

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

FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015



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Independent Auditor's Report

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

We have audited the accompanying financial statements of Valley Sanitation District (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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Sanitation District, as of December 31, 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 III through VI be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
May 10, 2017

**VALLEY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Our discussion and analysis of Valley Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2016 and 2015. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

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

FINANCIAL SUMMARY AND ANALYSIS

Net Position

2016

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets exceed liabilities plus deferred inflows of resources in 2016 by \$715,454. This amount increased from 2015 to 2016 by \$94,460 or 15.2%. Current assets also increased by 14% or \$111,215 from 2015 to 2016. Cash and cash equivalents and investments increased by \$91,188, primarily due to positive operating results. Accounts receivable increased by \$5,471 or 7.4%. The accounts receivable is comprised

**VALLEY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

primarily of the amount due from the City of Englewood which collects the District's surcharge on behalf of the District and remits amounts periodically. The 2016 surcharge fees are expected to be received in 2017. Additionally, property taxes receivable increased by \$10,500 due to an increase in the District's assessed valuation and a slightly higher mill levy for the property taxes levied for collection in 2017. The District's 2.493 mill levy was offset by a temporary mill levy reduction of .228 mills by the District to comply with the statutory property tax revenue limitation (5.5% limit) of C.R.S. 29-1-301. Current liabilities increased \$6,255, or 34.1%, from 2015 to 2016. This increase is due to an increase in accounts payable due to more expenses incurred in December 2016 than December 2015 and the related timing of the payment of those expenses.

2015

As noted in the table below, the District's assets exceed liabilities plus deferred inflows of resources in 2015 by \$620,994. This amount increased from 2014 to 2015 by \$108,234 or 21%. Current assets also increased by 19% or \$122,561 from 2014 to 2015. Cash and cash equivalents and investments increased by \$42,956. Accounts receivable increased by \$74,611, due primarily to the District implementing a sewer service surcharge effective January 1, 2015. This surcharge is being collected on behalf of the District by the City of Englewood, which by agreement, only remits collected funds on an annual basis. The 2015 collections are expected to be received in 2016. Additionally, property taxes receivable increased by \$7,500 due to an increase in the District's assessed valuation for the property taxes levied for collection in 2016. A portion of the assessed valuation increase was offset by a temporary mill levy reduction by the District to comply with the statutory property tax revenue limitation (5.5% limit) of C.R.S. 29-1-301. Capital assets increased by \$5,829, due to preliminary administration costs related to a sewer line relocation project. Current liabilities increased \$12,656, or 224%, from 2014 to 2015. This increase is due to an increase in accounts payable due to more expenses incurred in December 2015 than December 2014 and the related timing of the payment of those expenses.

NET POSITION

	December 31,		
	2016	2015	2014
ASSETS			
Current assets	\$ 886,197	\$ 774,982	\$ 652,421
Capital assets, net	5,829	5,829	-
Total assets	<u>892,026</u>	<u>780,811</u>	<u>652,421</u>
LIABILITIES			
Current liabilities	24,572	18,317	5,661
Total liabilities	<u>24,572</u>	<u>18,317</u>	<u>5,661</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>152,000</u>	<u>141,500</u>	<u>134,000</u>
NET POSITION			
Restricted	4,700	4,400	4,300
Unrestricted	704,925	616,594	508,460
Total net position	<u>\$ 709,625</u>	<u>\$ 620,994</u>	<u>\$ 512,760</u>

**VALLEY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Changes in Net Position

2016

As noted in the table below, the District's net position increased by \$94,460. Total revenues increased by \$30,362 from 2015 to 2016. The largest portion of this increase was in capital contributions where the District received \$28,000 more in system development fees in 2016 than in 2015. Overall expenses increased by \$44,136 or 34% from 2015 to 2016. During 2016 the District incurred costs related to the possible relocation of the outfall interceptor sewer line. These costs were primarily for legal, administration and engineering, which increased a combined \$49,237 from 2015 to 2016. The District deemed these costs to be non-capitalizable as they were for preliminary studies and planning.

2015

As noted in the table below, the District's net position increased by \$108,234. Total revenues increased by \$91,267 from 2014 to 2015. Revenues increased primarily due to the implementation of the sewer service surcharge discussed previously. The District recognized \$69,523 of revenue related to this surcharge in 2015. Additionally, the District received system development fees amounting to \$17,000 during 2015, which was an increase of \$12,800 from the \$4,200 received during 2014.

Overall expenses increased by only \$2,522, or 2% from 2014 to 2015. Additionally, sewer operations, administration and other expenses remained consistent from 2014 to 2015.

