

WHEAT RIDGE SANITATION DISTRICT
Financial Statements
With
Independent Auditor's Report
December 31, 2016 and 2015



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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wheat Ridge Sanitation District

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Brighton, Colorado
June 16, 2017

Management's Discussion and Analysis

WHEAT RIDGE SANITATION DISTRICT
7100 W. 44th Ave., #104
Wheat Ridge, CO 80033

Management's Discussion and Analysis

Introduction

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

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

Overview of the Financial Statements of the District

The audited financial statements of the District are:

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

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

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

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

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

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

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

Condensed Comparative Financial Information:

Statement of Net Position

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets			
Cash and cash equivalents	\$ 419,190	\$ 908,129	\$ 1,296,502
Other current assets	2,601,504	2,606,036	2,124,065
	<u>3,020,694</u>	<u>3,514,165</u>	<u>3,420,567</u>
Non Current Assets			
Capital assets – net	2,633,000	2,201,226	1,986,145
Total Assets	<u>5,653,694</u>	<u>5,715,391</u>	<u>5,406,712</u>
Current Liabilities	<u>160,608</u>	<u>100,630</u>	<u>189,635</u>
Total Liabilities	<u>160,608</u>	<u>100,630</u>	<u>189,635</u>
Deferred Inflows of Resources	<u>99,279</u>	<u>98,578</u>	<u>96,909</u>
Net Position			
Net investment in capital assets	2,633,000	2,201,226	1,986,145
Restricted	3,282	3,282	3,282
Unrestricted	<u>2,757,525</u>	<u>3,311,675</u>	<u>3,130,741</u>
Total Net Position	<u>\$ 5,393,807</u>	<u>\$ 5,516,183</u>	<u>\$ 5,120,168</u>

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 2,090,300	\$ 2,053,717	\$ 2,127,154
Operating Expenses	<u>2,461,355</u>	<u>2,020,917</u>	<u>2,187,903</u>
Operating Income (Loss)	(371,055)	32,800	(60,749)
Non Operating Revenues (Expenses)	<u>248,679</u>	<u>363,215</u>	<u>307,195</u>
Change in Net Position	(122,376)	396,015	246,446
Net Position, Beginning of Year	5,516,183	5,120,168	4,873,722
Net Position, End of Year	<u>\$ 5,393,807</u>	<u>\$ 5,516,183</u>	<u>\$ 5,120,168</u>

Statement of Cash Flows

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash from (for) Operating Activities	\$ 42,056	\$ (88,144)	\$ (84,186)
Cash from Non Capital Financing Activities	227,504	228,123	270,840
Cash from (for) Capital and Related Financing Activities	(548,177)	(198,927)	(198,778)
Cash from (for) Investing Activities	(210,322)	(329,425)	275,690
Increase (Decrease)	<u>(488,939)</u>	<u>(388,373)</u>	<u>263,566</u>
Cash and Cash Equivalents, Beginning of Year	908,129	1,296,502	1,032,936
Cash and Cash Equivalents, End of Year	<u>\$ 419,190</u>	<u>\$ 908,129</u>	<u>\$ 1,296,502</u>

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

Analysis of Financial Position and Operating Results

Net position decreased from \$5,516,183 in 2015 to \$5,393,807 in 2016, a difference of \$122,376 due to revenues exceeding expenses by that amount.

For 2016 the District has a net asset reserve for emergencies established by the Board of Directors in the amount of \$3,282.

Net capital assets increased \$431,774 in 2016.

The District's Liabilities at December 31, 2016 increased \$59,978 from those at December 31, 2015 relating primarily to the timing of payments to Metro Wastewater.

The District's 2016 operating revenues increased \$36,583 over 2015. The increase in revenue is mainly a result of an increase in sewer charge revenues in 2016.

The District's operating expenses increased \$440,438 in 2016. This increase was caused by higher sewage treatment costs paid to Metro Wastewater.

Net 2016 non-operating revenues had a \$114,536 decrease due primarily to lower amounts of developer contributions.

Cash Flows

Cash and cash equivalents for 2016 decreased \$488,939. Cash and cash equivalents represent approximately 7% of the District's total net assets at December 31, 2016.

For more information about these changes in net position, the operating activities, and cash flows see the accompanying audited financial statements beginning on page 7.

Budgetary Discussion

Actual revenues were \$24,964 less than the 2016 budget, primarily due to lower than budgeted connection fees.

Actual expenditures were \$580,845 less than budgeted due to the District not requiring the use of all of the contingency expenditures and fewer connection fees.

Capital Asset and Long Term Debt Discussion

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

The District has no capital asset activities programs in process.

The District has no long-term debt.

