

**EAST JEFFERSON COUNTY SANITATION DISTRICT**

**Financial Statements**

**With**

**Independent Auditor's Report**

**December 31, 2016 and 2015**



**RECEIVED**

*By the Office of the State Auditor at 8:42 am, Jun 20, 2017*

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# Green & Associates LLC

Certified Public Accountants & Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
East Jefferson County Sanitation District

We have audited the accompanying financial statements of the business type activities of East Jefferson County Sanitation District as of and for the year ended December 31, 2016 and 2015, which collectively comprise the District's basic financial statements as listed in the table of contents and the related notes to the financial statements.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the East Jefferson County Sanitation District as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other-Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 6 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Jefferson County Sanitation District's basic financial statements as a whole. The supplemental information, as listed in the table of contents, on pages 18-19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Gumm + Associates LLP".

Brighton, Colorado  
June 16, 2017

## **Management's Discussion and Analysis**

**EAST JEFFERSON COUNTY SANITATION DISTRICT**  
**7100 W. 44<sup>th</sup> Ave., #104**  
**Wheat Ridge, CO 80033**

**Management's Discussion and Analysis**

**Introduction**

The East Jefferson County Sanitation District's management discussion and analysis is intended to provide the reader and user of our financial statements, with (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual, approved budget; and, (e) an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on the 2016 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 7.

**Overview of the Financial Statements of the District**

The audited financial statements of the District are:

Statement of Net position  
Statement of Revenues, Expenses, and Changes in Net position  
Statement of Cash Flows  
Notes to Financial Statements

These statements are on pages 7 through 17. These and the Other Supplementary Information, *Budgetary Comparison Schedule* on page 18 and schedule of expenses by function on page 19 provide information about the District's financial position as of each December 31, its results of operations and the resulting cash flows for each year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the budgetary comparison schedule, these are presented with current year and prior year comparison.

The **Statement of Net position** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in its assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining a status quo.

The **Statement of Revenue, Expenses, and Changes in Net position** provides information about the components – Operating Revenue, Operating Expenses, Non-Operating Revenue and Expenses, and Capital Contributions – of the District's annual operating activities and how those activities affected Net position.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating, financing, and investment activities affected the District's cash balances.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The **Budgetary Comparison Schedule** provides information comparing the budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, there will be a comparison of the originally approved budget with the final amended budget.

**Condensed Comparative Financial Information  
Statements of Net Position**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets			
Cash and cash equivalents	\$ 407,508	\$ 668,789	\$ 193,648
Other current assets	278,746	515,131	1,011,374
Non Current Assets			
Capital assets - net	1,236,604	567,425	471,329
Total Assets	<u>1,922,858</u>	<u>1,751,345</u>	<u>1,676,351</u>
Current Liabilities	145,063	140,735	15,519
Total Liabilities	<u>145,063</u>	<u>140,735</u>	<u>15,519</u>
Deferred Inflow of Resources	<u>48,053</u>	<u>48,249</u>	<u>47,970</u>
Net Position			
Net investment in capital assets	1,212,804	567,425	471,329
Restricted	1,700	1,700	1,700
Unrestricted	515,238	993,236	1,139,833
<b>Total Net Position</b>	<u><u>\$ 1,729,742</u></u>	<u><u>\$ 1,562,361</u></u>	<u><u>\$ 1,612,862</u></u>

**Statements of Revenue, Expenses, and Change in Net Position**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 858,545	\$ 827,688	\$ 671,668
Operating Expenses	894,253	1,011,684	699,537
<b>Operating Loss</b>	(35,708)	(183,996)	(27,869)
Non Operating Revenues (Expenses)	203,089	133,495	53,182
<b>Change in Net Position</b>	167,381	(50,501)	25,313
<b>Net Position, beginning of year</b>	<u>1,562,361</u>	<u>1,612,862</u>	<u>1,587,549</u>
<b>Net Position, end of year</b>	<u><u>\$ 1,729,742</u></u>	<u><u>\$ 1,562,361</u></u>	<u><u>\$ 1,612,862</u></u>

### Statements of Cash Flows

	2016	2015	2014
Cash from (for) Operating Activities	\$ (24,364)	\$ (14,631)	\$ 12,835
Cash from Non Capital Financing Activities	104,813	128,808	48,308
Cash from (for) Capital Financing Activities	(593,063)	(113,830)	(47,201)
Cash from (for) Investing Activities	251,333	474,794	4,905
Increase (Decrease)	(261,281)	475,141	18,847
Cash, beginning of year	668,789	193,648	174,801
<b>Cash, end of year</b>	<b>407,508</b>	<b>668,789</b>	<b>193,648</b>

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 7.

