

**South Fort Collins Sanitation
District**

**Financial Statements and
Supplementary Information**
For the Years Ended December 31, 2016 and 2015

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South Fort Collins Sanitation District

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Independent Auditor's Report

Board of Directors
South Fort Collins Sanitation District
Fort Collins, Colorado

We have audited the accompanying financial statements of the South Fort Collins 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 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 an opinion 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Fort Collins Sanitation District as of December 31, 2016 and 2015, and the changes in its financial position and its 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 on pages 3 to 11 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 evidence sufficient 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 the District's basic financial statements. The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) on pages 27 to 30 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 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.

Anton Collins Mitchell LLP

Greeley, Colorado
May 10, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The South Fort Collins Sanitation District (the "District") offers the readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2016. In addition to this overview and analysis based on currently known facts, decisions and conditions, the District would encourage readers to consider the information presented in the District's financial statements, which begin on page 12 of this report.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the District exceeded its liabilities and deferred inflows of resources at the end of the fiscal year ended December 31, 2016 by \$119.3 million (net position). Of the net position balance, \$32.4 million is unrestricted and is available to meet the District's ongoing obligations in accordance with the District's fund designations and fiscal policies.
- ❖ The District's net position increased by \$6.4 million (5.6%).
- ❖ The District's revenue from customer service charges, its principal operating revenue, increased by \$223.4 thousand during fiscal year 2016. This is due to the increased number of taps serviced. Service charge revenue for non-residential customers is based upon water usage. There were no rate increases in 2016.
- ❖ The number of customers served by the District increased by 407 taps (3.0%) in 2016, generating \$3.7 million in system development and impact fees as part of capital contributions. The District served a total of 13,913 taps at year end.
- ❖ The District accepted 14 new projects for the year ended December 31, 2016, representing \$3.2 million in capital contributions.
- ❖ The District maintained its property tax mill levy at 0.5 mills which generated \$330 thousand in revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District operates as a special district under Title 32 of the laws of the State of Colorado. Accordingly, the financial statements are prepared to account for operations similar to a business-type enterprise. The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows shown on a comparative basis with the prior year. The notes to the financial statements are considered to be an integral part of the basic financial statements since they provide additional information needed to gain a full understanding of the data provided.

- ❖ The statements of net position presents information on all of the District's assets and liabilities. The difference between assets, and liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may provide an indication of whether the District's financial position is improving or deteriorating. The statement also provides the basis for determining the overall financial health of the District including liquidity and financial flexibility.
- ❖ The statements of revenues, expenses and changes in net position presents information reflecting how the District's net position has changed during the fiscal year just ended. 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 this statement for some items that will only result in cash flows in future periods (e.g., service charges billed but not received at year end, invoicing from vendors received but not paid by year end and earned but unused vacation leave). This statement measures the success of the District's overall operation and can be used to determine the District's user fee, rates and changes are sufficient to recover operating costs.
- ❖ The statements of cash flows present information concerning the District's cash receipts and cash payments during the year. The statement reports the cash receipts, cash payments, and net cash from operations, investing, and capital and non-capital financing activities.

FINANCIAL ANALYSIS OF THE SOUTH FORT COLLINS SANITATION DISTRICT

The financial statements of the District begin on page 12. The true picture of the financial health of the District must be tempered with the operational theory and financial control that is practiced on a daily basis by the District.

Financial Policy and Priorities

The financial goal of the District is to operate as cost efficiently as possible and similar to the practices of private enterprise. The District annually reviews its financial policies to assess their impact on financial activities. Policies that affected financial activities are as follows:

1. Growth within the District pays for its own way.
2. District administration and operations are funded from user fees.
3. Capital improvements to existing District assets and the acquisition of new assets are funded by plant investment fees.

Plant investment fees and monthly service fees are reviewed annually. The District raised the service revenue fees by 25% in February 2017 to have sufficient funds to provide the necessary revenues to sustain operations and capital construction. The District also requires developers to oversize lines where applicable. In some cases reimbursement agreements are in place between the developer and the District whereby the District collects additional fees from future developers as they attach to the line. These fees are then remitted to the initial developer. The District does not have any current reimbursement agreements.

Day-To-Day Operational Control of the District

For operational control, the District has classified all operations into two distinct funds: Enterprise and General Government.

The general government fund was funded in 2016 by a 0.50 total mill levy. This total levy funds general operations of the District.

The District operates as a self-supporting enterprise. The enterprise fund is funded by revenues received from user fees and other sources that are sufficient to cover the day-to-day operating expenses of the District. There are two segments of the enterprise fund: general operations and construction.

The general operations segment is funded primarily from monthly user service charges and other miscellaneous revenues received by the District. These revenues cover the daily administration, plant operations and line maintenance expense of the District.

The construction segment of the District can be divided into two categories – capital improvements and growth. Capital improvements are funded from plant investment fees (“PIFs”) collected from users; growth is funded by the developers who are directly affected by the lines being funded. The District does create agreements with developers that allow for the collection of line extension fees that are reimbursable to the developer.

The District’s day-to-day operational control involves many levels of planning, forecasting and budgeting. Revenues and expenses are allocated to specific District activities. The staff presents monthly financial reports to the board of directors for review and approval. The reports contain monthly revenues and expenditures compared to the adopted budget. This report is an essential tool that is critical to the District’s long-range financial planning efforts.

Overall Financial Position and Results of Operations

Financial Analysis

A summary of the statements of net position is shown as Table A. The total net position represents the difference between the District’s total assets and the total liabilities and deferred inflows of resources and is one way to measure the District’s health. Increases or decreases in the District’s net position are indicators of improving or deteriorating financial health. This information, along with other non-financial information such as population growth or decline, legislative changes or board policy changes, provides an integrated assessment of the District’s health.

The table indicates that all of the District’s finances are excellent. However, it is important that on a year-to-year basis the District operates within its policies, and that on the budgetary basis the operating revenues exceed operating expenditures.

It is also important to note that in the capital construction portion of the budget, annual expenditures may in some instances exceed the annual revenues when reported on an annual basis. Because it is the policy of the District that growth funds construction, it is possible that some funds recorded as revenues and received from PIF are received in one year and the expenses are not incurred until future years. This difference is accounted for in the overall long range financial planning of the District. Also, funds collected from user fees are invested in a construction account and may be used at various times to fund capital improvements, District-required line oversizing of trunklines and other costs are authorized by

the board of directors. A summary of the statements of revenues, expenses and changes in net position is shown in Table B.

