFERRED INFLOWS OF RESOURCES	239,600	175,400
NET POSITION		
Net investment in capital assets	259,279	417,928
Restricted:		
Debt service	9,881	-
Operation and maintenance reserve	51,803	-
Emergency reserve	5,730	5,350
Unrestricted	674,102	431,062
TOTAL NET POSITION	\$ 1,000,795	\$ 854,340

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**VALLEY SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2019 and 2018**

	2019	2018
OPERATING REVENUE		
Sewer service surcharge	\$ 71,616	\$ 66,910
Other charges for services	8,953	3,224
Total operating revenue	80,569	70,134
OPERATING EXPENSES		
Sewer operations	91,089	92,710
Administration	73,285	84,054
Total operating expenses	164,374	176,764
OPERATING LOSS	(83,805)	(106,630)
NONOPERATING REVENUE (EXPENSE)		
Property taxes	175,074	156,067
Specific ownership taxes	13,946	10,957
Net investment income	11,992	10,280
County treasurer's fees	(2,452)	(2,203)
Total nonoperating revenue (expense)	198,560	175,101
GAIN BEFORE CONTRIBUTIONS	114,755	68,471
CAPITAL CONTRIBUTIONS		
IGA Cost sharing	14,900	
System development fees	16,800	-
Total capital contributions	31,700	-
CHANGE IN NET POSITION	146,455	68,471
NET POSITION - BEGINNING OF YEAR	854,340	785,869
NET POSITION - END OF YEAR	\$ 1,000,795	\$ 854,340

These financial statements should be read only in connection with
the accompanying notes to financial statements.

VALLEY SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 72,123	\$ 77,460
Payments to vendors	(145,479)	(184,898)
Payments to employees	(7,789)	(7,751)
Net cash required by operating activities	(81,145)	(115,189)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
System development fees received	16,800	-
Loan proceeds	382,131	-
Capital cost reimbursements	14,900	-
Capital asset purchases	(212,527)	(263,489)
Net cash provided (required) by capital financing activities	201,304	(263,489)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership taxes received	188,773	167,099
County treasurer's fees paid	(2,452)	(2,203)
Net cash provided by noncapital financing activities	186,321	164,896
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment maturities	-	60,798
Investment purchases	-	(388)
Interest received	11,992	10,280
Net cash provided by noncapital financing activities	11,992	70,690
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	318,472	(143,092)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	387,813	530,905
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 706,285	\$ 387,813
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES		
Operating loss	\$ (83,805)	\$ (106,630)
Adjustments to reconcile loss from operations to net cash required by operating activities:		
Effects of changes in operating assets and liabilities:		
Prepaid expenses	4,134	(255)
Accounts receivable	(8,446)	7,326
Accounts payable	6,972	(15,630)
Net cash required by operating activities	\$ (81,145)	\$ (115,189)

These financial statements should be read only in connection with the accompanying notes to financial statements.

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Valley Sanitation District (District), was created as a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County and City and County of Denver, Colorado. The District was established to provide sewer service to property within its service area primarily through intergovernmental agreements. The District is governed by an elected Board of Directors.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District has elected to follow Governmental Accounting Standards Board pronouncements.

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Restricted Resources

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

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Budgets

In accordance with the Local Government Budget Law of Colorado, 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.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Cash Equivalents

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

Prepaid Expenses

Certain payments to vendors for goods or services reflect costs which are applicable to future accounting periods are recorded as prepaid items in the financial statements.

Receivables

All receivables are recorded at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. 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

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Wastewater system	50 years
Equipment	5 years

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

System Development Fees and Contributed Lines

System development fees are recorded as capital contributions when received. Lines contributed to the District are recorded as capital contributions and additions to the systems at estimated fair market value when received.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2019 and 2018 were comprised of the following:

	2019	2018
Deposits with financial institutions	\$ 4,721	\$ 8,536
Investments	701,564	379,277
	\$ 706,285	\$ 387,813

The cash and investments are classified in the accompanying financial statements as of December 31, 2019 and 2018 as follows:

	2019	2018
Cash and cash equivalents	\$ 706,285	\$ 387,813

Cash Deposits

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

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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, 2019, the District had cash deposits, with a bank balance of \$4,781 and a carrying balance of \$4,721. At December 31, 2018, the District had cash deposits, with a bank balance of \$11,336 and a carrying balance of \$8,536.

Investments

The District has adopted a formal investment policy, specifying the principal investment objectives of the District and standards of prudence to be used for managing the District's assets. The policy stipulates that all investments shall conform to State law.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The District has invested in a local government invest pool, the Colorado Local Government Liquid Asset Trust (COLOTRUST), which is rated AAAM by Standard & Poor's.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to three 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 requirement.