Other

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

Basic Financial Statements

Wheat Ridge Sanitation District
Statements of Net Position
December 31, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 419,190	\$ 908,129
Investments	2,322,827	2,092,624
Prepaid expenses	15,683	14,804
Accounts receivable	159,479	141,457
Due from Metro Wastewater	-	255,631
Accrued interest	4,236	2,942
Property taxes receivable	99,279	98,578
Total Current Assets	3,020,694	3,514,165
Noncurrent Assets		
Capital Assets		
Depreciable		
Sewer lines, extensions and inclusions	5,656,670	5,108,493
Office equipment	53,669	53,669
Leasehold improvements	2,824	2,824
Total Capital Assets	5,713,163	5,164,986
Less: Accumulated depreciation	(3,080,163)	(2,963,760)
Net Capital Assets	2,633,000	2,201,226
Total Noncurrent Assets	2,633,000	2,201,226
Total Assets	5,653,694	5,715,391
Liabilities		
Current Liabilities		
Accounts payable	44,038	65,139
Accrued expenses	878	857
Due to Metro Wastewater	93,867	-
Developer deposits	21,825	34,634
Total Current Liabilities	160,608	100,630
Deferred Inflows of Resources		
Deferred property taxes	99,279	98,578
Total Deferred Inflows of Resources	99,279	98,578
Net Position		
Net Investment in capital assets	2,633,000	2,201,226
Restricted for emergencies	3,282	3,282
Unrestricted	2,757,525	3,311,675
Total Net Position	\$ 5,393,807	\$ 5,516,183

The accompanying notes are an integral part of these financial statements

Wheat Ridge Sanitation District
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2016 and 2015

	2016	2015
Operating Revenues		
Sewage treatment revenue	\$ 1,924,140	\$ 1,881,874
Grease trap fees	4,497	9,606
Metro connection fees	154,452	156,024
Inspection fees	6,900	5,800
Miscellaneous income	311	413
Total Operating Revenues	2,090,300	2,053,717
Operating Expenses		
Sewage treatment	1,579,873	1,281,298
Collection and transmission	574,111	440,019
General and administration	190,968	191,643
Depreciation	116,403	107,957
Total Operating Expenses	2,461,355	2,020,917
Operating Income (Loss)	(371,055)	32,800
Nonoperating Revenues (Expenses)		
Property taxes	99,215	96,455
Specific ownership taxes	6,610	8,264
Investment income	18,041	17,632
Office sharing revenue	8,044	7,908
Connection fees	115,290	124,110
Change in FMV of investments	3,134	(6,651)
County treasurer fees	(1,655)	(8,614)
Total Nonoperating Revenues (Expenses)	248,679	239,104
Income Before Capital Contributions	(122,376)	271,904
Capital Contributions	-	124,111
Change in Net Position	(122,376)	396,015
Net Position, beginning of year	5,516,183	5,120,168
Net Position, end of year	\$ 5,393,807	\$ 5,516,183

The accompanying notes are an integral part of these financial statements

Wheat Ridge Sanitation District
Statements of Cash Flows
For the Year Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,072,278	\$ 2,067,851
Cash paid to suppliers	(2,030,222)	(2,155,995)
Net cash provided (used) by operating activities	42,056	(88,144)
Cash Flows From Non-Capital Financing Activities		
Property and ownership taxes received	105,825	104,719
Office sharing revenue	8,044	7,908
Fee paid to county treasurer	(1,655)	(8,614)
Cash received for connection charges	115,290	124,110
Net cash provided (used) by non-capital financing activities	227,504	228,123
Cash Flows From Capital And Related Financing Activities		
Acquisitions and construction of capital assets	(548,177)	(198,927)
Net cash provided (used) in capital and related financing activities	(548,177)	(198,927)
Cash Flows From Investing Activities		
Investment income received	16,747	9,923
Proceeds from sale of investments	899,593	958,769
Cash paid for investments	(1,126,662)	(1,298,117)
Net cash provided (used) by investing activities	(210,322)	(329,425)
Net increase (decrease) in cash and cash equivalents	(488,939)	(388,373)
Cash and cash equivalents, beginning of year	908,129	1,296,502
Cash and cash equivalents, end of year	\$ 419,190	\$ 908,129
Non Cash Items		
Developer contributions	\$ -	\$ 124,111
Market value adjustments	3,134	(6,651)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income / (Loss)	\$ (371,055)	\$ 32,800
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation and amortization	116,403	107,957
Changes in assets and liabilities		
Prepaid expenses	(879)	(765)
Accounts receivable	(18,022)	14,134
Due to / from Metro Wastewater	349,498	(153,265)
Accounts payable	(21,101)	(114,200)
Other accrued liabilities	(12,788)	25,195
Net Cash Provided (Used) by Operating Activities	\$ 42,056	\$ (88,144)

The accompanying notes are an integral part of these financial statements

**Wheat Ridge Sanitation District
Notes to Financial Statements
December 31, 2016 and 2015**

Note 1 Summary of Significant Accounting Policies

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

Financial Reporting Entity

The District follows all Governmental Accounting Standards Board (GASB) accounting pronouncements, which is the authoritative body and provides guidance for determining which governmental activities, organization and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. The District is not financially accountable for any other organization, nor is the District a component unit of any other entity.

