

# Fruitdale Sanitation District

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## Annual Financial Statements and Independent Auditor's Report

December 31, 2016 and 2015



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*By the Office of the State Auditor at 12:21 pm, Jun 28, 2017*

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**Haynie &  
Company**

**Certified Public Accountants** (a professional corporation)

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## **Report of Independent Certified Public Accountants**

Members of the Board of Directors  
Fruitdale Sanitation District  
Jefferson County, Colorado

We have audited the accompanying financial statements of Fruitdale Sanitation District as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Fruitdale Sanitation District, as of December 31, 2016 and 2015, and the respective changes in 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**

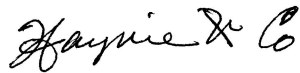
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 opinions on the financial statements that collectively comprise Fruitdale Sanitation District's financial statements as a whole. The other supplementary information section is presented for purposes of additional analysis and are not a required part of the financial statements.

The other supplementary information, as listed in the table of contents, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado  
June 27, 2017

## **Fruitdale Sanitation District Management Discussion and Analysis**

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

### **Financial Highlights**

- The financial statements show total assets of \$6,542,772 and total liabilities and deferred inflows of resources of \$340,038, as of December 31, 2016.
- In the statement of net position, the assets of the District exceeded its liabilities by \$6,202,734, which is an increase of \$1,733. \$3,089,095 or approximately 50% of this amount is unrestricted and may be used to meet the District's ongoing obligations to customers and creditors.
- The District's total assets increased by \$69,582. Most of this increase was attributable to increased cash and investments.
- The District's total liabilities and deferred inflows of resources increased by \$67,849 during the current fiscal year, due primarily to increased payables due to timing.

### **Overview of the Financial Statements**

The financial statements of the District are presented as a special purpose government engaged in business type activities – providing sewer services.

The *Statements of Net Position* present information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present information which reflects how the District's net position changed during the past year. 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. Thus, revenues and expenses are reported in the statements for some items that will only result in cash flows in future fiscal periods.

The *Statements of Cash Flows* report the District's cash flows from operating, noncapital financing, capital financing and investing activities.

These financial statements distinguish functions of the District that will be principally supported by user fees, developer contributions and tap fees. The functions of the District include effective and economical operation of wastewater sewer systems within the jurisdictional boundaries of the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The district-wide financial statements include only the District itself.

The District adopts an annual appropriated budget to recognize the fiscal impact of operations, non-operating revenues and contributions. A budgetary comparison statement has been provided to demonstrate compliance with this requirement.

The basic financial statements of the District can be found on pages 1-3 of this report.

### District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,202,734 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. The District's investment in its capital assets is reported net of related debt. It should be noted that the District has no outstanding long-term debt.

The balance of *unrestricted net position*, \$3,089,095, may be used to meet the government's ongoing obligations to customers and creditors.

At the end of the current fiscal year, the District reported positive balances in all categories of net position, for the District as a whole.

The District's net position increased by \$1,733 during the current fiscal year, compared to a decrease of \$82,778 in 2015.

### Financial Analysis of the District's Funds

NET POSITION		2016	2015
December 31,		<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Current assets		\$ 3,436,133	\$ 3,266,397
Capital assets, net		<u>3,106,639</u>	<u>3,206,793</u>
Total assets		<u>6,542,772</u>	<u>6,473,190</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Current liabilities		105,609	40,492
Deferred inflows of resources		<u>234,429</u>	<u>231,697</u>
Total liabilities and deferred inflows		<u>340,038</u>	<u>272,189</u>
<b>NET POSITION</b>			
Net investment in capital assets		3,106,639	3,206,793
Restricted for emergencies		7,000	7,000
Unrestricted		<u>3,089,095</u>	<u>2,987,208</u>
		<u>\$ 6,202,734</u>	<u>\$ 6,201,001</u>

## CHANGE IN NET POSITION

<b>December 31,</b>	<b>2016</b>	<b>2015</b>
Income (loss) from operations	\$ (371,814)	\$ (416,503)
Net non-operating revenues and expenses	283,547	309,725
Capital contributions	90,000	24,000
<b>CHANGE IN NET POSITION</b>	1,733	(82,778)
<b>NET POSITION BEGINNING OF YEAR</b>	6,201,001	6,283,779
<b>NET POSITION END OF YEAR</b>	\$ 6,202,734	\$ 6,201,001

### Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets for its business type activities as of December 31, 2016 amounts to \$3,106,639 (net of accumulated depreciation). This investment in capital assets includes sewer line systems, office furniture and fixtures, vehicles, land and buildings. The total decrease in the District's investment in capital assets for the current fiscal year was (3%), due to current-year depreciation, partially offset by additions.