As of December 31, 2019 and 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Investments at NAV</u>	
		<u>2019</u>	<u>2018</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>701,564</u>	<u>\$379,277</u>

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

COLOTRUST

At December 31, 2019 and 2018, the District has invested in the Colorado Local Government Liquid Asset Trust (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. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper.

Investment Valuation

The District's net investments are measured at asset value (NAV).

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

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**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 - CAPITAL ASSETS

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

	Balance at December 31, 2018	Additions	Disposals/ Retirements	Balance at December 31, 2019
Capital assets, not being depreciated:				
Construction in progress	\$ 417,928	\$ 223,482	\$ -	\$ 641,410
Total capital assets not being depreciated	417,928	223,482	-	641,410
Capital assets, being depreciated:				
Wastewater system	658,075	-	-	658,075
Equipment	1,571	-	-	1,571
Total capital assets being depreciated	659,646	-	-	659,646
Less accumulated depreciation for:				
Wastewater system	(658,075)	-	-	(658,075)
Equipment	(1,571)	-	-	(1,571)
Total accumulated depreciation	(659,646)	-	-	(659,646)
Total capital assets being depreciated, net	-	-	-	-
Total capital assets, net	<u>\$ 417,928</u>	<u>\$ 223,482</u>	<u>\$ -</u>	<u>\$ 641,410</u>

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	Balance at December 31, 2017	Additions	Disposals/ Retirements	Balance at December 31, 2018
Capital assets, not being depreciated:				
Construction in progress	\$ 120,869	\$ 297,059	\$ -	\$ 417,928
Total capital assets not being depreciated	120,869	297,059	-	417,928
Capital assets, being depreciated:				
Wastewater system	658,075	-	-	658,075
Equipment	1,571	-	-	1,571
Total capital assets being depreciated	659,646	-	-	659,646
Less accumulated depreciation for:				
Wastewater system	(658,075)	-	-	(658,075)
Equipment	(1,571)	-	-	(1,571)
Total accumulated depreciation	(659,646)	-	-	(659,646)
Total capital assets being depreciated, net	-	-	-	-
Total capital assets, net	<u>\$ 120,869</u>	<u>\$ 297,059</u>	<u>\$ -</u>	<u>\$ 417,928</u>

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the period ending December 31, 2019:

	<u>Balance at December 31, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2019</u>	<u>Current Portion</u>
CWRPDA Loan	\$ -	\$ 2,700,000	\$ -	\$ 2,700,000	\$ 39,246

A description of the long-term obligation as of December 31, 2019, is as follows:

Colorado Water Resources and Power Development Authority (CWRPDA):

\$2,700,000 Loan Agreement dated May 7, 2019, with interest of 2.0%, due semi-annually through 2049. Loan repayments may be prepaid, in whole or in part, upon prior written notice of not less than ninety (90) days to the Authority. This loan was entered into by the District for the purpose of financing most of the outfall sewer project. At December 31, 2019 the District has a loan receivable from CWRPDA in the amount of \$2,317,869 which is anticipated be drawn down during 2020 as the project is completed.

Per the covenant and requirements of the Loan, the District is required to maintain a three-month operating and maintenance reserve. At December 31, 2019, the District has a reserve of \$51,803 and is in compliance with the covenants and requirements of the Loan.

The following is a summary of the annual long-term debt principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 39,246	\$ 31,445	\$ 70,691
2021	68,487	52,874	121,361
2022	69,863	51,498	121,361
2023	71,267	50,094	121,361
2024	72,700	48,661	121,361
2025-2029	386,015	220,789	606,804
2030-2034	426,400	180,404	606,804
2035-2039	471,009	135,795	606,804
2040-2044	520,289	86,516	606,805
2045-2049	574,724	32,080	606,804
	<u>\$ 2,700,000</u>	<u>\$ 890,156</u>	<u>\$ 3,590,156</u>

NOTE 6 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Investment in capital assets, consists of capital assets, net of accumulated depreciation and if applicable, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed through constitutional provisions or enabling legislation. As of December 31, 2019, and 2018, the District's restricted net position was \$5,730 and \$5,350 respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 8). Additionally, the District had restricted net position of \$51,803, as of December 31, 2019 as required by loan covenants (see Note 5).

Also, as of December 31, 2019 the District had accumulated \$9,881 of property taxes restricted for debt service in future periods.