Basis of Presentation

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

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

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

**Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2016 and 2015**

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

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

Budgets and Budgetary Accounting

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

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

Budgets are not prepared in accordance with accounting principles generally accepted in the United States of America because they include capital asset expenditures, but do not include depreciation. Budgets may be amended during the year by approval of the Board of Directors. Any amendments to the budget are incorporated into the budget in these financial statements. Appropriations lapse at the end of the budget year. The budget was amended in 2016.

Property Taxes

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

Connection Fees

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

**Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2016 and 2015**

Note 1 Summary of Significant Accounting Policies (Continued)

Assets and Liabilities

Investments – investments are recorded at fair market value. Level one inputs have been used to determine fair market value.

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

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

Sewer lines	33 years
Machinery and equipment	10 years
Office furniture and equipment	3-20 years
Leasehold improvements	33 years

Deferred Outflows / Inflows of Resources

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

Net position

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

a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.

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

Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

Note 1 Summary of Significant Accounting Policies (Continued)

Cash Equivalents

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

Use of Estimates in the Preparation of Financial Statements

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

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2016 and 2015, the District's cash deposits had a carrying balance of \$62,155 and \$585,614 and a corresponding bank balance of \$75,629 and \$586,451, of which \$75,629 and \$250,000 was insured by the Federal Deposit Insurance Corporation, respectively. The District had \$0 and \$336,451 collateralized under PDPA at December 31, 2016 and 2015, respectively.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk – Deposits

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

The US Bank money market and the Wells Fargo money market account are AAA rated by Standard and Poor's.

At December 31, 2016 and 2015, the District's holdings of U.S. agency obligations were rated AAA by Standard & Poor's.

**Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2016 and 2015**

Note 2 Cash and Investments (Continued)

Investments

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

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

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

<u>Investment Type</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Percent of total investments</u>
Federal Farm Credit Bank	1.35	576,757	25%
Federal Home Loan Mortgage Corporation	1.11	549,678	24%
US Treasury Note	0.82	1,196,392	52%
Total Fair Market Value		<u>\$ 2,322,827</u>	<u>100%</u>

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

<u>Investment Type</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Percent of total investments</u>
Federal Farm Credit Bank	0.08	200,010	10%
Federal Home Loan Mortgage Corporation	2.07	199,611	10%
US Treasury Note	1.25	1,693,003	81%
Total Fair Market Value		<u>\$ 2,092,624</u>	<u>100%</u>

At December 31, 2016 and 2015, the District had \$252,346 and \$1,710, respectively, invested in COLOTRUST which are investment vehicles established for government entities in Colorado to pool surplus funds. As an investment pool, the trusts operate under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner.

**Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2016 and 2015**

Note 2 Cash and Investments (Continued)

Investments (Continued)

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

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

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

Cash and cash equivalents consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash on hand (cash and cash equivalent)	\$ 400	\$ 400
Cash at County Treasurer (cash and cash equivalent)	662	721
Cash in bank (cash and cash equivalent)	62,155	585,614
COLOTRUST (cash and cash equivalent)	252,346	1,710
Money markets (cash and cash equivalent)	103,627	319,684
Total cash and cash equivalents	<u>\$ 419,190</u>	<u>\$ 908,129</u>

The money market account was not rated as of December 31, 2016 and 2015.

Note 3 Accounts Receivable

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

	<u>2016</u>	<u>2015</u>
Fees for sewer services	\$ 156,549	\$ 137,333
Other receivables	2,930	4,124
Allowance for doubtful accounts	-	-
Total	<u>\$ 159,479</u>	<u>\$ 141,457</u>

Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2016 and 2015

Note 4 Capital Assets

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

	Balance at 12/31/2015	Additions	Deletions	Balance at 12/31/2016
Nondepreciable				
Construction in progress	\$ -		\$ -	\$ -
Total Nondepreciable	-	-	-	-
Depreciable				
Sewer lines, extensions and inclusions	5,108,493	548,177	-	5,656,670
Office equipment	53,669	-	-	53,669
Leasehold improvements	2,824	-	-	2,824
Total Depreciable	5,164,986	548,177	-	5,713,163
TOTAL	5,164,986	548,177	-	5,713,163
Less Accumulated Depreciation				
Sewer lines, extensions and inclusions	(2,912,984)	(112,242)	-	(3,025,226)
Office equipment	(47,952)	(4,161)	-	(52,113)
Leasehold improvements	(2,824)	-	-	(2,824)
Total Accumulated Depreciation	(2,963,760)	(116,403)	-	(3,080,163)
Net Capital Assets	<u>\$ 2,201,226</u>	<u>\$ 431,774</u>	<u>\$ -</u>	<u>\$ 2,633,000</u>

