

# Leadville Sanitation District

(Leadville, Colorado)

## FINANCIAL STATEMENTS

Fiscal Years Ended  
December 31, 2016 and 2015



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LEADVILLE SANITATION DISTRICT  
LEADVILLE, COLORADO  
FINANCIAL STATEMENTS

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## Independent Auditor's Report

Board of Directors  
Leadville Sanitation District  
Leadville, Colorado

We have audited the accompanying financial statements of the business-type activities of Leadville Sanitation District (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 statements of net position of the District as of and for the years ended December 31, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States 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 in Section B 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 management's discussion and analysis in Section B 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 District's financial statements. The schedule listed in the table of contents as other supplementary information in section D is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kenneth L. Olsen, CPA, PC  
Leadville, CO 80461  
September 12, 2017

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

As management of the Leadville Sanitation District, we offer readers of the Leadville Sanitation District's financial statements this narrative overview and analysis of the financial activities of the Leadville Sanitation District for the fiscal year ended December 31, 2016.

### **Financial Highlights**

The assets of the Leadville Sanitation District exceeded its liabilities at the close of the most recent fiscal year by \$6,750,299 (net position). Of this amount, \$2,866,404 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

Total assets for the Leadville Sanitation District are \$6,991,164 Of this amount, \$3,924,050 are capital assets.

Total liabilities for the Leadville Sanitation District are \$116,845 Of this amount, \$70,308 are long term liabilities.

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

This discussion and analysis are intended to serve as an introduction to the Leadville Sanitation District's basic financial statements. The Leadville Sanitation District's basic financial statements comprise two components: 1) financial statements, and 2) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Financial Statements**

The financial statements are designed to provide readers with a broad overview of the Leadville Sanitation District's finances, in a manner similar to the private-sector business.

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

The major revenue sources for the Leadville Sanitation District were service charges-67.2%, developer contributions-19%, property taxes-9%, specific ownership taxes-.4%, interest income-1.2 %, and tap fees-3.2%. Total revenue for the year was \$1,316,505. The District accepted sewer collection lines contributed from a developer valued at \$250,000 and this is included in total revenue.

The major expenses for the Leadville Sanitation District were personnel costs-50.6%, professional fees-2.6%, utilities-10.3%, office expenses-3.3%, insurance-4.0%, maintenance and repair-3.9%, depreciation-19.0%, and other expenses-5.3% Total expenses including depreciation for the year were \$825,666.

Revenues exceeded expenses by \$490,839 for the Leadville Sanitation District in 2016.

**Overall analysis**

There was an increase in total assets for the Leadville Sanitation District in the amount of \$481,971 between fiscal year 2015 and 2016. This includes the \$250,000 contributed sewer collection lines accepted by the District.

Due to the increase in assets and the ability to reserve money for plant and line replacement, management of the Leadville Sanitation District feels that the financial position of the District is improving.

**Requests for information**

This financial report is designed to provide a general overview of the Leadville 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: Leadville Sanitation District, PO Box 253, Leadville, CO. 80461.

**LEADVILLE SANITATION DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash & Cash Equivalents-Unrestricted	\$ 2,363,382	\$ 2,022,193
Cash & Cash Equivalents-Restricted	24,000	21,000
Investments -Unrestricted	326,290	324,427
Accounts Receivable - User Charges		
Less allowance for uncollectible charges	86,546	83,459
Note Receivable - Current Portion	18,054	18,054
Tap Fee Receivable	0	2,257
Interest Receivable	4	27
Prepaid Expenses	42,958	38,410
Property Taxes Receivable net of allowance for uncollectibles	124,020	120,754
Other Receivables	4,305	0
Total Current Assets	2,989,559	2,630,581
Long-Term Assets		
Note Receivable less current maturities	77,555	90,496
Capital Assets		
Sewage Treatment Plant & Equipment	5,161,875	4,870,488
Sewage Collection System	2,250,247	2,250,247
Less Accumulated Depreciation	(3,509,424)	(3,353,971)
Land	21,352	21,352
Total Capital Assets	3,924,050	3,788,116
<b>TOTAL ASSETS</b>	<b>\$ 6,991,164</b>	<b>\$ 6,509,193</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>		
Accounts Payable & Accrued Liabilities	\$ 27,171	\$ 25,897
Developer Deposits	4,113	4,113
Current Maturities of Note Payable	13,847	13,187
Interest Payable	1,406	1,627
Total Current Liabilities	46,537	44,824
Long-Term Liabilities		
Note Payable, Less Current Maturities	70,308	84,155
<b>TOTAL LIABILITIES</b>	<b>116,845</b>	<b>128,979</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable property tax revenue	124,020	120,754
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>124,020</b>	<b>120,754</b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	3,839,895	3,690,774
Restricted for Tabor emergency reserve	24,000	21,000
Unrestricted	2,886,404	2,547,686
<b>TOTAL NET POSITION</b>	<b>\$ 6,750,299</b>	<b>\$ 6,259,460</b>