NOTE 7- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

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 coverage and workers compensation. 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 – INTERGOVERNMENTAL AGREEMENTS

City of Englewood

The District has a service agreement with the City of Englewood (City) whereby the City provides sewage treatment service to the District's service area and charges the users directly. The District is to provide and maintain its own sewer lines and connection to the City's facilities.

Platte Canyon Water and Sanitation District

The District has an agreement with Platte Canyon Water and Sanitation District (Platte Canyon) whereby Platte Canyon will provide administrative and sewer maintenance services for the District.

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Columbine Water and Sanitation District

On February 9, 1987 the District entered into a Maintenance Cost Allocation Agreement (agreement) with Columbine Water and Sanitation District (Columbine) for costs incurred to maintain the District's outfall line to which Columbine connects. Per the agreement, Columbine agrees to reimburse the District for their proportionate share of these costs, which is equal to 12.4%. During 2019 and 2018, the District charged Columbine \$5,845 and \$116, respectively, for work performed.

The District is currently in the process of finalizing a capital cost allocation agreement with Columbine whereby the District would receive reimbursement for Columbine's share in the capital improvements related to the rehabilitation of the outfall sewer project. Columbine honored the request from the District during 2019 to equitably share in the costs of the improvements by remitting \$14,900. The formal agreement outlining the terms of the agreement is expected to be finalized and executed during 2020.

Bow Mar Water and Sanitation District

On May 2, 1967 the District entered into an agreement with Bow Mar Water and Sanitation District (Bow Mar) to accommodate the future transmission of sewage from 80 single family equivalent taps. Bow Mar agreed to pay the District \$200 at the time each individual tap was connected and an annual service charge of \$1.00 per month for each tap connected to Valley's sewer transmission lines. The tap limitation was subsequently increased by Valley from 80 taps to 95 taps by an amendment to the agreement dated August 4, 1970.

On October 19, 1984 the District entered into a Indemnification and Cost Allocation Agreement whereby Bow Mar agreed to pay a prorated share of repair and replacement costs based on the number of users on the segment of pipe being repaired or replaced. The agreement also updated language related to the service charge requiring Bow Mar to reimburse a proportionate share of normal operation, maintenance and administration costs for each tap connected to Valley's sewer system. During 2019 and 2018, the service charge reimbursed by Bow Mar was \$2.00 per month for each of the 92 taps connected to Valley's sewer system amounting to \$2,208.

At the completion of the sewer outfall project, Bow Mar will be charged the prorated share of the total cost of capital improvements. The terms of the reimbursement will be determined at the conclusion of the project which is anticipated to occur during 2020.

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 that 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.

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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

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. The District restricted net position as required for Emergency Reserves (see Note 6).

On November 7, 2017, the voters of the District authorized the issuance of debt up to \$2,700,000 with a maximum repayment cost of \$4,400,000 (principal and interest) and increase property taxes up the \$190,000 annually for the purpose of financing the costs of relocating and improving the District's interceptor sewer line.

NOTE 10 – Construction Commitment

As of December 31, 2019, the District had an unexpended contract commitment for construction related to the rehabilitation of the outfall sewer interceptor amounting to \$1,948,313.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

VALLEY SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2019

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 175,196	\$ 175,074	\$ (122)
Specific ownership tax	13,140	13,946	806
Interest income	8,490	11,992	3,502
Sewer service surcharge	70,932	71,616	684
System development fees	-	16,800	16,800
Other service charges	6,108	8,953	2,845
IGA cost sharing	34,900	14,900	(20,000)
Loan proceeds	2,700,000	2,700,000	-
Total revenues	<u>3,008,766</u>	<u>3,013,281</u>	<u>4,515</u>
EXPENDITURES			
Maintenance and repairs	77,925	85,606	(7,681)
Repairs remedial/emergency	10,000	960	9,040
Engineering	10,000	2,868	7,132
Lift station operation and maintenance	2,220	-	2,220
Administrative expenses	50,000	39,902	10,098
Advertising and publication	125	103	22
Legal	10,000	1,798	8,202
Audit and accounting	5,000	4,800	200
Meeting hall rent	300	450	(150)
Insurance	4,500	4,543	(43)
UNCC	3,500	1,655	1,845
Supplies	500	48	452
Directors' fees	6,000	5,600	400
Salaries and payroll taxes	8,500	7,789	711
Treasurer fees	2,630	2,452	178
Public relations	5,000	-	5,000
Other	1,000	752	248
Loan issuance costs	-	7,500	(7,500)
Loan principal	5,510	-	5,510
Loan interest	4,500	-	4,500
Capital expenditures	2,816,215	223,482	2,592,733
Contingency	29,580	-	29,580
Emergency reserves	12,730	-	12,730
Total expenditures	<u>3,065,735</u>	<u>390,308</u>	<u>2,675,427</u>
NET CHANGE IN FUNDS AVAILABLE	(56,969)	2,622,973	2,679,942
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>424,379</u>	<u>436,412</u>	<u>12,033</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 367,410</u>	<u>\$ 3,059,385</u>	<u>\$ 2,691,975</u>
Funds available is computed as follows:			
Current assets		\$ 3,363,350	
Current liabilities		(103,611)	
Current portion of loan payable		39,246	
Deferred inflows of resources		(239,600)	
		<u>\$ 3,059,385</u>	