### Fruitdale Sanitation District Capital Assets

	<b>2016</b>	<b>2015</b>	<b>Percentage Change</b>
Land	\$ 195,234	\$ 195,234	0%
Land improvements	18,400	18,400	0%
Building & improvements	402,378	402,378	0%
Vehicles & equipment	240,957	240,957	0%
Sewer lines	4,086,018	4,079,718	0%
Total Capital Assets	\$ 4,942,987	\$ 4,936,687	

Additional information on the District's capital assets can be found in note 2 to the financial statements.

The District currently receives a substantial portion of its revenue from its sewer services.

### Requests for Information

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

Fruitdale Sanitation District  
4990 Miller Street  
Wheat Ridge, CO 80033

## **BASIC FINANCIAL STATEMENTS**

**Fruitdale 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	\$ 1,290,534	\$ 592,220
Investments	1,895,218	2,425,585
Accounts receivable	13,726	13,360
Accrued interest receivable	2,226	3,535
Property taxes receivable	234,429	231,697
Total Current Assets	3,436,133	3,266,397
<b>Capital Assets</b>		
Land	195,234	195,234
Land improvements	18,400	18,400
Building and building improvements	402,378	402,378
Vehicles and equipment	240,957	240,957
Sewer lines, extensions and inclusions	4,086,018	4,079,718
	4,942,987	4,936,687
Less accumulated depreciation	(1,836,348)	(1,729,894)
Total Capital Assets	3,106,639	3,206,793
Total Assets	<b>\$ 6,542,772</b>	<b>\$ 6,473,190</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 68,818	\$ 5,610
Wages, payroll taxes and employee benefits payable	26,596	24,611
Customer deposits and overpayments	10,195	10,271
Total Current Liabilities	105,609	40,492
<b>Deferred Inflows of Resources:</b>		
Deferred property taxes	234,429	231,697
Total Deferred Inflows of Resources	234,429	231,697
<b>Net Position</b>		
Net investment in capital assets	3,106,639	3,206,793
Restricted for emergencies	7,000	7,000
Unrestricted	3,089,095	2,987,208
Total Net Position	6,202,734	6,201,001
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 6,542,772</b>	<b>\$ 6,473,190</b>

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

**Fruitdale Sanitation District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues</b>		
Sewage treatment revenues		
Customers	\$ 551,180	\$ 533,771
Industrial recovery	10,124	11,970
Inspection fees	<u>5,060</u>	<u>760</u>
Total operating revenues	<u>566,364</u>	<u>546,501</u>
<b>Operating Expenses</b>		
Sewage treatment	437,671	481,907
Collection and transmission	192,990	203,077
General and administrative	<u>307,517</u>	<u>278,020</u>
Total operating expenses	<u>938,178</u>	<u>963,004</u>
<b>Operating Loss</b>	<u>(371,814)</u>	<u>(416,503)</u>
<b>Non-operating Revenues and Expenses:</b>		
Property taxes	229,679	223,039
Specific ownership taxes	15,591	18,908
Net investment income (loss)	30,905	68,555
Penalties	2,402	2,612
Metro Wastewater tap fees received	75,960	19,008
Metro Wastewater tap fees remitted	(67,520)	(19,008)
County Treasurer's fees	<u>(3,470)</u>	<u>(3,389)</u>
Net Non-operating Revenues and Expenses	<u>283,547</u>	<u>309,725</u>
<b>Loss Before Contributions</b>	<u>(88,267)</u>	<u>(106,778)</u>
<b>Capital Contributions</b>		
Connection fees	<u>90,000</u>	<u>24,000</u>
Total capital contributions	<u>90,000</u>	<u>24,000</u>
<b>Change in Net Position</b>	1,733	(82,778)
<b>Net Position —beginning of year</b>	<u>6,201,001</u>	<u>6,283,779</u>
<b>Net Position —end of year</b>	<u>\$ 6,202,734</u>	<u>\$ 6,201,001</u>

The accompanying notes are an integral part of these statements.