CHANGES IN NET POSITION

	Years Ended December 31,		
	2016	2015	2014
REVENUES			
Program revenues:			
Charges for services	\$ 68,536	\$ 76,901	\$ 2,290
General revenues:			
Property taxes	141,251	132,382	129,801
Specific ownership taxes	10,392	10,356	8,914
Investment earnings	3,726	1,904	2,071
Capital contributions	45,000	17,000	4,200
Total revenues	<u>268,905</u>	<u>238,543</u>	<u>147,276</u>
EXPENSES			
Sewer operations	97,533	81,365	78,019
Administration	74,915	47,070	47,931
Other	1,997	1,874	1,837
Total expenses	<u>174,445</u>	<u>130,309</u>	<u>127,787</u>
CHANGE IN NET POSITION	94,460	108,234	19,489
NET POSITION - BEGINNING OF YEAR	620,994	512,760	493,271
NET POSITION - END OF YEAR	<u>\$ 715,454</u>	<u>\$ 620,994</u>	<u>\$ 512,760</u>

**VALLEY SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

BUDGETARY HIGHLIGHTS

During 2016 the District's budget was not amended. Total revenue was budgeted at \$222,617 for 2016, and actual revenues were \$268,905, which exceeded this budget by \$46,288. The total appropriated expenditures for 2016 were \$195,871 and actual expenditures were \$174,445, or \$21,426 under budget. Details of the 2016 budget to actual results can be found on page 12 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

All of the District's capital assets were fully depreciated at December 31, 2016 and 2015, with the exception of the construction in progress of \$5,829 that was started in 2015 and remained in construction in progress at December 31, 2016. Additional information on the District's capital assets can be found in Note 4 of this report.

The District has no outstanding debt.

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

Total revenue in 2017 is projected to be \$239,703. The largest single source of revenue is proposed to be property tax revenue amounting to \$151,243, or 63% of total budgeted revenue. The 2017 budget also anticipates \$63,503 of sewer service surcharge revenue and \$9,000 of system development fees. Total expenditures for 2017 are budgeted at \$228,352 with \$176,594 for operations and \$51,758 for contingencies and emergency reserves. As budgeted revenues are expected to exceed expenditures, the 2017 budget anticipates a \$11,351 increase in funds available for 2017.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Valley Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, Patricia Harris, 6316 S. Benton Way, Littleton, CO 80123.

BASIC FINANCIAL STATEMENTS

**VALLEY SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2016 and 2015**

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 588,856	\$ 187,378
Investments	60,155	370,445
Due from county treasurer	769	637
Prepaid expenses	4,253	329
Accounts receivable:		
Sewer service surcharge	79,905	69,523
Other	259	5,170
Property taxes receivable	152,000	141,500
Total current assets	886,197	774,982
CAPITAL ASSETS		
Capital assets, not being depreciated	5,829	5,829
Capital assets, being depreciated	659,646	659,646
	665,475	665,475
Less accumulated depreciation and amortization	(659,646)	(659,646)
Total capital assets	5,829	5,829
TOTAL ASSETS	\$ 892,026	\$ 780,811
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 24,572	\$ 17,254
Deposits	-	1,063
Total current liabilities	24,572	18,317
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	152,000	141,500
Total deferred inflows of resources	152,000	141,500
NET POSITION		
Net investment in capital assets	5,829	5,829
Restricted for emergencies	4,700	4,400
Unrestricted	704,925	610,765
Total net position	715,454	620,994
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 892,026	\$ 780,811

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

**VALLEY SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2016 and 2015**

	2016	2015
OPERATING REVENUE		
Sewer service surcharge	\$ 66,069	\$ 69,523
Other charges for services	2,467	7,378
Total operating revenue	68,536	76,901
OPERATING EXPENSES		
Sewer operations	97,533	81,365
Administration	74,915	47,070
Total operating expenses	172,448	128,435
OPERATING LOSS	(103,912)	(51,534)
NONOPERATING REVENUE (EXPENSE)		
Property taxes	141,251	132,382
Specific ownership taxes	10,392	10,356
Net investment income	3,726	1,904
County treasurer's fees	(1,997)	(1,874)
Total nonoperating revenue (expense)	153,372	142,768
GAIN BEFORE CONTRIBUTIONS	49,460	91,234
CAPITAL CONTRIBUTIONS		
System development fees	45,000	17,000
Total capital contributions	45,000	17,000
CHANGE IN NET POSITION	94,460	108,234
NET POSITION - BEGINNING OF YEAR	620,994	512,760
NET POSITION - END OF YEAR	\$ 715,454	\$ 620,994