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

**LEADVILLE SANITATION DISTRICT**  
**STATEMENT OF REVENUE, EXPENSES, & CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
Operating Revenue		
Charges for Services	\$ 884,209	\$ 875,180
Operating Expenses		
Collection & Treatment		
Salaries & Labor Costs	210,172	201,058
Employee Benefits	74,217	75,527
Insurance	33,255	33,745
Repairs & Maintenance	32,552	35,283
Utilities	85,381	95,295
Other	41,510	43,220
Depreciation	149,973	142,411
	627,060	626,539
Administration		
Salaries & Labor Costs	99,147	96,374
Employee Benefits	34,925	35,542
Bad Debt Expense (Recovery)	216	7,631
Office	27,331	26,235
Professional Fees	22,202	17,540
Other	2,606	3,753
Depreciation	7,532	7,490
	193,959	194,565
Total Operating Expenses	821,019	821,104
Operating Income (Loss)	63,190	54,076
Non-operating Revenue (Expense)		
Property Taxes		
Net of county collection fees of \$ 3785 & \$3771 for 2016 & 2015, respectively	118,347	116,647
Specific Ownership Taxes	5,723	5,805
Interest Income	16,027	11,249
Interest Expense	(4,647)	(5,285)
Total Non-operating Revenue	135,450	128,416
Income Before Capital Contributions	198,640	182,492
<b>CAPITAL CONTRIBUTIONS</b>		
Developer Contributions	250,000	0
Tap Fees	42,199	55,384
Total Capital Contributions	292,199	55,384
<b>CHANGE IN NET POSITION</b>	490,839	237,876
<b>NET POSITION AT BEGINNING OF YEAR</b>	6,259,460	6,021,584
<b>NET POSITION AT END OF YEAR</b>	\$ 6,750,299	\$ 6,259,460

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

**LEADVILLE SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS: OPERATING ACTIVITIES</b>		
Cash received from customers and others	\$ 881,338	\$ 883,826
Cash payments for goods and services	(254,618)	(282,542)
Cash payments to employees and for benefits	(416,691)	(402,287)
Net Cash Provided by Operating Activities	210,029	198,997
<b>CASH FLOWS: NON-CAPITAL FINANCING ACTIVITIES</b>		
Property tax collections, net of collection fees	118,347	116,647
Specific ownership tax collections	5,723	5,805
Net Cash Provided by Non-capital Financing Activities	124,070	122,452
<b>CASH FLOWS: CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Tap Fees and Grants Received	44,456	55,384
Collection of Notes Receivable	12,941	12,541
Cash paid for principal on debt	(13,187)	(12,560)
Cash paid for interest on debt	(4,868)	(5,494)
Cash paid for capital acquisitions	(45,008)	(140,557)
Loss on disposal of assets	1,569	0
Net Cash (Used) by Capital & Related Financing Activities	(4,097)	(90,686)
<b>CASH FLOWS: FROM INVESTING ACTIVITIES</b>		
Interest income received	16,050	11,249
Net Cash Provided by Investing Activities	16,050	11,249
Net Increase in Cash & Cash Equivalents	346,052	242,012
CASH & CASH EQUIVALENTS: <i>Beginning of Year</i>	2,367,620	2,125,608
CASH & CASH EQUIVALENTS: <i>End of Year</i>	\$ 2,713,672	\$ 2,367,620
<b>Represented by Statement of Net Position captions:</b>		
Cash and cash equivalents-Unrestricted	2,363,382	2,022,193
Investments-Unrestricted	326,290	324,427
Cash and cash equivalents-Restricted	24,000	21,000
<b>Cash and Cash Equivalents-End of Year</b>	2,713,672	2,367,620
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 63,190	\$ 54,076
Adjustments		
Depreciation	157,505	149,901
(Increase) decrease in receivables	(7,392)	13,688
(Increase) decrease in prepaid expenses	(4,548)	(5,052)
Increase (decrease) in accounts payable & accrued liabilities	1,274	(8,424)
Increase (decrease) in prepaid user charges	0	(5,192)
<b>Total Adjustments</b>	146,839	144,921
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ 210,029	\$ 198,997
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital Assets Contributed to the District	\$ 250,000	\$ -