**Fruitdale Sanitation District**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 565,998	\$ 549,051
Payments to vendors	(516,677)	(663,206)
Payments to employees	(249,930)	(254,890)
Net Cash From Operating Activities	(200,609)	(369,045)
<b>Cash Flows from Non-capital Financing Activities:</b>		
Taxes received, net of fees	241,800	238,558
Penalties received	2,402	2,612
Net Cash From Non-capital Financing Activities	244,202	241,170
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Connection fees received	90,000	24,000
Metro Wastewater tap fees received	75,960	19,008
Metro Wastewater tap fees remitted	(67,520)	(19,008)
Acquisition and construction of capital assets	(6,300)	(451,442)
Net Cash From Capital and Related Financing Activities	92,140	(427,442)
<b>Cash Flows from Investing Activities:</b>		
Interest received	59,872	31,932
Purchase of investments	(200,000)	(749,800)
Maturity of investments	702,709	920,000
Net Cash From Investing Activities	562,581	202,132
<b>Net Change in Cash and Cash Equivalents</b>	698,314	(353,185)
<b>Cash and Cash Equivalents—beginning of year</b>	592,220	945,405
<b>Cash and Cash Equivalents—end of year</b>	<u>\$ 1,290,534</u>	<u>\$ 592,220</u>
<b>Reconciliation of Net Operating Loss to</b>		
<b>Net Cash From Operating Activities:</b>		
Operating loss	\$ (371,814)	\$ (416,503)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	106,454	106,027
Changes in assets and liabilities:		
Accounts receivable	(366)	2,550
Accounts payable	63,208	(62,248)
Wages, payroll taxes and benefits payable	1,985	1,533
Customer deposits	(76)	(404)
<b>Net Cash From Operating Activities</b>	<u>\$ (200,609)</u>	<u>\$ (369,045)</u>
<b>Non-cash transactions</b>		
None		

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

# **Fruitdale Sanitation District**

## **Notes to Financial Statements**

### **December 31, 2016 and 2015**

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#### **1. Organization and Definition of Reporting Entity**

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Fruitdale 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 Jefferson County, Colorado. The District was established to provide sewer service to property within its service area. 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.

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#### **2. Summary of Significant Accounting Policies**

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##### **Basis of Accounting**

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in net position. Tap fees, inclusion fees and contributed sewer lines are recorded as nonoperating revenue when received.

##### **Operating Revenues and Expenses**

The District distinguishes between operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing sewer services to its customers. Charges to customers for services provided are performed by the District. Operating expenses include cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

##### **Cash Equivalents**

For purposes of these statements, all highly liquid investments with an original maturity of ninety days or less are considered to be cash equivalents.

**Fruitdale Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016 and 2015**

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

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**Accounts Receivable**

Accounts receivable is presented in the Statement of Net Position net of estimated uncollectible amounts. As of December 31, 2016 and 2015, the District considers all amounts to be fully collectible.

**Capital Assets**

Capital assets are recorded at historical cost or estimated historical if purchased or constructed, except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

	<b>Life in Years</b>
Land improvements	20
Building and improvements	20-40
Vehicles and equipment	3-10
Sewer lines, extensions and inclusions	50

**Budget and Appropriation**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end.

**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 recorded initially as deferred revenue and reported as deferred inflows of resources 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.

**Fruitdale Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016 and 2015**

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

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**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; and natural disasters. Accordingly, the District has joined together with other special districts in the State to form Colorado Special Districts' Property and Liability Pool (Pool), a public entity risk pool currently operating as a common risk management and insurance program with other special districts. The District pays an annual premium for its insurance coverage that includes public officials' liability, property liability and an automobile policy. The Pool is intended to be self-sustaining through member premiums. The Pool has entered into certain reinsurance contracts.