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

VALLEY SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 63,065	\$ 2,290
Payments to vendors	(162,366)	(105,828)
Payments to employees	(7,751)	(7,646)
Net cash required by operating activities	(107,052)	(111,184)
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
System development fees received	45,000	17,000
Capital asset purchases	-	(5,829)
Net cash provided by capital financing activities	45,000	11,171
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership taxes received	151,511	142,939
County treasurer's fees paid	(1,997)	(1,874)
Net cash provided by noncapital financing activities	149,514	141,065
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment maturities	371,169	369,802
Investment purchases	(60,879)	(371,223)
Interest received	3,726	1,904
Net cash provided by noncapital financing activities	314,016	483
 NET INCREASE IN CASH AND CASH EQUIVALENTS	401,478	41,535
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	187,378	145,843
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 588,856	\$ 187,378
 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES		
Operating loss	\$ (103,912)	\$ (51,534)
Adjustments to reconcile (loss) from operations to net cash required by operating activities:		
Effects of changes in operating assets and liabilities:		
Prepaid expenses	(3,924)	2,305
Accounts receivable	(5,471)	(74,611)
Accounts payable	7,318	11,593
Deposits	(1,063)	1,063
Net cash required by operating activities	\$ (107,052)	\$ (111,184)

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

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – DEFINITION OF REPORTING ENTITY

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no authorized but unissued debt.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

Operating Revenues and Expenses

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

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Restricted Resources

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

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Property Taxes

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

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

Cash Equivalents

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

Investments

Investments are stated at fair value.

Prepaid Expenses

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

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Wastewater system	50 years
Equipment	5 years

Estimates

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

System Development Fees and Contributed Lines

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

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2016 and 2015 were comprised of the following:

	<u>2016</u>	<u>2015</u>
Deposits with financial institutions	\$ 65,005	\$ 376,960
Investments	584,006	180,863
	<u>\$ 649,011</u>	<u>\$ 557,823</u>

The cash and investments are classified in the accompanying financial statements as of December 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 588,856	\$ 187,378
Investments	60,155	370,445
	<u>\$ 649,011</u>	<u>\$ 557,823</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators.

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District had cash deposits, including certificates of deposit, with a bank balance of \$65,460 and a carrying balance of \$65,005. At December 31, 2015, the District had cash deposits, including certificates of deposit, with a bank balance of \$374,187 and a carrying balance of \$376,960

Investments

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

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

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

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

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to three to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirement.

As of December 31, 2016 and 2015, the District had the following investments:

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2016</u>	<u>2015</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$584,006</u>	<u>\$180,863</u>

COLOTRUST

At December 31, 2016 and 2015, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreement collateralized by certain obligations of the U.S. government agencies. COLOTRUST is rated AAAm by Standard and Poor's.

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value measurements of the District's investment in COLOTRUST at December 31, 2016 is valued using Level 2 inputs.

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**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 5,829	\$ -	\$ -	\$ 5,829
Total capital assets not being depreciated	<u>5,829</u>	<u>-</u>	<u>-</u>	<u>5,829</u>
Capital assets, being depreciated:				
Wastewater system	658,075	-	-	658,075
Equipment	1,571	-	-	1,571
Total capital assets being depreciated	<u>659,646</u>	<u>-</u>	<u>-</u>	<u>659,646</u>
Less accumulated depreciation for:				
Wastewater system	(658,075)	-	-	(658,075)
Equipment	(1,571)	-	-	(1,571)
Total accumulated depreciation	<u>(659,646)</u>	<u>-</u>	<u>-</u>	<u>(659,646)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ 5,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,829</u>

An analysis of the changes in capital assets for the year ended December 31, 2015 follows:

	<u>Balance at December 31, 2014</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2015</u>
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 5,829	\$ -	\$ 5,829
Total capital assets not being depreciated	<u>-</u>	<u>5,829</u>	<u>-</u>	<u>5,829</u>
Capital assets, being depreciated:				
Wastewater system	658,075	-	-	658,075
Equipment	1,571	-	-	1,571
Total capital assets being depreciated	<u>659,646</u>	<u>-</u>	<u>-</u>	<u>659,646</u>
Less accumulated depreciation for:				
Wastewater system	(658,075)	-	-	(658,075)
Equipment	(1,571)	-	-	(1,571)
Total accumulated depreciation	<u>(659,646)</u>	<u>-</u>	<u>-</u>	<u>(659,646)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 5,829</u>	<u>\$ -</u>	<u>\$ 5,829</u>

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 - NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed through constitutional provisions or enabling legislation. As of December 31, 2016 and 2015, the District's restricted net position was \$4,700 and \$4,400 respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 8).