Table A
Condensed Statements of Net Position

	December 31,		
	2016	2015	2014
Current Assets	\$ 33,349,271	\$ 29,263,711	\$ 26,475,480
Capital Assets	86,866,797	85,067,354	78,267,979
Total Assets	\$ 120,216,068	\$ 114,331,065	\$ 104,743,459
Current Liabilities	\$ 486,461	\$ 1,002,484	\$ 1,181,906
Non-Current Liabilities	70,284	65,962	51,524
Total Liabilities	\$ 556,745	\$ 1,068,446	\$ 1,233,430
Deferred Inflows of Resources	\$ 335,000	\$ 318,000	\$ 281,000
Net Position			
Net Investment in Capital Assets	\$ 86,866,797	\$ 85,067,354	\$ 78,267,979
Restricted Emergency Reserve	10,050	7,800	8,430
Unrestricted	32,447,476	27,869,465	24,952,620
Total Net Position	\$ 119,324,323	\$ 112,944,619	\$ 103,229,029

Table B
Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended December 31,		
	2016	2015	2014
Total Operating Revenues	\$ 4,337,424	\$ 4,114,044	\$ 4,038,464
Total Operating Expenses	5,436,267	4,622,453	4,430,303
Loss from Operations	(1,098,843)	(508,409)	(391,839)
Non-Operating Revenues	532,131	359,512	392,954
Net (loss) Income Before Contributions	(566,712)	(148,897)	1,115
Capital Contributions	6,946,416	9,864,487	6,632,072
Changes in Net Position	6,379,704	9,715,590	6,633,187
Net Position - Beginning of Year	112,944,619	103,229,029	96,595,842
Net Position - End of Year	\$ 119,324,323	\$ 112,944,619	\$ 103,229,029

Operating activities decreased the District's net position by \$1.1 million compared to a decrease of \$508 thousand in 2015. Key elements of this change are due to the following:

- ❖ Service charges for sewage treatment increased by \$223 thousand (5.4%) during the year. The increase is due to the increase taps served. A portion of the non-residential service charges are based upon domestic water consumption.
- ❖ There was an overall increase in operating expenses of \$814 thousand (17.6%) with pretreatment, collection and treatment increasing by \$223 thousand, administration increasing by \$228 thousand (\$66 thousand for a master plan and \$148 thousand for legal), and depreciation increasing by \$362 thousand. Depreciation expense is \$2.3 million, which is 41.7% of total expenses.

Non-operating activities increased the District's net position by \$532 thousand.

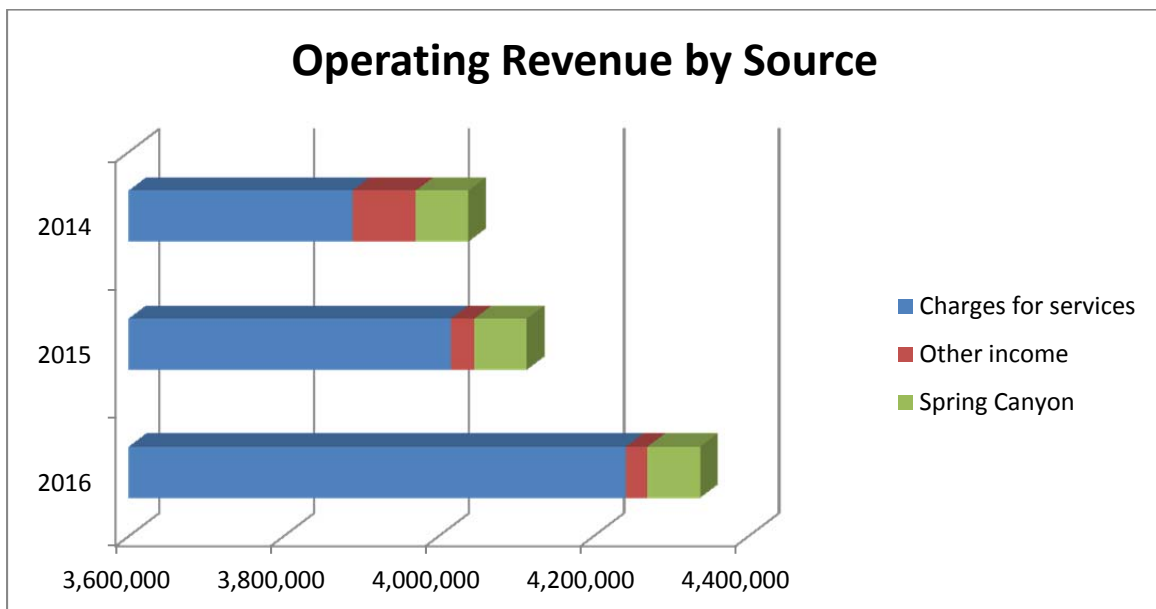
- ❖ Property tax collections \$330 thousand (net of fees) and investment income \$162 thousand.

Capital contributions increased the District's net position by \$6.9 million.

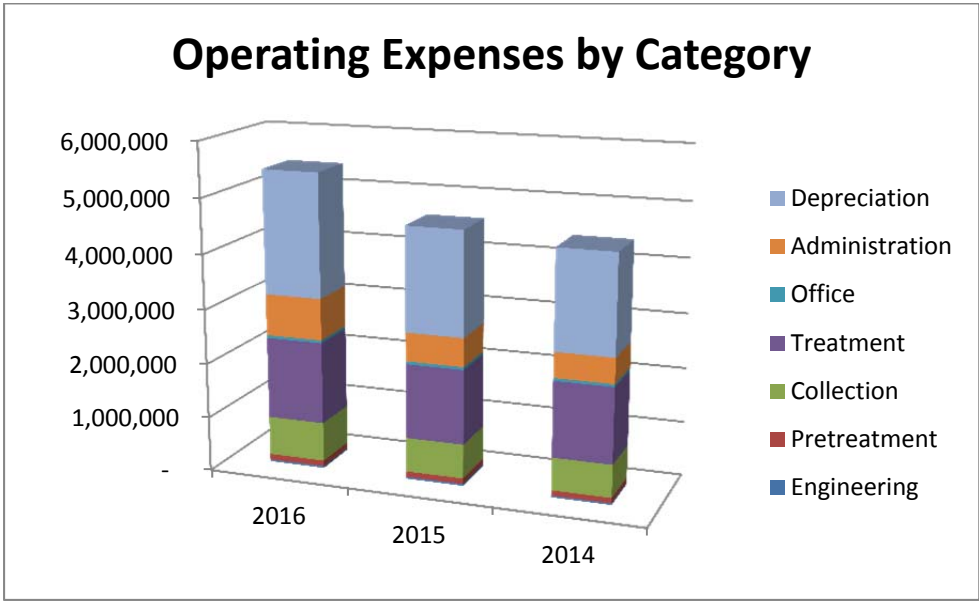
- ❖ Contributions of capital assets were \$3.2 million. These contributions represent collection lines in new subdivisions that were deeded to the District.
- ❖ Other capital contributions of system development fees amounting to \$3.7 million. These consist of tap fees of \$3.4 million and impact fees of \$355 thousand. They represent new residential and non-residential capital payments to the District for the cost of the investment in the treatment plant and replacement of collection lines.