**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.

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**3. Cash Deposits and Investments**

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At December 31, the District had the following cash and investments:

	<b>2016</b>	<b>2015</b>
Cash balances - insured	\$ 250,000	\$ 250,000
Cash and investments - collateralized by securities held at bank	<u>2,935,752</u>	<u>2,767,805</u>
Total	<u>\$ 3,185,752</u>	<u>\$ 3,017,805</u>

Cash deposits and investments are reflected on the December 31 Statement of Net Position as follows:

	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 1,290,534	\$ 592,220
Certificates of Deposit, Government and Corporate Bonds	<u>1,895,218</u>	<u>2,425,585</u>
Total	<u>\$ 3,185,752</u>	<u>\$ 3,017,805</u>

At December 31, 2016, the District's cash deposits had a bank and carrying balance of \$1,290,534.

**Fruitdale Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016 and 2015**

**3. Cash Deposits and Investments**

**Cash Deposits**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance, and collateralized with securities held by the pledging financial institution where the fair value of the collateral pool equals or exceeds all uninsured public deposits. The Colorado Public Deposit Protection Act (PDPA) requires deposits of all units of local government to be made in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as 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 uninsured deposits. Accordingly, none of the District's cash deposits as of December 31, 2016 and 2015 are deemed to be exposed to custodial credit risk.

**Investments**

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

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

The investment policy adopted by the Board of Directors of the District establishes additional restrictions to the requirements specified by state statutes.

At December 31, 2016, the District had the following investments:

<b>Investment</b>	<b>Rating</b>	<b>Investment Maturities (in Years)</b>		<b>Total</b>
		<b>Less than 1</b>	<b>1 to Less than 5</b>	
Investment pools	AAAm	\$ 447,982	\$ -	\$ 447,982
Money Market	N/A	200,215	-	200,215
Certificates of deposit	N/A	300,140	-	300,140
Bonds	AA+	-	1,595,078	1,595,078
		<u>\$ 948,337</u>	<u>\$ 1,595,078</u>	<u>\$ 2,543,415</u>

**Fruitdale Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016 and 2015**

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**3. Cash Deposits and Investments (continued)**

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At December 31, 2015, the District had the following investments:

Investment	Rating	Investment Maturities (in Years)		
		Less than 1	1 to Less than 5	Total
Investment pools	AAAm	\$ 46,702	\$ -	\$ 46,702
Certificates of deposit	N/A	502,849	100,000	602,849
Bonds	AA+	-	1,822,736	1,822,736
		\$ 549,551	\$ 1,922,736	\$ 2,472,287

*Interest Rate Risk* — Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

*Credit Risk* — The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer. More than 5% of the District's investments are concentrated in single issuers.

*Local Government Investment Pools* — As of December 31, 2016, the District had \$46,702 invested in the Colorado Local Government Liquid Asset Trust (Colostrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colostrust is rated AAAm by Standard and Poor's. Colostrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colostrust offers shares in two portfolios, Colostrust Prime and Colostrust Plus+. The District funds are only invested in Colostrust Plus+. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for Colostrust's portfolios pursuant to a custodian agreement.

Substantially all securities owned by Colostrust are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colostrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colostrust.

**Fruitdale Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016 and 2015**

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**4. Contracts**

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**Service Contract - Metro Wastewater Reclamation District (MWRD)**

The District has an agreement with MWRD for final treatment and disposal of the District's sewage. The agreement provides for annual estimated charges that are assessed through the application of a predetermined formula. Adjustments to the estimated charge will be based on meter flows, content, and actual costs. The adjustments are billed or credited to the District during the two succeeding years. The District retains responsibility for the maintenance and future construction costs of all public sanitary sewer lines and retains title to all public sanitary sewer lines in the District.

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**5. Tax, Spending and Debt Limitations**

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**TABOR Amendment**

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.

The District's management believes it is currently 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 has restricted net position for an Emergency Reserve in accordance with TABOR.

In November 1994, the District adopted a resolution establishing a water activity enterprise under section 37-45.1-101 et. seg., CRS. The District adopts a budget for a General Government and an Enterprise. The General Government is budgeted to receive property tax revenues and pay administrative expenses and make grants to the Enterprise. The activities of the Enterprise, shall include, but not be limited to, collection, treatment, use, reuse, exchange, or discharge of wastewater. The Enterprise shall be eligible to receive grants from the General Government or other sources provided such grants in any fiscal year do not exceed 10% of the Enterprise's annual total revenue.