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

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE A**            **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The District's significant accounting policies are described below.

**REPORTING ENTITY**

The District is a Statutory, Single-Purpose, Special District governed by a five-member Board of Directors that are elected by the qualified voters in the District. It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which includes the power to levy taxes against property within the District. The Board is accountable only to the voters and has no authority or influence over any other governmental entity. Likewise, the District is not financially dependent upon nor directly influenced by any other level of government. These financial statements reflect the operation of the District only.

The District is a special-purpose government engaged only in business-type activities. As such, enterprise fund financial statements are presented.

**BASIS OF ACCOUNTING**

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflow of resources, deferred inflow of resources, and liabilities associated with the operation of this fund are included on the statement of net position.

Revenue and expenses are recorded in the accounting period in which they are earned or incurred and they become measureable. Net position is segregated into amounts invested in capital assets, restricted, and unrestricted. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE A    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES    (Continued)

BUDGETS & BUDGETARY ACCOUNTING

An annual budget and appropriation resolution is adopted by the Board of Directors (the Board) in accordance with state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues.

The budget process timeline is as follows:

1. No later than October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at regular Board meetings to obtain customers' comments.
3. Prior to December 31, the budget is legally adopted by the Board.
4. Unused appropriations lapse at the end of each year.

The total appropriated expenditures for the District were \$ 1,217,315.

STATEMENT OF CASH FLOWS

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

PREPAID ITEMS

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items.

PROPERTY TAXES RECEIVABLE

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2015 were collected in 2016 and taxes certified in 2016 will be collected in 2017. Taxes to be collected are due on January 1<sup>st</sup> in the year of collection; however, they may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (not later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16<sup>th</sup>.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE A**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**    (Continued)

**CAPITAL ASSETS**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Capital outlay for projects is capitalized as projects are constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Disposal plant, collection lines, and equipment on hand at December 31, 1967, have been stated at estimated historical cost at date of acquisition. All additions since that date have been stated at the actual cost to the District.

Treatment plants, distribution systems, equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

	Years
Sewage Treatment Plant	20 – 40
Equipment	3 – 10
Vehicles	5 – 10
Line, Mains & Manholes	40 - 100

**NET POSITION**

Net position represents the difference between assets, liabilities, and deferred inflows (outflows) of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and increased by any unspent proceeds from related borrowings. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**COMPENSATED ABSENCES**

The District accrues accumulated unpaid vacation, personal and compensatory leave when earned by the employee. The District has a policy which allows employees to accumulate unused vacation, personal and compensatory leave, up to a certain maximum number of hours. The accumulated vacation, personal and compensatory leave, is recorded as an accrued liability and current salary expense when incurred in the propriety fund financial statements. In the event of termination, an employee is reimbursed for the accumulated hours up to the maximum amounts. The District accrued \$ 25,266 in compensated absences as of December 31, 2016 and \$ 23,294 as of December 31, 2015. Earned but unused vacation benefits are accrued when incurred in the financial statements.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

CONTRIBUTED CAPITAL

Construction contribution by developers is recognized when the District assumes the responsibility for the system that was donated by the developer. Prior to 2001, contributions in aid of construction, principally grants from governmental agencies and system tap fees, were credited directly to contributed capital. With the implementation of GASB 33, these contributions are recorded as a component of net income. Depreciation on assets acquired through contributions of such assets or capital grants prior to 2001 is charged against contributed capital rather than retained earnings. In August, 2016 the District accepted the new taps and sewer lines of the Brooklyn Heights subdivision and recognized \$250,000 as income and capital assets.