#### **Analysis of Financial Position and Operating Results**

Net position increased from \$1,562,361 in 2015 to \$1,729,742 in 2016, a difference of \$167,381 due to revenues exceeding expenses by that amount. For 2016 the District has a net asset reserve for emergencies established by the Board of Directors in the amount of \$1,700.

Net capital assets increased \$669,179 in 2016. The District's Liabilities at December 31, 2016 increased \$4,328 from those at December 31, 2015. The change related primarily to the timing of payments associated with accounts payable and Metro Wastewater.

The District's 2016 operating revenues increased \$30,857 over 2015. The increase in revenue is mainly a result of increased sewer service charges to customers and was partially offset by decreased collection of connection fees for other Districts in 2016.

The District's operating expenses decreased by \$117,431 in 2016. The decrease in operating expenses was due to lower connection fees paid to Metro Wastewater Reclamation District. Net 2016 non-operating revenues had a \$69,594 increase.

#### **Cash Flows**

Cash and cash equivalents decreased by \$261,281 in 2016. For more information about these changes in net position, the operating activities, and cash flows see the accompanying audited financial statements beginning on page 7.

#### **Budgetary Discussion**

Actual revenues were \$115,174 less than the 2016 budget, primarily due to lower than anticipated connection fees. Actual expenditures were \$612,012 less than budgeted expenditures primarily due to contingency expenses not being required.

### **Capital Asset and Long Term Debt Discussion**

The District depreciates its infrastructure assets. See Note 1 of Notes to Financial Statements – *Summary of Significant Accounting Policies – Capital Assets* on page 12 and Note 4 of Notes to Financial Statements – Capital Assets on page 15-16.

The District has no capital asset activities programs in process. The District has no long-term debt.

### **Other**

There are no currently known facts, decisions, or conditions, which are expected to, or may likely, have a significant effect on the financial condition and results of operation in subsequent reporting periods.

## **Basic Financial Statements**

**East Jefferson County Sanitation District**  
**Statements of Net Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 407,508	\$ 668,789
Investments	-	250,000
Prepaid expenses	3,853	2,995
Accounts receivable	226,840	213,830
Accrued interest	-	57
Property taxes receivable	48,053	48,249
Total Current Assets	686,254	1,183,920
<b>Noncurrent Assets</b>		
Capital Assets		
Depreciable		
Sewer lines, extensions and inclusions	1,723,137	1,038,168
Office equipment	10,294	5,200
Total Capital Assets	1,733,431	1,043,368
Less: Accumulated depreciation	(496,827)	(475,943)
Net Capital Assets	1,236,604	567,425
Total Noncurrent Assets	1,236,604	567,425
Total Assets	1,922,858	1,751,345
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	76,981	39,849
Accrued expenses	13,191	15,326
Due to Metro Wastewater	54,891	85,560
Total Current Liabilities	145,063	140,735
<b>Deferred Inflows of Resources</b>		
Deferred property taxes	48,053	48,249
Total Deferred Inflows of Resources	48,053	48,249
<b>Net Position</b>		
Net Investment in capital assets	1,236,604	567,425
Restricted for emergencies	1,700	1,700
Unrestricted	491,438	993,236
Total Net Position	\$ 1,729,742	\$ 1,562,361