**Fruitdale Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016 and 2015**

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**6. Risk Management: Colorado Special Districts Property and Liability Pool**

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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 one of approximately 960 special districts which are members of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, and boiler and machinery and workers compensation coverage to its members. The Pool provides coverage for property claims up to \$40,000,000 and liability coverage for claims up to \$1,000,000. 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, public officials and worker's compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

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**9. Capital Assets**

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Changes in property, plant and equipment are as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>December 31,</b>		<b>Deletions/</b>	<b>December 31,</b>
	<b>2015</b>	<b>Additions</b>	<b>Transfers</b>	<b>2016</b>
Land	\$ 195,234	\$ -	\$ -	\$ 195,234
Land improvements	18,400	-	-	18,400
Building and improvements	402,378	-	-	402,378
Vehicles and equipment	240,957	-	-	240,957
Sewer lines	<u>4,079,718</u>	<u>6,300</u>	<u>-</u>	<u>4,086,018</u>
Total	<u>4,936,687</u>	<u>6,300</u>	<u>-</u>	<u>4,942,987</u>
Accumulated depreciation	<u>(1,729,894)</u>	<u>(106,454)</u>	<u>-</u>	<u>(1,836,348)</u>
Net	<u>\$ 3,206,793</u>	<u>\$ (100,154)</u>	<u>\$ -</u>	<u>\$ 3,106,639</u>

**Fruitdale Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2016 and 2015**

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**9. Capital Assets (continued)**

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	Balance December 31, 2014	Additions	Deletions/ Transfers	Balance December 31, 2015
Land	\$ 195,234	\$ -	\$ -	\$ 195,234
Construction in progress	16,746	-	(16,746)	-
Land improvements	18,400	-	-	18,400
Building and improvements	372,528	29,850	-	402,378
Vehicles and equipment	240,957	-	-	240,957
Sewer lines	<u>3,641,381</u>	<u>480,918</u>	<u>(42,581)</u>	<u>4,079,718</u>
Total	<u>4,485,246</u>	<u>510,768</u>	<u>(59,327)</u>	<u>4,936,687</u>
Accumulated depreciation	<u>(1,623,867)</u>	<u>(106,027)</u>	<u>-</u>	<u>(1,729,894)</u>
Net	<u>\$ 2,861,379</u>	<u>\$ 404,741</u>	<u>\$ (59,327)</u>	<u>\$ 3,206,793</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**Fruitdale Sanitation District**  
**Schedules of Operating Expenses**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Sewage Treatment		
Metro Wastewater treatment charges	\$ 432,608	\$ 475,873
Lab testing and testing supplies	5,063	6,034
Total Sewage Treatment	<u>437,671</u>	<u>481,907</u>
Collection and Transmission		
Operating supplies	1,024	683
Repairs and maintenance	1,365	16,832
Salaries and payroll taxes	80,542	75,544
Vehicle	3,605	3,991
Depreciation	106,454	106,027
Total Sewage Treatment	<u>192,990</u>	<u>203,077</u>
General and Administration		
Accounting and auditing	5,900	6,400
Bank service charges	2,244	2,202
Director's fees	5,800	5,700
Dues, meetings and education	2,049	1,357
Employee benefits	52,350	61,022
Engineering	56,751	27,073
Insurance	27,320	11,510
Legal	7,742	12,627
Licenses and permits	701	781
Meter readings	2,400	2,400
Miscellaneous	2,645	3,694
Repairs and maintenance	4,886	4,642
Offices supplies and billing expenses	4,147	5,816
Payroll taxes	16,395	15,481
Software	1,173	1,544
Travel	1,557	630
Salaries	102,628	104,376
Telephone	4,516	4,425
Utilities	6,313	6,340
Total General and Administration	<u>307,517</u>	<u>278,020</u>
Total Operating Expenses	<u>\$ 938,178</u>	<u>\$ 963,004</u>