POST-RETIREMENT BENEFITS

At December 31, 2016 & 2015, the District has no post-retirement benefit plans.

DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and deferred inflow of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

RISK MANAGEMENT

The District has secured commercial insurance to cover any general liability or Workers' Compensation claims subject to \$1,000- \$2,500 and \$500 deductibles per claim respectively. No claims have been settled that exceeded insurance limits in the past three fiscal years.

BAD DEBTS

Bad debts are recognized by the allowance method.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

REVENUES & EXPENSES

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are fees for wastewater collection and treatment services.

Operating expenses include the costs associated with the wastewater collection services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

NOTE B CASH, DEPOSITS, INVESTMENTS, & RESTRICTED CASH

At December 31, Components of cash and cash equivalents are as follows:

	2016	2015
Cash on Deposit in Financial Institutions	1,361,767	1,273,712
Investment in Colorado Local Government Liquid Asset Trusts (COLOTRUST & CSAFE)	1,351,905	1,093,908
	<b>\$ 2,713,672</b>	<b>\$ 2,367,620</b>

Cash deposits and investments are classified in the accompanying financial statements as follows:

	2016	2015
Cash and cash equivalents	\$ 2,363,382	\$ 2,022,193
Restricted Cash	\$ 24,000	\$ 21,000
Investments	326,290	324,427
Total	<b>\$ 2,713,672</b>	<b>\$ 2,367,620</b>

CASH DEPOSITS

The District bank accounts at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial bank under provisions of the Colorado Public Deposit Protection Act. Investments consist entirely of Certificates of Deposit.

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 by eligible collateral as determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for investments. None of the District's deposits were exposed to custodial credit risk.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE B**    CASH, DEPOSITS, INVESTMENTS, & RESTRICTED CASH    (Continued)

Deposits are categorized as follows:

- |          |    |  |
|----------|----|--|
| Category | 1: | Includes deposits that are insured   |
|          | 2: | Includes collateralized deposits held by the counterparty's trust department or agent in the District's name |
|          | 3: | Includes uncollateralized, uninsured deposits  |

At December 31, 2016 and 2015, the District's deposits had a carrying value of \$2,713,672 and \$2,367,620 respectively, and corresponding bank balances categorized as follows:

	2016	2015
Category 1		
Deposits covered by Federal Insurance	717,454	715,809
Category 2		
Deposits collateralized in single institution pools	2,004,078	1,662,516
	\$ 2,721,532	\$ 2,378,325

INVESTMENTS

The District is authorized by Colorado statutes to invest in the following:

- Bonds and other interest-bearing obligations of the United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of local government entities in Colorado
- Banker's acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts, with certain exceptions
- Commercial paper

LOCAL GOVERNMENT INVESTMENT POOLS

The District has invested in the Colorado Government Liquid Asset Trust (COLOTRUST) and in C-Safe. These investment vehicles have been established in order to pool surplus funds for investment purposes in accordance with state statute for local government entities in Colorado. These funds operate similarly to a money market fund and each share is equal in value to \$ 1.00. The two investment pools are under the authority and in conformity with Part 6 of Article 75 of Title 24 of the Colorado State Revised Statutes. At December 31, 2016 and December 31, 2015, the District held investments of \$ 540,610 and \$ 287,851 in C-Safe and \$ 811,295 and \$ 806,056 in COLOTRUST respectively.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE B**    **CASH, DEPOSITS, INVESTMENTS, & RESTRICTED CASH**    (Continued)

**INTEREST RATE RISK**

The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The District's only investments are in local government investment pools and Certificates of Deposit.

**CREDIT RISK**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. As of December 31, 2016, the District's investments in COLOTRUST and CSAFE were rated AAAm by Standard & Poor's.

**CONCENTRATION OF CREDIT RISK**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. The District's investments are concentrated in local government investment pools.