The accompanying notes are an integral part of these financial statements

**East Jefferson County Sanitation District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Operating Revenues</b>		
Sewage treatment revenue	\$ 773,189	\$ 712,158
Grease trap fees	5,796	5,152
Metro connection fees	75,960	106,128
Inspection fees	3,600	4,250
Total Operating Revenues	858,545	827,688
<b>Operating Expenses</b>		
Sewage treatment	635,293	609,790
Collection and transmission	148,907	289,490
General and administration	89,169	94,670
Depreciation	20,884	17,734
Total Operating Expenses	894,253	1,011,684
Operating Loss	(35,708)	(183,996)
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	48,097	47,714
Specific ownership taxes	3,557	4,132
Investment income	1,276	4,687
Connection fees	54,000	80,400
County treasurer fees	(841)	(3,438)
Total Nonoperating Revenues (Expenses)	106,089	133,495
Income Before Capital Contributions	70,381	(50,501)
Capital Contributions	97,000	-
<b>Change in Net Position</b>	167,381	(50,501)
Net Position, beginning of year	1,562,361	1,612,862
Net Position, end of year	\$ 1,729,742	\$ 1,562,361

The accompanying notes are an integral part of these financial statements

**East Jefferson County Sanitation District**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 845,535	\$ 854,192
Cash paid to suppliers	(869,899)	(868,823)
Net cash provided (used) by operating activities	(24,364)	(14,631)
<b>Cash Flows From Non-Capital Financing Activities</b>		
Property and ownership taxes received	51,654	51,846
Fee paid to county treasurer	(841)	(3,438)
Cash received from connection charges	54,000	80,400
Net cash provided (used) by non-capital financing activities	104,813	128,808
<b>Cash Flows From Capital And Related Financing Activities</b>		
Acquisitions and construction of capital assets	(593,063)	(113,830)
Net cash provided (used) in capital and related financing activities	(593,063)	(113,830)
<b>Cash Flows From Investing Activities</b>		
Investment income received	1,333	4,794
Cash provided by investments	250,000	470,000
Net cash provided (used) by investing activities	251,333	474,794
<b>Net increase (decrease) in cash and cash equivalents</b>	(261,281)	475,141
Cash and cash equivalents, beginning of year	668,789	193,648
Cash and cash equivalents, end of year	\$ 407,508	\$ 668,789
<b>Non Cash Items</b>		
Developer contributions	\$ 97,000	\$ -
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Loss	\$ (35,708)	\$ (183,996)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation and amortization	20,884	17,734
Changes in assets and liabilities		
Prepaid expenses	(858)	(89)
Accounts receivable	(13,010)	4,536
Due to / from Metro Wastewater	(30,669)	107,528
Accounts payable	37,132	25,186
Other accrued liabilities	(2,135)	14,470
Net Cash Provided (Used) by Operating Activities	\$ (24,364)	\$ (14,631)

The accompanying notes are an integral part of these financial statements

**East Jefferson County Sanitation District**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 1 Summary of Significant Accounting Policies**

East Jefferson County Sanitation District (the District) is a quasi-municipal corporation, pursuant to the provisions of the Colorado Special District Act. The District was established to provide sanitation services to its service area located in Jefferson County, Colorado. The District operates under a Board of Directors form of government. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The significant accounting policies utilized are provided below:

**Financial Reporting Entity**

The District follows all pronouncements issued by the Governmental Accounting Standards Board (GASB), which provides guidance for determining which governmental activities, organization 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.

**Basis of Presentation**

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

The District distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service. Operating expenses include the cost of providing sanitation services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**East Jefferson County Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

**Note 1 Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting (continued)**

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establishes standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

**Budgets and Budgetary Accounting**

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District manager submits the proposed budget to the District Board of Directors.
- Prior to its adoption, the budget is open for inspection by the public.
- After public inspection and consideration of any objections filed, the Board reviews the proposed budget and formally adopts it by resolution.
- At the time of the adoption of the budget, the Board passes an appropriating ordinance giving the District legal authority to spend.
- Prior to December 15, the Board adopts the mill levy.

Budgets are not prepared in accordance with accounting principles generally accepted in the United States of America because they include capital asset expenditures, but do not include depreciation or accruals.

Budgets may be amended during the year by approval of the Board of Directors. Any amendments to the budget are incorporated into the budget in these financial statements. Appropriations lapse at the end of the budget year. The budget was not amended in 2016.