**Fruitdale Sanitation District**  
**Statement of Revenue, Expenditures and Changes in Funds Available**  
**Budget and Actual (Budgetary Basis)**  
**For the Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>			
Operating revenues:			
Service charges - regular	\$ 527,358	\$ 524,655	\$ (2,703)
Service charges - tax exempt	-	25,118	25,118
Industrial recovery charge	11,952	10,124	(1,828)
Connection fees - District	75,000	90,000	15,000
Inspection and license fees	1,640	5,060	3,420
Miscellaneous	-	57	57
Non-operating revenues:			
Property taxes	231,127	229,679	(1,448)
Specific ownership taxes	16,800	15,591	(1,209)
Net investment income	27,800	30,905	3,105
Penalties	-	3,752	3,752
Connection fees - Metro Wastewater	63,300	75,960	12,660
Total Revenues	<u>\$ 954,977</u>	<u>\$ 1,010,901</u>	<u>\$ 55,924</u>
<b>Expenditures</b>			
Sewage collection and transmission:			
General operating supplies	\$ 5,535	1,024	\$ 4,511
Repairs and maintenance	12,000	1,365	10,635
Salaries and taxes- lines	93,366	80,542	12,824
Vehicle	4,800	3,605	1,195
Sewage treatment:			
Metro Wastewater charges	432,608	432,608	-
Testing	6,540	4,858	1,682
Testing supplies	240	205	35
Sewage administration:			
Auditing and budget	6,800	5,900	900
Bank service charges	2,400	2,244	156
Director's fees	8,000	5,800	2,200
County treasurer's fees	4,800	3,470	1,330
Dues, meetings and education	4,000	2,049	1,951
Employee benefits	62,280	52,350	9,930
Engineering	38,000	56,751	(18,751)
Insurance	15,000	27,320	(12,320)
Legal	30,000	7,742	22,258
Licenses and permits	1,200	701	499
Meter readings	2,400	2,400	-
Miscellaneous	2,640	2,645	(5)
Repairs and maintenance	7,013	4,886	2,127
Offices supplies and billing expenses	11,920	4,147	7,773
Payroll taxes	11,682	16,395	(4,713)
Software	3,000	1,173	1,827
Travel	4,000	1,557	2,443
Salaries	116,805	102,628	14,177
Telephone	-	4,516	(4,516)
Utilities	13,848	6,313	7,535
Connection fees - Metro Wastewater	63,300	67,520	(4,220)
Capital expenditures	200,000	6,300	193,700
Total expenditures	<u>1,164,177</u>	<u>909,014</u>	<u>\$ 255,163</u>

<b>Net Change in Fund Balance</b>	(209,200)	101,887
<b>Fund Balance - Beginning of Year</b>	<u>3,422,401</u>	<u>2,994,208</u>
<b>Fund Balance - End of Year</b>	<u>\$ 3,213,201</u>	<u>\$ 3,096,095</u>
<b>Reconciliation - Budgetary Basis to GAAP</b>		
Change in fund balance - budgetary basis		101,887
Depreciation		(106,454)
Capital expenditures		<u>6,300</u>
Change in fund balance - GAAP basis		<u>\$ 1,733</u>

**Fruitdale Sanitation District**  
**Summary of Assessed Valuation, Mill Levy and**  
**Property Taxes Collected**  
**December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2012	\$ 78,944,819	4.405	\$ 347,752	\$ 329,359	94.7%
2013	\$ 78,437,849	3.031 *	\$ 237,744	\$ 237,826	100.0%
2014	\$ 78,391,911	2.821	\$ 221,144	\$ 215,160	97.3%
2015	\$ 79,376,937	2.828	\$ 224,478	\$ 223,039	99.4%
2016	\$ 89,271,994	2.601	\$ 231,637	\$ 229,679	99.2%

Estimated for  
the year ending  
December 31,  
2017

\$ 90,758,656	2.583	\$ 234,429
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\* - For property taxes levied for collection in 2013, the District levied a mill levy of 2.821 for general operations and .210 for refunds and abatements. This mill levy was offset by a temporary mill levy reduction of 3.031 mills to refund a portion of the TABOR refund liability accrued as of December 31, 2012.

**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.