Operating Activities

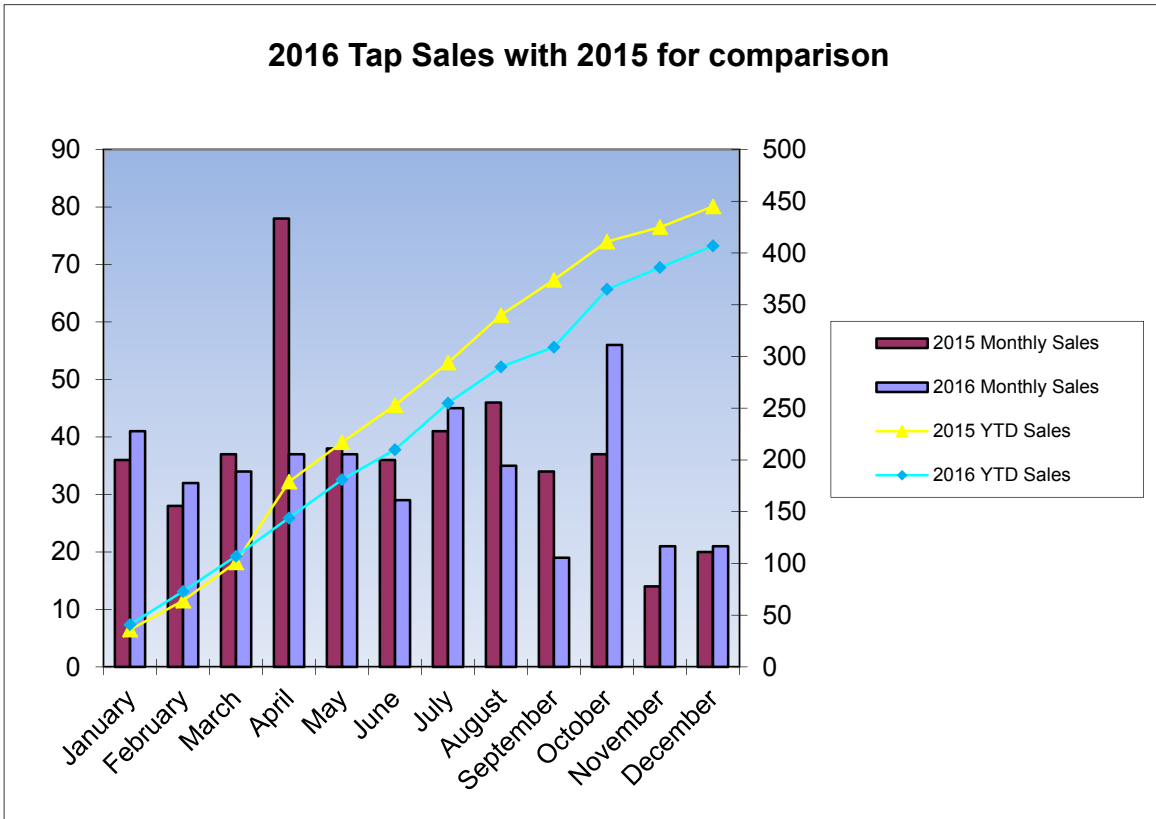
2016 Operating revenues increased the District's Net position by \$4.3M



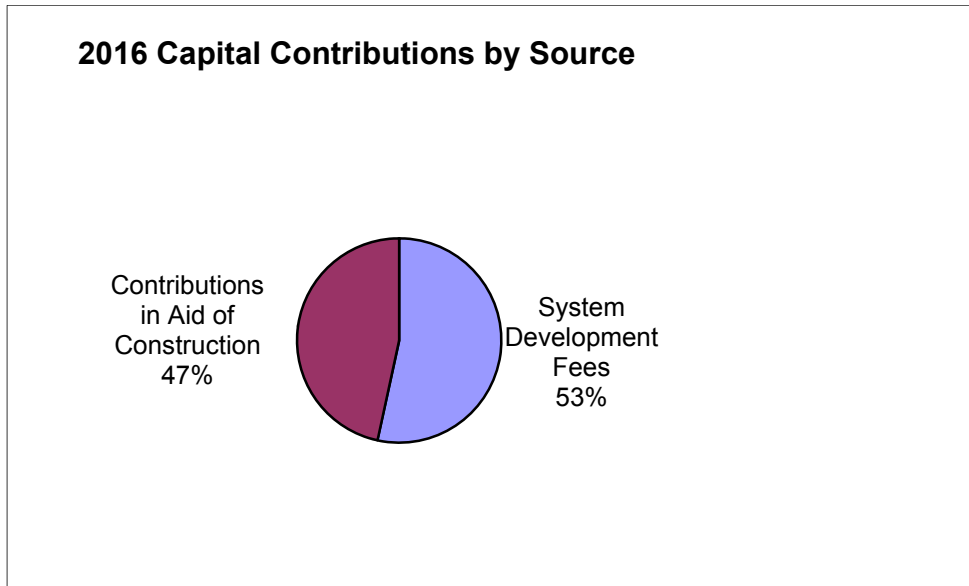
2016 Operating expenses decreased the District's Net position by \$5.4 million



Active taps grew by 407 in 2016



Capital contributions increased the District's net position by \$6.9 million



Budgetary Highlights

The District prepares its budget on a modified accrual basis, which is a non-GAAP basis of accounting. The modified accrual basis reports capital contributions as revenue, capital purchases as expense and does not report depreciation as an expense. A schedule of revenues and expenditures - actual and budget begins on page 27 of this report.