**NOTE C**    **NOTE RECEIVABLE**

The District has provided public notice of its 2016 assessment in the aggregate amount of \$ 18,054 (\$13,475 principal, \$4,579 Interest) against certain lots located within the Silverhills Subdivision of Lake County, Colorado. The assessment arises from an agreement entered into between the District and the Silverhills Sanitation District (subsequently approved by the Lake County, Colorado, District Court) for the repayment of loans made to the District and the construction costs overruns required for the acquisition of easements and the construction of a sanitary sewer line from the Silverhills Subdivision to a sewer collection main owned and maintained by the District.

The total future assessment as of December 31, 2016 is \$ 91,030, which represents \$ 77,555 in loan commitments. The assessment related to the loan funds will be collected in bi-monthly installments plus interest at 5% through December, 2022.

**NOTE D**    **LONG-TERM DEBT**

Long-term debt at December 31, 2016, consists of a 5% note payable with an original face amount of \$ 125,000, due in annual principal and interest installments of \$ 10,030 through maturity in September, 2021; and a second note payable with an original face amount of \$ 100,000, due in annual principal and interest installments of \$ 8,024 through maturity in September, 2022. Both loans are payable to the State of Colorado, Department of Local Affairs.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE D**    **LONG-TERM DEBT**    (Continued)

Future principal Maturities and Interest payment for the notes are as follows:

Year Ending December 31	Principal	Interest	Total
2017	13,847	4,207	18,054
2018	14,539	3,515	18,054
2019	15,267	2,789	18,056
2020	16,030	1,956	17,986
2021	16,830	1,224	18,054
2022	7,642	382	8,024
	<u>\$ 84,155</u>	<u>\$ 14,073</u>	<u>\$ 98,228</u>

Long-term debt activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions/Adj	Reductions	Ending Balance	Amounts Due within one year
Sewer Debt	97,342		(13,187)	84,155	13,847

**NOTE E**    **CAPITAL ASSETS**

	December 31,	
	2016	2015
Capital Assets Beginning Balance	7,142,087	7,001,531
Acquisitions	295,009	140,556
Sales and other dispositions	(3,622)	
Capital Assets Ending Balance	<u>7,433,474</u>	<u>7,142,087</u>
Accumulated depreciation Beginning Balance	(3,353,971)	(3,204,070)
Additions	(157,505)	(149,901)
Sales and other dispositions	2,052	
Accumulated Depreciation Ending Balance	<u>(3,509,424)</u>	<u>(3,353,971)</u>
Reductions/Adjustments		
Subtotal	<u>3,924,050</u>	<u>3,788,116</u>
Less Capital Related Debt		
Current portion of capital related long-term debt	13,847	13,187
Long-term portion of capital related long-term debt	70,308	84,155
Subtotal	<u>84,155</u>	<u>97,342</u>
Reductions/Adjustments	0	0
Total Net Assets invested in Capital Assets, Net of Related Debt	<u>\$ 3,839,895</u>	<u>\$ 3,690,774</u>

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE F**    **CONTRIBUTED CAPITAL**

Changes in contributions in aid of construction during the years ended December 31, 2016 & 2015 are as follows:

	2016	2015
Balance: January 1	648,263	692,539
Depreciation during the year on assets acquired through contributions or capital grants	(44,276)	(44,276)
Balance: December 31	\$ 603,987	\$ 648,263

**NOTE G**    **BUDGET**

For the year ended December 31, 2016, budgeted estimated revenue and appropriations compared to actual cash receipts and expenditures on non-GAAP, modified cash budgetary basis (Note A) are as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
Modified Cash Basis Receipts	1,217,315	1,083,231	(134,084)
Modified Cash Basis Expenditures	(1,217,315)	(730,142)	487,173
Excess of Cash Receipts Over Expenditures	\$ -	\$ 353,089	\$ 353,089

Reconciliation of Budgetary basis to GAAP financial statements for the year ended December 31, 2016 is as follows:

Excess of Modified Cash Receipts over Expenditures	\$ 353,089
Unappropriated Fund Balance	
Depreciation Expense	(157,505)
Capital Expenses	45,009
Donated asset	250,000
Debt Service Payments	13,187
Assessment Payments Received and Adjustments	(12,941)
NET INCOME - GAAP Basis	\$ 490,839

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE H    CONSTITUTIONAL AMENDMENT

In November 1992, the Colorado Constitution was amended to add various revenue and expenditure limits and impose new requirements on the District. For example, prior voter approval is necessary to increase the District's real property tax revenue or spending from one year to the next in excess of the rate of inflation plus a growth factor based on the net percentage change in the actual value of all real property within the District.