**Property Taxes**

Property taxes attach an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on January 1<sup>st</sup> and are payable either in one installment on or before April 30<sup>th</sup>, or in two installments due on or before February 28<sup>th</sup> and June 15<sup>th</sup> of each year. The collections and assessments are done by Jefferson County and are remitted to the District monthly. Property taxes, which are due to be paid in the next period, and representing an enforceable lien at January 1<sup>st</sup> of the next year, have been recorded as a receivable and a deferred inflow of resources.

**East Jefferson County Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

**Note 1 Summary of Significant Accounting Policies (Continued)**

**Connection Fees**

The District charges a connection fee for new customers connecting to the District's system. Connection fees retained by the District are reported as non-operating revenues. Connection fees paid collected on behalf of other districts are reported as operating revenues and operating expenses.

**Assets and Liabilities**

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets - are recorded at cost except for those assets which have been contributed, which are stated at estimated fair market value at the date of contribution or at developer's cost. The capitalization threshold for fixed assets is \$5,000. Depreciation is computed using the straight-line method over the asset's estimated economic useful life. The estimated useful lives are as follows:

Sewer lines	40 years
Machinery and equipment	10 years
Office furniture and equipment	5-10 years
Buildings and improvements	25-30 years

**Deferred Outflows / Inflows of Resources**

The District has implemented the provisions of GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB 63) and the provisions of GASB No. 65 Items Previously Reported as Assets and Liabilities (GASB 65). In addition to assets, liabilities and net position, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

**Net Position**

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.

**East Jefferson County Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

**Note 1 Summary of Significant Accounting Policies (Continued)**

c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or net investment in capital assets.” These net position are available for future operations or distributions.

**Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The District considers certificates of deposit with maturities of more than three months at date of purchase as investments.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 Cash and Investments**

**Cash Deposits**

As of December 31, 2016 and 2015, the District’s cash deposits had a carrying balance of \$406,955 and \$668,237, and a corresponding bank balance of \$410,282 and \$668,237, of which \$250,000 and \$250,000 was insured by the Federal Deposit Insurance Corporation, respectively.

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under 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 uninsured deposits. The Colorado Divisions of Banking 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. The District had \$160,282 and \$418,237 collateralized under PDPA at December 31, 2016 and 2015, respectively.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2016 and 2015, none of the District’s bank deposits were exposed to custodial credit risk.

**East Jefferson County Sanitation District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note 2 Cash and Investments (Continued)**

**Investments**

Colorado statutes specify in which investment instruments the units of local government may invest. The District's investment policy conforms to state statute. Below is a list of investments authorized by Colorado statute:

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

At December 31, 2016 and 2015, the District had \$446 and \$445, respectively, invested in COLOTRUST which are investment vehicles established for government entities in Colorado to pool surplus funds. As an investment pool, the trusts operate under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner.

The Trust invests in securities that are specified by the Colorado Revised Statutes (24-75-601). Authorized securities include US Treasuries, US Agencies, commercial paper, repurchase agreements and bank deposits (collateralized through PDPA)

The Trust operates similar to a 2a7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. The Trusts are rated AAA by the Standard & Poor's Corporation. Designated custodial banks provide safekeeping and depository services to the Trusts in connection with the direct investment and withdrawal functions of the Trust. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the account maintained for the custodial bank.

In accordance with GASB 72 *Certain External Investment Pools and Pool Participants*, the District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The investments in COLOTRUST were valued at amortized cost

**East Jefferson County Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

**Note 2 Cash and Investments (Continued)**

A summary of cash and investments at December 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 107	\$ 107
Cash deposits	406,955	668,237
COLOTRUST	446	445
	<u>407,508</u>	<u>668,789</u>
Total cash and cash equivalents	<u>\$ 407,508</u>	<u>\$ 668,789</u>

**Note 3 Accounts Receivable**

Accounts receivable balance at December 31, 2016 and 2015, was comprised of the following:

	<u>2016</u>	<u>2015</u>
Fees for services	\$ 226,400	\$ 213,330
Other receivables	120	120
Cash at the County Treasurer	320	380
Allowance for doubtful accounts	-	-
Total	<u>\$ 226,840</u>	<u>\$ 213,830</u>

**Note 4 Capital Assets**

A summary of changes to capital assets for 2016 is as follows:

	<u>Balance at 12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2016</u>
Nondepreciable				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total Nondepreciable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciable				
Sewer lines, extensions and inclusions	1,038,168	684,969	-	1,723,137
Office equipment	5,200	5,094	-	10,294
Total Depreciable	<u>1,043,368</u>	<u>690,063</u>	<u>-</u>	<u>1,733,431</u>
TOTAL	<u>1,043,368</u>	<u>690,063</u>	<u>-</u>	<u>1,733,431</u>
Less Accumulated Depreciation				
Sewer lines, extensions and inclusions	<u>(475,943)</u>	<u>(20,884)</u>	<u>-</u>	<u>(496,827)</u>
Total Accumulated Depreciation	<u>(475,943)</u>	<u>(20,884)</u>	<u>-</u>	<u>(496,827)</u>
Net Capital Assets	<u>\$ 567,425</u>	<u>\$ 669,179</u>	<u>\$ -</u>	<u>\$ 1,236,604</u>

Depreciation charged to expense by function was:

	<u>2016</u>	<u>2015</u>
Administrative and general	\$ 1,380	\$ 1,040
Collection and transmission	19,504	16,694
Total depreciation expense	<u>\$ 20,884</u>	<u>\$ 17,734</u>

**East Jefferson County Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

**Note 4 Capital Assets (Continued)**

	<u>Balance at 12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2015</u>
Nondepreciable				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total Nondepreciable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciable				
Sewer lines, extensions and inclusions	924,338	113,830	-	1,038,168
Office equipment	5,200	-	-	5,200
Total Depreciable	<u>929,538</u>	<u>113,830</u>	<u>-</u>	<u>1,043,368</u>
TOTAL	<u>929,538</u>	<u>113,830</u>	<u>-</u>	<u>1,043,368</u>
Less Accumulated Depreciation				
Sewer lines, extensions and inclusions	<u>(458,209)</u>	<u>(17,734)</u>	<u>-</u>	<u>(475,943)</u>
Total Accumulated Depreciation	<u>(458,209)</u>	<u>(17,734)</u>	<u>-</u>	<u>(475,943)</u>
Net Capital Assets	<u>\$ 471,329</u>	<u>\$ 96,096</u>	<u>\$ -</u>	<u>\$ 567,425</u>

**Note 5 Tax, Spending, and Debt Limitation**

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

The District has created a Water and Wastewater statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution.

**Note 6 Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation and associated coverage's, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. Settled claims that exceeded

**East Jefferson County Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

**Note 6 Risk Management (Continued)**

the District's commercial coverage in the last three years were \$0, \$43,426 and \$0 for the year ending December 31, 2016, 2015 and 2014, respectively.

On June 12, 2015 several homes were affected by a sewer backup in the District's mainlines. The District's engineers have determined that the sewer mains in this area may be undersized when upstream flows are excessive due to weather related inflows. The District is making plans for a diversion sewer main designed to collect excess flows should they occur in the future, leaving adequate capacity in the undersized downstream lines. The project is expected to cost in excess of \$600,000 and be completed during 2016.

The sewer backup created 2015 costs as follows:

Water extraction and initial cleanup/sanitization	\$22,263
Asbestos abatement	\$12,187
Property-owner's damages paid by the District	<u>\$24,455</u>
	<u>\$58,905</u>
Insurance proceeds received by the District	<u>15,479</u>
Net direct costs to the District	<u>\$43,426</u>

The District also incurred costs of charges paid to our engineer, lawyer, manager and line maintenance contractor related to this major event.. The District's insurance company also settled directly with one property-owner.

**Note 7 Restricted Net position**

The District has established an emergency reserve of \$1,700 as of December 31, 2016 and 2015, respectively, to comply with Article X, Section 20 of the Colorado Constitution.

**Note 8 Reclassifications**

Certain items have been reclassified from the previous year to conform with the presentation of the current years financial statements.

**Note 9 Commitments and Contingencies**

As of December 31, 2016 the District has agreed to an additional \$18,000 in change orders relating to the 2016 sewer line project with L&M Underground. These change orders had not been completed as of year-end. The change orders were subsequently completed in February 2017 and paid for in March 2017.