The variance between actual revenues over expenditures and the budget amounted to a favorable \$6.9 million and is summarized as follows:

- ❖ Tap fee and impact fee revenue were \$2.5 million over budget.
- ❖ Engineering expenses were \$5.8 thousand under budget.
- ❖ Collection system expenses were \$394 thousand under budget as a result of line repair and maintenance (\$326 thousand), fuel and wages being less than anticipated.
- ❖ Pretreatment and Treatment system expenses were \$571.2 thousand under budget. Significant items under budget are wages and related expenses (\$175.4 thousand), lab testing (\$16.1), chemicals (\$23.0 thousand) and repair and maintenance plant (\$194.5).
- ❖ Office and Administration were \$151.1 thousand over budget. Significant items over budget are consulting (\$65.7 thousand and legal expenses (\$123.2 thousand).
- ❖ Capital purchases were \$3.1 million under budget. The District deferred the construction of a tank settling and repair (\$500 thousand) and did not spend the \$1.25 million of contingency.

Capital Assets and Long-Term Debt

Capital Assets. The District's investment in capital assets as of December 31, 2016 amounted to \$86.9 million (net of accumulated depreciation). This investment in capital assets includes land and easements, collection system lines, buildings and improvements, machinery, equipment and wastewater infrastructure.

The new headworks and de-watering buildings were put into service in 2016.

Work was started on the new Crossroads Lift Station.

Additional information on the District's capital assets can be found in Note 4 on pages 23 and 24 of this report.

Long-term debt. The District has no revenue or general obligation long-term debt outstanding.

Next Year's Budget and Rates

The District will enter 2017 with \$32.3 million in cash and investments which represents an increase over 2016 beginning balances of \$3.9 million. It is anticipated that the District balances will increase during 2017 due to a 25% increase in service rates that began in February.

Conditions Impacting Future Operations

- ❖ The District is expecting to see moderate tap sales for the near future. The District remains in a growth area in Northern Colorado. The proposed subdivisions in the Timnath growth area will add 3,500 to 7,000 units over the next five to ten years.
- ❖ The total estimated build out growth of the District is approximately 20,000 units. So with its present taps, the District is at 70 percent of expected build-out size.
- ❖ The local economy reflects the continued recovery from the 2009 recession. At the end of 2016 unemployment in the Fort Collins – Loveland MSA was 2.3% of the labor force which is down from 2.8% at the end of 2015. The 2016 rate was lower than unemployment rates in both Colorado (3.0%) and United States (4.7%) (U.S. Bureau of Labor Statistics). The median family income was \$53,775 (Sperling's Best Places Survey).
- ❖ The recovery of the U.S. and local economies along with historically low interest rates continues to be reflected in the number of new taps sales. Tap sales will continue to increase or decrease as the economy improves or wanes.
- ❖ A significant risk to the District is the ability of state and federal regulatory agencies to impose new rules on the treatment of wastewater and its discharge at any time. Maintaining compliance with any new rules has the potential to be costly to the operations of the District.

Subsequent Event

During 2016, the District was in a lawsuit with M. Timm Revocable Trust, over the District's plant investment fees. The District was successful in winning that lawsuit early in 2017. On April 20, 2017, the plaintiff was ordered to reimburse the District for the Expert Witness fees incurred for the trial. This amounts to approximately \$62 thousand in reimbursement.

Contact

Questions concerning any of the information presented in this report or requests for additional information should be directed to the District's manager at the following address:

Chris Matkins
District Manager
5150 Snead Drive
Ft. Collins, CO 80525

Basic Financial Statements

SOUTH FORT COLLINS SANITATION DISTRICT
Statements of Net Position
December 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 28,298,063	\$ 25,085,168
Investments	4,003,790	3,269,958
Receivables	920,904	868,994
Prepaid items	126,514	39,591
Total Current Assets	33,349,271	29,263,711
Capital Assets		
Land, easements and construction in progress	1,842,786	15,911,828
Depreciable capital assets, net of accumulated depreciation	85,024,011	69,155,526
Total Capital Assets	86,866,797	85,067,354
Total Assets	120,216,068	114,331,065
LIABILITIES		
Current Liabilities		
Accounts payable	250,022	774,917
Accrued expenses	159,439	156,067
Unearned revenue - prepaid taps	77,000	71,500
Total Current Liabilities	486,461	1,002,484
Non-current Liabilities		
Accrued compensated absences	70,284	65,962
Total Non-Current Liabilities	70,284	65,962
Total Liabilities	556,745	1,068,446
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - property taxes	335,000	318,000
Total Deferred Inflows of Resources	335,000	318,000
NET POSITION		
Net investment in capital assets	86,866,797	85,067,354
Restricted for emergencies	10,050	7,800
Unrestricted net position	32,447,476	27,869,465
Total Net Position	\$ 119,324,323	\$ 112,944,619

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

SOUTH FORT COLLINS SANITATION DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	2016	2015
Operating Revenues		
Sewer charges and other services	\$ 4,337,424	\$ 4,114,044
Total Operating Revenues	4,337,424	4,114,044
Operating Expenses		
Engineering	33,374	32,750
Pre-treatment	106,015	102,176
Collection	718,424	632,089
Treatment	1,499,365	1,365,636
Office	52,185	53,474
Administration	749,851	521,427
Depreciation	2,265,671	1,903,655
Directors fees and expenses	11,382	11,246
Total Operating Expenses	5,436,267	4,622,453
Loss from Operations	(1,098,843)	(508,409)
Non-Operating Revenues (Expenses)		
Property taxes - net of fees	329,503	293,596
Inclusion fees	4,093	12,976
Interest income on investments - net of fees	161,919	43,442
Unrealized gain (loss) on investments	11,689	(10,652)
Gain on sale of capital assets	24,927	20,150
Total Non-Operating Revenues (Expenses)	532,131	359,512
Loss before Capital Contributions	(566,712)	(148,897)
Capital Contributions	6,946,416	9,864,487
Change in Net Position	6,379,704	9,715,590
Total Net Position - Beginning	112,944,619	103,229,029
Total Net Position - Ending	\$ 119,324,323	\$ 112,944,619