**VALLEY SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2019**

Revenue (budgetary basis)	\$ 3,013,281
Loan proceeds	<u>(2,700,000)</u>
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>313,281</u>
Expenditures (budgetary basis)	390,308
Capital outlay	<u>(223,482)</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>166,826</u>
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	<u><u>\$ 146,455</u></u>

OTHER INFORMATION

VALLEY SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2019

\$2,700,000
General Obligation Loan
Dated May 7, 2019
Interest rate 2.0%

<u>Year Ending December 31,</u>	<u>Interest Due May 1 and November 1</u>	<u>Principal Due May 1 and November 1</u>	<u>Total</u>
2020	\$ 31,445	\$ 39,246	\$ 70,691
2021	52,874	68,487	121,361
2022	51,498	69,863	121,361
2023	50,094	71,267	121,361
2024	48,661	72,700	121,361
2025	47,199	74,161	121,360
2026	45,709	75,652	121,361
2027	44,189	77,172	121,361
2028	42,637	78,724	121,361
2029	41,055	80,306	121,361
2030	39,440	81,920	121,360
2031	37,794	83,567	121,361
2032	36,115	85,246	121,361
2033	34,401	86,960	121,361
2034	32,654	88,707	121,361
2035	30,870	90,490	121,360
2036	29,052	92,309	121,361
2037	27,196	94,165	121,361
2038	25,304	96,057	121,361
2039	23,373	97,988	121,361
2040	21,403	99,958	121,361
2041	19,394	101,967	121,361
2042	17,344	104,017	121,361
2043	15,254	106,107	121,361
2044	13,121	108,240	121,361
2045	10,945	110,416	121,361
2046	8,726	112,635	121,361
2047	6,461	114,899	121,360
2048	4,152	117,209	121,361
2049	1,796	119,565	121,361
	<u>\$ 890,156</u>	<u>\$ 2,700,000</u>	<u>\$ 3,590,156</u>

**VALLEY SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2019**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy		Mills Levied		Total Property Taxes		Percentage Collected to Levied
	Arapahoe	Denver	Operations	Debt	Levied	Collected	
			Mill Levy	Mill Levy			
2010	\$ 45,376,220	\$ 10,074,100	2.493		\$ 138,238	\$ 137,393	99.4%
2011	\$ 45,486,440	\$ 10,217,990	2.493		\$ 138,871	\$ 138,203	99.5%
2012	\$ 43,889,410	\$ 9,563,790	2.493		\$ 133,259	\$ 132,334	99.3%
2013	\$ 43,954,180	\$ 9,574,890	2.493		\$ 133,448	\$ 130,966	98.1%
2014	\$ 42,781,080	\$ 9,150,070	2.493		\$ 129,464	\$ 129,801	100.3%
2015	\$ 44,024,171	\$ 9,814,650	2.493		\$ 134,220	\$ 132,382	98.6%
2016	\$ 54,855,722	\$ 11,716,860	2.126 (A)		\$ 141,533	\$ 141,251	99.8%
2017	\$ 55,013,885	\$ 11,770,940	2.265 (B)		\$ 151,269	\$ 151,981	100.5%
2018	\$ 62,887,874	\$ 13,584,410	2.054 (C)		\$ 157,074	\$ 156,067	99.4%
2019	\$ 65,734,822	\$ 16,643,840	2.009 (D)	0.122	\$ 175,549	\$ 175,074	99.7%
Estimated for year ending December 31, 2020	\$ 80,809,755	\$ 20,257,090	1.673 (E)	0.699	\$ 239,731		

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

- (A) - Includes a temporary mill levy reduction of .367 mills.
- (B) - Includes a temporary mill levy reduction of .228 mills.
- (C) - Includes a temporary mill levy reduction of .439 mills.
- (D) - Includes a temporary mill levy reduction of .496 mills plus abatements of .012 mills.
- (E) - Includes a temporary mill levy reduction of .822 mills plus abatements of .002 mills.