## **Other Supplementary Information**

**East Jefferson County Sanitation District**  
**Budgetary vs. Actual Comparison - Non GAAP Basis**  
**For the Year Ended December 31, 2016**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Working Capital beginning of year</b>	\$ 994,936	\$ 994,936	\$ -
<b>Revenues</b>			
Connection fees - East Jeffco	129,000	54,000	(75,000)
Connection fees -Metro	173,000	75,960	(97,040)
Inspection fees	1,000	3,600	2,600
Sewage treatment revenue	792,000	773,189	(18,811)
Grease trap fees	5,000	5,796	796
Property tax	48,249	48,097	(152)
Ownership tax	3,800	3,557	(243)
Interest income	5,600	1,276	(4,324)
Developer contributions	20,000	97,000	77,000
Total Revenues	<u>1,177,649</u>	<u>1,062,475</u>	<u>(115,174)</u>
Total Funds Available	<u>2,172,585</u>	<u>2,057,411</u>	<u>(115,174)</u>
<b>Expenditures</b>			
Sewage Collection and Transmission			
Contract maintenance of lines	48,400	34,981	13,419
Line Repairs	20,000	19,438	562
Backup restoration	5,000	-	5,000
Locates and inspections	7,000	5,084	1,916
Sewage Treatment			
Metro Wastewater service charge	575,285	630,176	(54,891)
Edgewater sewer charge	5,900	5,117	783
Sanitary Administration			
Administrative services	52,000	55,401	(3,401)
Auditing and accounting	4,000	4,000	-
Bank charges	500	631	(131)
County treasurer's fees	3,300	841	2,459
Directors' fees	6,600	5,200	1,400
Engineering	25,000	13,444	11,556
Insurance - general liability	5,000	2,995	2,005
Legal	5,000	6,756	(1,756)
Membership dues and meetings	1,000	900	100
Miscellaneous	300	241	59
Office supplies and equipment maintenance	3,700	3,652	48
Office sharing expenses	8,500	8,044	456
Payroll taxes	-	398	(398)
Telephone	800	951	(151)
Connection Fees - Metro	173,000	75,960	97,040
Contingency Expense	600,000	-	600,000
Capital Expenditures	626,000	690,063	(64,063)
Total Expenditures	<u>2,176,285</u>	<u>1,564,273</u>	<u>612,012</u>
<b>Working Capital end of year</b>	<u>\$ (3,700)</u>	<u>\$ 493,138</u>	<u>\$ 496,838</u>
<b>Reconciliation to GAAP Basis</b>			
Net income - Budgetary Basis		(501,798)	
Add Capital Outlay		690,063	
Less Depreciation		(20,884)	
Net Income - GAAP Basis		<u>\$ 167,381</u>	

**East Jefferson County Sanitation District**  
**Schedule of Expenses by Function**  
**For the Year Ended December 31, 2016 and 2015**

<b>Collection and Transmission Expense</b>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contract operations and maintenance	\$ 34,981	\$ 29,639
Backup restoration	-	43,426
Locates and inspections	5,084	6,005
Repairs and maintenance	19,438	66,732
Metro connection fees	75,960	106,128
Engineering	13,444	37,560
Subtotal	<u>148,907</u>	<u>289,490</u>
Depreciation	19,504	16,694
Total Collection and Transmission	<u><u>\$ 168,411</u></u>	<u><u>\$ 306,184</u></u>

<b>General and Administrative Expense</b>		
Administrative services	\$ 55,401	\$ 59,239
Auditing	4,000	3,900
Bank charges	631	474
Directors' fees	5,200	6,900
Insurance	2,995	2,906
Legal	6,756	7,899
Membership dues and meetings	900	-
Miscellaneous expense	241	126
Office supplies and equipment maintenance	3,652	3,890
Office sharing expense	8,044	7,908
Taxes - payroll	398	528
Telephone	951	900
Subtotal	<u>89,169</u>	<u>94,670</u>
Depreciation	1,380	1,040
Total Collection and Transmission	<u><u>\$ 90,549</u></u>	<u><u>\$ 95,710</u></u>

The accompanying notes are an integral part of these financial statements