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

SOUTH FORT COLLINS SANITATION DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Cash received from customers	\$ 4,302,514	\$ 4,064,410
Cash paid to suppliers	(2,429,795)	(2,063,686)
Cash paid to employees	(1,334,032)	(892,237)
Net cash flows from operating activities	538,687	1,108,487
Cash flows from noncapital financing activities		
Property taxes	335,682	299,413
Property tax collection fees	(6,179)	(5,817)
Inclusion fees	4,093	12,976
Net cash flows from noncapital financing activities	333,596	306,572
Cash flows from capital and related financing activities		
Contributed capital	3,709,750	3,906,000
Proceeds from the sale of capital assets	43,500	20,150
Acquisition of capital assets	(857,914)	(2,714,045)
Net proceeds from prepaid tap sales	5,500	71,500
Net cash flows from capital and related financing activities	2,900,836	1,283,605
Cash flows from investing activities		
Earnings on investments	161,919	43,442
Purchases of investments	(1,497,412)	(2,500,254)
Proceeds from sale of investments	775,269	5,475,289
Net cash flows from investing activities	(560,224)	3,018,477
Net change in cash and cash equivalents	3,212,895	5,717,141
Cash and cash equivalents at beginning of year	25,085,168	19,368,027
Cash and cash equivalents at end of year	\$ 28,298,063	\$ 25,085,168

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

SOUTH FORT COLLINS SANITATION DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (1,098,843)	\$ (508,409)
Adjustments to reconcile operating (loss) to cash flows from operating activities:		
Depreciation	2,265,671	1,903,655
Changes in assets and liabilities:		
Receivables	(34,910)	(12,634)
Prepaid items	(86,923)	(7,143)
Accounts payable and accrued expenses	(510,630)	(281,420)
Accrued compensated absences	4,322	14,438
Net cash flows from operating activities	<u>\$ 538,687</u>	<u>\$ 1,108,487</u>
Noncash capital and related financing transactions		
Capital assets contributed	\$ 3,236,666	\$ 5,958,487
Capital asset additions included in accounts payable	<u>\$ (10,893)</u>	<u>\$ 29,248</u>

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015

1. Summary of Significant Accounting Policies

Form of Organization

South Fort Collins Sanitation District (the "District") is organized under the provisions of Section 32-1-305(6) of the Colorado Revised Statutes, ("C.R.S."). 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.

Scope of Reporting Entity

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable GASB pronouncements.

Financial Reporting Entity

For financial reporting purposes, management has considered all potential component units in defining the District. The basic criterion for including a potential component unit is the District's ability to exercise significant operational control or financial accountability with the District. Financial relationship or operational control is determined on the basis of the District's obligation to fund deficits, responsibility for debt, budgetary authority, fiscal management, selection of governing authority and/or management, and the ability to significantly influence operations.

Based on the criteria mentioned above, no other entities are considered to be component units of the District, nor is the District a component unit of any other governmental entity.

Basic Financial Statements

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 are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statements of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Total net position is segregated into net investment in capital assets, restricted for emergencies, and unrestricted net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in 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.

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with the state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments on debt are budgeted as expenditures, and debt proceeds are budgeted as revenues and depreciation and contributed capital assets are not budgeted.

1. On or about October 15, the District staff submits to the Board of Directors 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 taxpayer comments.
3. Prior to December 15, the budget is legally adopted by the Board of Directors.
4. Unused appropriations lapse at the end of each year.

Total appropriated expenditures for the District are as follows:

	Original Budget	Total Revision	Revised Budget
Business-Type Fund:			
Governmental function	\$ 24,200	\$ -	\$ 24,200
Enterprise function	7,909,300	-	7,909,300

Comparison of actual operations on the accrual basis to the annual budget is not meaningful. However, a statement comparing actual (budgetary basis) to the budget is included as other supplementary information. The adjustments necessary to convert the actual revenue and expenditures to the budgetary basis are presented in the following schedule.

	2016	2015
Change in net position	\$6,379,704	\$9,715,590
Depreciation	2,265,671	1,903,655
Non-cash capital contributions	(3,236,666)	(5,958,487)
Acquisition of capital assets (cash and non-cash)	(847,021)	(2,743,293)
Gain on sale of capital assets	(24,927)	(20,150)
Proceeds from sale of capital assets	47,500	20,150
Excess revenues over expenditures, budgetary basis	\$4,584,261	\$2,917,465

Cash and Cash Equivalents

The District considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015

Investments

The District's investments consist of U.S. government securities, with original maturities of greater than three months, and are carried at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

Accounts Receivable and Allowance for Doubtful Accounts

Revenues are recognized when earned. Customers are billed monthly on 30 day cycles. Accounts receivable result from the timing of billed accounts and are shown net of an allowance for doubtful accounts. User and other similar fees set from time to time by the District's governing board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed in the same manner as provided by the laws of the State of Colorado. The District has determined that no allowance is necessary at December 31, 2016 or 2015, based on historical collection experience.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the District's purpose of providing sanitation services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation expense. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses or capital contributions.

Capital Assets

Capital assets purchased or acquired with an original cost or fair value, if donated, of greater than \$5,000 and expected life greater than 12 months are reported at historical cost. Property replacements and improvements, which extend the lives of assets, are capitalized and subsequently depreciated. Contributed assets are reported at their fair market value at the date received. The cost of maintenance and repairs is charged against income as incurred.

Depreciation has been computed using the straight-line method based on lives of 50 years for treatment facilities and collections systems and 3 to 20 years for equipment.

Connection Fees

Potential customers seeking to connect to the sewer treatment system must make a formal, written request to the District. If the application is approved, the applicant may purchase a tap by paying a plant improvement fee ("PIF") of \$4,500 per single-family unit ("SFE"). District investment fees for non-residential customers are based on the size of the water tap.

Property Taxes

Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on the last day of February and June 15, or in full on

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015

April 30. The District uses the Larimer County Treasurer to bill and collect its property taxes. Taxes levied in December 2016 are recorded as taxes receivable and deferred inflows of resources as of December 31, 2016.

Accrued Compensated Absences Payable

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability.

The following is a summary of accrued compensated absences for the years ended December 31:

	Beginning	Additions	Deletions	Ending
2016	\$ 65,962	\$ 61,608	\$ (57,286)	\$ 70,284
2015	\$ 51,524	\$ 53,768	\$ (39,330)	\$ 65,962

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions in Aid of Construction

Contributions of cash and collection and transmission lines to the District by developers, customers or by agreements with others are treated as capital contributions on the District's statements of revenues, expenses and changes in net position.

Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, if any, that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

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

South Fort Collins Sanitation District
Notes to Financial Statements
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Reclassifications

Certain amounts in the 2015 financial statements have been reclassified for comparative purposes to conform to the current year financial statement presentation. These reclassifications have no impact on the previously reported change in net position.

Use of Estimates

Preparation of the District's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

Cash Deposits

Custodial Credit Risk

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The District's deposit policy is in accordance with C.R.S. 11-10.5-101, Colorado Public Deposit Protection Act ("PDPA"), which governs the investment of public funds. 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 financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of 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 institution's internal records identify collateral by depositor, and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2016, the District had deposits with financial institutions with a carrying amount of \$23,928,544. The bank balances with the financial institutions were \$24,109,799, of which, \$250,000 was covered by federal depository insurance. The remaining balance of \$23,859,799 was collateralized with securities held by the financial institutions' agents but not in the District's name. At December 31, 2015, the District had deposits with financial institutions with a carrying amount of \$12,067,596. The bank balances with the financial institutions were \$12,515,752 of which \$250,000 was covered by federal depository insurance. The remaining balance of \$12,265,752 was collateralized with securities held by the financial institutions' agents but not in the District's name.

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015

Cash deposits and cash equivalents held by the District at December 31, 2016 and 2015, were as follows:

	2016	2015
Petty cash	\$ 50	\$ 50
Cash on deposit with financial institutions	23,928,544	12,067,596
Local government investment pool	4,369,469	13,017,522
Total cash and cash equivalents	\$28,298,063	\$25,085,168

Local Government Investment Pools

As of December 31, 2016 and 2015, the District had invested balances of \$4,369,469 and \$13,017,522 in CSAFE, an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. CSAFE is a 2a-7 like external investment pool and balances in CSAFE are valued using the NAV per share (or its equivalent) of the investments. CSAFE operated similarly to a money market fund and each share is equal in value to \$1.00. The designated custodial bank of CSAFE provides safekeeping and depository services in connection with the direct investment and withdrawal functions of CSAFE. All securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodial bank. Investments of CSAFE consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes. The final maturity of any and all securities purchased by CSAFE may not exceed one year. CSAFE is rated AAAM by Standard & Poor's.

Investments

Credit Risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

District policy is to hold investments until maturity.

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015

Interest Rate Risk

The District's investment policy, established July 11, 1994, follows the guidelines and limitations set forth by the C.R.S. The policy limits investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value fluctuations arising from increasing interest rates.

Investments held by the District at December 31, 2016, were as follows:

Investments	S & P Rating	Moody Rating	Fair Value	Weighted Average Days to Maturity	Concentration of Credit Risk
US Treasury Notes	AA+	Aaa	\$4,003,790	535	100.0%
Total			\$4,003,790		

Investments held by the District at December 31, 2015, were as follows:

Investments	S & P Rating	Moody Rating	Fair Value	Weighted Average Days to Maturity	Concentration of Credit Risk
FCCB Notes	AA+	Aaa	\$ 775,778	66	23.7%
US Treasury Notes	AA+	Aaa	2,494,180	903	76.3%
Total			\$3,269,958		

The District categorizes its fair value measurement 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. As of December 31, 2016 and 2015, all of the District's investments were categorized in Level 2.

3. Receivables

Receivables at December 31, 2016 and 2015, consisted of the following:

	2016	2015
Trade accounts receivable	\$ 579,291	\$ 543,153
Property taxes receivable	337,254	320,510
Accrued interest receivable	4,359	5,331
Total receivables	\$ 920,904	\$ 868,994

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015

4. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2016:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 14,974,256	\$ 752,594	\$(14,821,636)	\$ 905,214
Land and easements	937,572	-	-	937,572
Total capital assets, not being depreciated	15,911,828	752,594	(14,821,636)	1,842,786
Capital assets, being depreciated:				
Sewer lines	67,163,284	3,236,666	-	70,399,950
Sewage treatment plant	22,947,475	14,755,931	-	37,703,406
Equipment	1,105,626	160,131	(73,310)	1,192,447
Total capital assets, being depreciated	91,216,385	18,152,728	(73,310)	109,295,803
Less accumulated depreciation for:				
Sewer lines	(17,176,434)	(1,375,420)	-	(18,551,854)
Sewage treatment plant	(4,141,744)	(761,682)	-	(4,903,426)
Equipment	(742,681)	(128,569)	54,738	(816,512)
Total accumulated depreciation	(22,060,859)	(2,265,671)	54,738	(24,271,792)
Total capital assets, being depreciated, net	69,155,526	15,887,057	(18,572)	85,024,011
Capital assets, net	\$ 85,067,354	\$ 16,639,651	\$ (14,840,208)	\$ 86,866,797

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015

The following is a summary of capital asset activity for the year ended December 31, 2015:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 12,500,493	\$ 2,473,763	\$ -	\$ 14,974,256
Land and easements	937,572	-	-	937,572
Total capital assets, not being depreciated	13,438,065	2,473,763	-	15,911,828
Capital assets, being depreciated:				
Sewer lines	61,204,797	5,958,487	-	67,163,284
Sewage treatment plant	22,936,112	11,363	-	22,947,475
Equipment	899,954	259,417	(53,745)	1,105,626
Total capital assets, being depreciated	85,040,863	6,229,267	(53,745)	91,216,385
Less accumulated depreciation for:				
Sewer lines	(15,877,175)	(1,299,259)	-	(17,176,434)
Sewage treatment plant	(3,671,253)	(470,491)	-	(4,141,744)
Equipment	(662,521)	(133,905)	53,745	(742,681)
Total accumulated depreciation	(20,210,949)	(1,903,655)	53,745	(22,060,859)
Total capital assets, being depreciated, net	64,829,914	4,325,612	-	69,155,526
Capital assets, net	\$ 78,267,979	\$ 6,799,375	\$ -	\$ 85,067,354

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015

5. Contingency

Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors and omissions, or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool ("CSDPLP"). The CSDPLP is an organization composed of approximately 1,100 members created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability, and boiler and machinery coverage to its members. The CSDPLP provides coverage for property claims up to the values declared and liability and public official's coverage for claims up to \$1,000,000.

At December 31, 2016, CSDPLP has assets of \$52,645,796, liabilities of \$28,757,242 and surplus of \$23,888,554. The liabilities include no long-term debt. Total revenues for 2016 amounted to \$19,338,769 and total expenses were \$14,100,230 resulting in an excess of revenues over expenses of \$5,238,539. The amount of the District's share of these amounts is less than 1%.