Any new tax, tax rate increase, mill levy increase, or extension of an expiring tax which causes a net tax revenue gain, requires voter approval. New long-term financial obligations also require voter approval. The Colorado Constitution also requires that any revenue collected, kept, or spent in violation of these provision must be refunded, with interest.

This amendment requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District believes it is in compliance with the provisions of this amendment, including the establishment of an emergency reserve within net position as required by the amendment.

NOTE I    GRANTS

In August 2009, the District was awarded a grant from the State of Colorado Department of Local Affairs Energy and Mineral Impact Assistance Program for \$728,500. These funds, along with District funds of \$878,500 were utilized on a project to replace approximately 12,750 feet of interceptor sewer lines in the northeast sector of the District. The project was completed and all funds received and expended in April 2015.

NOTE J    SIMPLE IRA

The District offers a retirement plan in which all regularly employed, full-time, permanent employees may participate after one year of service. The District will match up to 3% of the qualifying employee salary contributions as determined by the Board of Directors. All contributions vest immediately. The District has no contingent liability for such items as past service costs. The contributions were \$8,777 and \$8,484 for 2016 and 2015 respectively.

NOTE K    SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through September 12, 2017, the date the financial statements were available to be issued. There were no material subsequent events that require recognition.

# LEADVILLE SANITATION DISTRICT

## OTHER SUPPLEMENTARY INFORMATION

FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

# Kenneth L. Olsen, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

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Of Certified Public Accountants

Kenneth L. Olsen, CPA

## Independent Auditor's Report on Other Supplementary Information

Board of Directors  
Leadville Sanitation District  
PO Box 253  
Leadville, Colorado 80461

Our audit of Leadville Sanitation District financial statements as of and for the year ended December 31, 2016, which are presented in the preceding section of this report, was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The accompanying other supplementary information, Schedule of Revenue & Expenditures-Budget and Actual, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kenneth L. Olsen, CPA, PC  
Leadville, CO 80461  
September 12, 2017

**LEADVILLE SANITATION DISTRICT**  
**SCHEDULE OF REVENUE & EXPENDITURES –BUDGET AND ACTUAL**  
**(BUDGETARY BASIS)**  
**FISCAL YEAR ENDED DECEMBER 31, 2016**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
User & Past Due Fees collected by District	855,398	847,412	(7,986)
Other Fees for Services	20,600	18,756	(1,844)
Property Tax	121,562	122,132	570
Specific Ownership Taxes	5,800	5,723	(77)
Tap Fees	25,890	42,199	16,309
Interest Received	5,000	10,741	5,741
Assessments	18,065	18,227	162
Miscellaneous	15,000	18,041	3,041
Unappropriated Fund Balance	150,000	0	(150,000)
Grant Income	0	0	0
<b>Total Revenue</b>	<b>\$ 1,217,315</b>	<b>\$ 1,083,231</b>	<b>\$ (134,084)</b>
<b>EXPENDITURES</b>			
Personnel Costs	319,675	300,542	19,133
Contract Services	40,000	14,956	25,044
Utilities	127,100	91,679	35,421
Office Expenses	53,550	43,531	10,019
Insurance	165,405	157,401	8,004
Debt Service	18,055	17,834	221
Plant Operations	458,600	59,191	399,409
Plant & Line Reserves	34,930	45,008	(10,078)
<b>Total Expenditures</b>	<b>\$ 1,217,315</b>	<b>\$ 730,142</b>	<b>\$ 487,173</b>
<b>Excess of Modified Cash Receipts over Expenditures</b>		<b>\$ 353,089</b>	

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