NOTE 6- RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability coverage and workers compensation. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 7 – INTERGOVERNMENTAL AGREEMENTS

City of Englewood

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

Platte Canyon Water and Sanitation District

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

Columbine Water and Sanitation District

On February 9, 1987 the District entered into a Maintenance Cost Allocation Agreement (agreement) with Columbine Water and Sanitation District (Columbine) for costs incurred to maintain the District's outfall line to which Columbine connects. Per the agreement, Columbine

**VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

agrees to reimburse the District for their proportionate share of these costs, which is equal to 12.4%. During 2016 and 2015, the District charged Columbine \$259 and \$5,170, respectively, for work performed.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District restricted net position of \$4,700 and \$4,400 for Emergency Reserves as of December 31, 2016 and 2015, respectively.

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

SUPPLEMENTAL INFORMATION

VALLEY SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016

	Original And Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 141,533	\$ 141,251	\$ (282)
Specific ownership tax	9,200	10,392	1,192
Interest income	1,494	3,726	2,232
Sewer service surcharge	56,890	66,069	9,179
Other service charges	1,500	2,467	967
System development fees	12,000	45,000	33,000
Total revenues	<u>222,617</u>	<u>268,905</u>	<u>46,288</u>
EXPENDITURES			
Maintenance and repairs	77,400	70,639	6,761
Repairs remedial/emergency	10,000	1,885	8,115
Engineering	5,000	23,287	(18,287)
Administrative expenses	20,000	42,096	(22,096)
Advertising and publication	125	52	73
Legal	2,500	5,172	(2,672)
Audit and accounting	5,000	4,600	400
Meeting hall rent	300	300	-
Insurance	3,000	4,006	(1,006)
UNCC	2,000	1,722	278
Supplies	500	326	174
Directors' fees	6,000	5,900	100
Salaries and payroll taxes	8,500	7,751	749
Treasurer fees	2,123	1,997	126
Public relations	2,500	2,699	(199)
Election	2,000	1,531	469
Other	1,000	482	518
Contingency	30,000	-	30,000
Emergency reserves	17,923	-	17,923
Total expenditures	<u>195,871</u>	<u>174,445</u>	<u>21,426</u>
NET CHANGE IN FUNDS AVAILABLE	26,746	94,460	67,714
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>597,436</u>	<u>615,165</u>	<u>17,729</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 624,182</u>	<u>\$ 709,625</u>	<u>\$ 85,443</u>
Funds available is computed as follows:			
Current assets		\$ 886,197	
Current liabilities		(24,572)	
Deferred inflows of resources		(152,000)	
		<u>\$ 709,625</u>	

**VALLEY SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2016**

Revenue (budgetary basis)	\$ 268,905
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	268,905
Expenditures (budgetary basis)	174,445
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	174,445
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	\$ 94,460

OTHER INFORMATION

**VALLEY SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2016**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy		Mills Levied For Operations Mill Levy	Total Property Taxes		Percentage Collected to Levied
	Arapahoe	Denver		Levied	Collected	
2009	\$ 46,521,000	\$ 9,858,270	2.493	\$ 140,554	\$ 140,297	99.8%
2010	\$ 45,376,220	\$ 10,074,100	2.493	\$ 138,238	\$ 137,393	99.4%
2011	\$ 45,486,440	\$ 10,217,990	2.493	\$ 138,871	\$ 138,203	99.5%
2012	\$ 43,889,410	\$ 9,563,790	2.493	\$ 133,259	\$ 132,334	99.3%
2013	\$ 43,954,180	\$ 9,574,890	2.493	\$ 133,448	\$ 130,966	98.1%
2014	\$ 42,781,080	\$ 9,150,070	2.493	\$ 129,464	\$ 129,801	100.3%
2015	\$ 44,024,171	\$ 9,814,650	2.493	\$ 134,220	\$ 132,382	98.6%
2016	\$ 54,855,722	\$ 11,716,860	2.126 (A)	\$ 141,533	\$ 141,251	99.8%
Estimated for year ending December 31, 2017	\$ 55,341,708	\$ 11,770,940	2.265 (B)	\$ 152,010		

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

(A) - Includes a temporary mill levy reduction of .367 mills.

(B) - Includes a temporary mill levy reduction of .228 mills.