6. Transactions with Other Governmental Entities

The District pays the Fort Collins-Loveland Water District with separately elected officers a monthly fee for its management. The two Districts provide water and wastewater services to a service area with similar boundaries. Total expense for each of the years ended December 31, 2016 and 2015, was \$450,189 and \$447,191, respectively. As of December 31, 2016 and 2015, the District owed the Fort Collins-Loveland Water District \$148,386 and \$64,105, respectively.

7. Defined Contribution Plan

Effective January 1, 1989, the District established a defined contribution plan, the South Fort Collins Sanitation District 401 Qualified Plan, under Internal Revenue Code Section 401, covering all full-time employees with service of six months or more. Each participant is required to contribute 3% of base pay when eligible. The District contributes 6% of base pay taxable earnings for the plan year on behalf of each participant. The participants are fully vested in employee contributions immediately, and after five years for employer contributions. Employer contributions are to be invested only in guaranteed funds, and employee contributions are unrestricted.

The District's contributions to the plan for the years ending December 31, 2016, 2015 and 2014 were \$47,665, \$40,875 and \$37,953, respectively.

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015

8. 457 Deferred Compensation Plan

The District offers its employees a deferred compensation plan (the “Plan”), created in accordance with Internal Revenue Code Section 457. The Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the calendar years 2016 and 2015). Catch-up contributions of up to \$6,000 for calendar years 2016 and 2015, were allowed for participants who had attained age 50 before the close of the plan year. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. For the years ended December 31, 2016 and 2015, the District did not make any contributions to the Plan.

9. Tabor Compliance

In November 1992, Colorado voters passed an amendment (The “Amendment” or “TABOR”) to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and “fiscal year spending” include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and the fund reserves (balances). The Amendment requires voter approval for an increase in the mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the “spending limit” must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

On August 9, 1995 the District passed a resolution, “Continuing and Clarifying the Establishment of a Sanitation Activity Enterprise.” This resolution was passed after much research by legal counsel regarding the status of the District following the passage of the Amendment. Because the District qualifies as an enterprise fund as defined by paragraph 2 (d), Section 20, Article X of the Colorado Constitution, it was determined that the District’s Sanitation Enterprise Fund is therefore exempt from the requirements and limitations of Section 20, Article X of the Colorado Constitution.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$10,050 and \$7,800 as of December 31, 2016 and 2015, respectively for emergencies as defined by TABOR.

The Amendment is complex and subject to judicial interpretation.

10. Subsequent Events

The District evaluated subsequent events through May 10, 2017, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

Other Supplementary Information

SOUTH FORT COLLINS SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2016
With Comparative Amounts for the Year Ended December 31, 2015

	2016				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance - Favorable (Unfavorable)	2015 Actual
Enterprise function:					
Revenues					
Operating Revenues					
Service charges	\$ 4,000,000	\$ 4,000,000	4,241,677	\$ 241,677	\$ 4,016,203
Miscellaneous income	5,000	5,000	28,067	23,067	30,161
Revenue - Spring Canyon	67,000	67,000	67,680	680	67,680
Total Operating Revenues	4,072,000	4,072,000	4,337,424	265,424	4,114,044
Non-Operating Revenues					
Interest on investments	35,000	35,000	161,919	126,919	43,442
Unrealized gain (loss) investments	-	-	11,689	11,689	(10,652)
Tap fees	1,000,000	1,000,000	3,354,750	2,354,750	3,519,000
Impact fees	170,000	170,000	355,000	185,000	387,000
Inclusion fees	-	-	4,093	4,093	12,976
Proceeds from the sale of capital assets	-	-	47,500	47,500	20,150
Total Non-Operating Revenues	1,205,000	1,205,000	3,934,951	2,729,951	3,971,916
Operating transfer in	-	-	318,121	318,121	282,350
Total Revenues	5,277,000	5,277,000	8,590,496	3,313,496	8,368,310
Expenditures - Operating					
Engineering					
Wages	35,200	35,200	33,374	1,826	32,750
Dues & subscriptions	3,000	3,000	-	3,000	-
Education & training	1,000	1,000	-	1,000	-
Total Engineering	39,200	39,200	33,374	5,826	32,750
Pretreatment					
Wages	79,000	79,000	73,178	5,822	71,847
Payroll taxes	6,400	6,400	5,669	731	5,548
Retirement	4,800	4,800	4,216	584	4,097
Insurance - medical	15,100	15,100	15,100	-	15,100
Insurance - life	700	700	610	90	555
Workers' comp insurance	2,700	2,700	2,885	(185)	2,229
Cell phone	450	450	354	96	353
Consulting	1,000	1,000	-	1,000	-
Dues & subscriptions	100	100	-	100	-
Education & training	1,500	1,500	-	1,500	-
Fuel	750	750	441	309	601
Lab testing	10,000	10,000	3,049	6,951	1,620
Legal	1,000	1,000	-	1,000	-
Contingency	2,000	2,000	58	1,942	177
Office supplies	800	800	291	509	-
Public education	1,500	1,500	-	1,500	-
R & M - vehicles	300	300	164	136	49
Total Pretreatment	128,100	128,100	106,015	22,085	102,176

(continued)

SOUTH FORT COLLINS SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2016
With Comparative Amounts for the Year Ended December 31, 2015

	2016				
			Actual	Variance -	2015 Actual
	Budget -	Budget - Final	Amounts	Favorable	
Original		(Budgetary	(Unfavorable)		
			Basis)		
Collection					
Wages	355,000	355,000	342,888	12,112	282,302
On-call & overtime	54,000	54,000	42,531	11,469	50,504
Payroll taxes	33,000	33,000	29,019	3,981	24,633
Insurance - medical	77,000	77,000	77,000	-	61,000
Insurance - life	2,500	2,500	2,467	33	2,142
Retirement	22,000	22,000	19,613	2,387	15,952
Workers' comp insurance	10,500	10,500	11,542	(1,042)	7,945
Cell phone	5,000	5,000	2,480	2,520	2,583
Education	6,500	6,500	3,034	3,466	4,548
Fuel	30,000	30,000	11,994	18,006	13,419
Miscellaneous	1,000	1,000	1,521	(521)	500
Office supplies	1,000	1,000	210	790	-
Power - Boyd Lake	3,000	3,000	2,791	209	2,545
Power - Crossroads	1,800	1,800	2,190	(390)	1,589
Power - Highland Meadows	12,500	12,500	11,079	1,421	10,320
Power - McClelland	800	800	1,296	(496)	839
Power - Ptarmigan	35,500	35,500	31,842	3,658	31,781
R & M - lines	425,000	425,000	98,985	326,015	91,887
R & M - vehicles	16,000	16,000	7,328	8,672	10,500
Safety program	3,000	3,000	3,290	(290)	1,624
Supplies	2,000	2,000	1,874	126	886
Uniforms	3,000	3,000	2,382	618	2,059
Utility locates	12,500	12,500	11,068	1,432	12,531
Total Collection	1,112,600	1,112,600	718,424	394,176	632,089
Treatment					
Wages	575,000	575,000	439,136	135,864	393,498
On-call & overtime	55,000	55,000	43,551	11,449	39,292
Payroll taxes	47,000	47,000	37,394	9,606	32,525
Insurance - medical	107,000	107,000	107,000	-	76,000
Insurance - life	4,200	4,200	3,563	637	2,597
Retirement	34,500	34,500	23,836	10,664	20,826
Workers' comp insurance	13,500	13,500	11,409	2,091	10,173
Biomonitoring	15,000	15,000	12,250	2,750	9,800
Biosolids removal	175,000	175,000	86,497	88,503	144,057
Chemicals	90,000	90,000	66,955	23,045	54,785
Dues & subscriptions	2,000	2,000	-	2,000	-
Education & training	15,000	15,000	3,702	11,298	1,395
Fuel - standby power	4,000	4,000	1,721	2,279	2,647
Fuel - vehicle	6,000	6,000	2,192	3,808	2,495
Janitorial services	4,800	4,800	3,660	1,140	3,660
Lab testing	30,000	30,000	13,836	16,164	14,580
Miscellaneous	500	500	404	96	209
Office supplies	1,000	1,000	194	806	238
Permits	25,000	25,000	12,042	12,958	11,686
Power - plant	450,000	450,000	440,482	9,518	397,048
Cell phones	3,500	3,500	2,583	917	2,927
R & M - building	50,000	50,000	4,707	45,293	11,088

(continued)

SOUTH FORT COLLINS SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2016
With Comparative Amounts for the Year Ended December 31, 2015

	2016				
			Actual	Variance - Favorable (Unfavorable)	2015 Actual
	Budget - Original	Budget - Final	Amounts (Budgetary Basis)		
R & M - grounds	2,000	2,000	3,018	(1,018)	1,089
R & M - plant	250,000	250,000	99,782	150,218	81,451
R & M - vehicles	3,000	3,000	1,250	1,750	2,637
Service contracts	40,000	40,000	10,930	29,070	2,476
Supplies	2,500	2,500	1,821	679	2,875
Telephone	5,000	5,000	7,046	(2,046)	6,061
Trash removal	20,000	20,000	48,410	(28,410)	24,296
Uniforms	4,000	4,000	2,833	1,167	3,526
Water quality monitoring	2,000	2,000	3,488	(1,488)	-
Water usage	12,000	12,000	3,673	8,327	9,699
Total Treatment	2,048,500	2,048,500	1,499,365	549,135	1,365,636
Office					
Payroll processing	5,700	5,700	5,209	491	4,928
Postage	38,200	38,200	28,898	9,302	29,792
Printing	20,500	20,500	17,858	2,642	18,212
Publications & notices	1,000	1,000	220	780	542
Total Office	65,400	65,400	52,185	13,215	53,474
Administration					
Audit	8,500	8,500	7,250	1,250	7,940
Consulting	-	-	65,705	(65,705)	-
Contingency	10,000	10,000	8,091	1,909	1,243
Customer relations	1,000	1,000	176	824	415
Dues & subscriptions	8,000	8,000	7,475	525	6,238
Education & training	1,500	1,500	85	1,415	-
Insurance - liability	37,000	37,000	28,821	8,179	27,694
Insurance - property	30,000	30,000	32,605	(2,605)	25,386
Legal	25,000	25,000	148,230	(123,230)	4,160
Management fees - FCLWD	460,000	460,000	450,189	9,811	447,191
Miscellaneous expenses	1,500	1,500	1,224	276	1,102
Travel	3,000	3,000	-	3,000	58
Total Administration	585,500	585,500	749,851	(164,351)	521,427
Total Operating Expenses	3,979,300	3,979,300	3,159,214	819,966	2,707,552
Capital expenditures - Non-Operating					
Collection - operating	100,000	100,000	47,978	52,022	225,667
Collection - other	830,000	830,000	498,929	331,071	299,421
Treatment - operating	400,000	400,000	158,481	241,519	38,579
Treatment - other	2,500,000	2,500,000	141,633	2,358,367	2,173,091
Buildings & grounds	90,000	90,000	-	90,000	6,535
Pretreatment	10,000	10,000	-	10,000	-
Total Non-Operating Expenditures	3,930,000	3,930,000	847,021	3,082,979	2,743,293
Enterprise gain (loss)	(2,632,300)	(2,632,300)	4,584,261	7,216,561	2,917,465

(continued)

SOUTH FORT COLLINS SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2016
With Comparative Amounts for the Year Ended December 31, 2015

	2016				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance - Favorable (Unfavorable)	2015 Actual
Governmental function:					
Revenues					
Property taxes	318,000	318,000	335,682	17,682	299,413
Expenditures					
Collection fees	6,500	6,500	6,179	321	5,817
Directors fees	8,000	8,000	6,000	2,000	6,300
Directors payroll taxes	700	700	4,905	(4,205)	4,453
Directors expenses	9,000	9,000	477	8,523	493
Operating transfer out	-	-	318,121	(318,121)	282,350
Total expenditures	<u>24,200</u>	<u>24,200</u>	<u>335,682</u>	<u>(311,482)</u>	<u>299,413</u>
Excess revenues over expenditures	<u>293,800</u>	<u>293,800</u>	<u>-</u>	<u>(293,800)</u>	<u>-</u>
Excess (deficiency) of budgetary revenues over budgetary expenditures	<u>\$ (2,338,500)</u>	<u>\$ (2,338,500)</u>	<u>\$ 4,584,261</u>	<u>\$ 6,922,761</u>	<u>\$ 2,917,465</u>

See accompanying independent auditor's report