A summary of changes to capital assets for 2015 is as follows:

	Balance at 12/31/2014	Additions	Deletions	Balance at 12/31/2015
Nondepreciable				
Construction in progress	\$ -		\$ -	\$ -
Total Nondepreciable	-	-	-	-
Depreciable				
Sewer lines, extensions and inclusions	4,785,455	323,038	-	5,108,493
Office equipment	53,669	-	-	53,669
Leasehold improvements	2,824	-	-	2,824
Total Depreciable	4,841,948	323,038	-	5,164,986
TOTAL	4,841,948	323,038	-	5,164,986
Less Accumulated Depreciation				
Sewer lines, extensions and inclusions	(2,809,186)	(103,798)	-	(2,912,984)
Office equipment	(43,793)	(4,159)	-	(47,952)
Leasehold improvements	(2,824)	-	-	(2,824)
Total Accumulated Depreciation	(2,855,803)	(107,957)	-	(2,963,760)
Net Capital Assets	<u>\$ 1,986,145</u>	<u>\$ 215,081</u>	<u>\$ -</u>	<u>\$ 2,201,226</u>

**Wheat Ridge Sanitation District
Notes to Financial Statements (Continued)
December 31, 2016 and 2015**

Note 4 Capital Assets (Continued)

Depreciation charged to expense by function was:

	2016	2015
Administrative and general	\$ 4,161	\$ 4,159
Collection and transmission	112,242	103,798
Total depreciation expense	\$ 116,403	\$ 107,957

Note 5 Tax, Spending, and Debt Limitation

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

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

Note 6 Risk Management

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

The purpose of the Pool is to provide defined property, liability, workers’ compensation and associated coverage’s, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. Settled claims exceeded the Districts commercial coverage by \$3,565, \$13,206 and \$1,685 for the year ended December 31, 2016, 2015 and 2012, respectively.

Note 7 Restricted Net position

The District has established an emergency reserve of \$3,282 as of December 31, 2016 and 2015, to comply with Article X, Section 20 of the Colorado Constitution.

Note 8 Reclassifications

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

Other Supplementary Information

Wheat Ridge Sanitation District
Budgetary vs. Actual Comparison - Non GAAP Basis
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Connection fees - Wheat Ridge	166,950	143,640	115,290	(28,350)
Connection fees -Metro	223,705	191,980	154,452	(37,528)
Inspection fees	5,200	6,000	6,900	900
Sewage treatment revenue	1,902,000	1,880,000	1,924,140	44,140
Grease trap fees	10,100	10,000	4,497	(5,503)
Property tax	98,578	98,578	99,215	637
Ownership tax	7,700	8,200	6,610	(1,590)
Investment income	19,000	19,000	21,175	2,175
Developer reimbursements and contributions	-	-	-	-
Office sharing revenue	8,500	8,000	8,044	44
Miscellaneous	400	200	311	111
Total Revenues	2,442,133	2,365,598	2,340,634	(24,964)
Expenditures				
Sewage Collection and Transmission				
Contract maintenance of lines	113,500	139,320	171,214	(31,894)
Inspections	13,100	17,300	15,654	1,646
Backup restoration	5,000	-	500	(500)
Locates	54,000	42,000	39,647	2,353
Repairs and maintenance	102,000	223,000	192,644	30,356
Sewage Treatment				
Metro Wastewater service charge	1,486,006	1,579,873	1,579,873	-
Sanitary Administration				
Administrative services	75,500	75,000	79,280	(4,280)
Auditing	5,500	5,100	5,100	-
Engineering	50,000	33,000	27,097	5,903
Financial management fees	2,700	3,700	3,597	103
Bank charges	-	900	950	(50)
Directors' fees	6,000	6,000	5,800	200
Insurance	9,000	8,638	8,639	(1)
Legal	29,000	20,000	22,940	(2,940)
Membership dues and meetings	1,250	1,268	1,826	(558)
Miscellaneous expense	2,000	2,000	157	1,843
Office supplies and equipment maintenance	15,200	13,000	19,507	(6,507)
Occupancy	10,150	11,550	12,063	(513)
Taxes - payroll	500	500	434	66
Telephone	3,500	3,500	3,578	(78)
County treasurer fees	8,000	2,000	1,655	345
Connection Fees - Metro	223,705	191,980	154,452	37,528
Contingency Expense	500,000	500,000	-	500,000
Capital Expenditures	306,000	596,000	548,177	47,823
Total Expenditures	3,021,611	3,475,629	2,894,784	580,845
Reconciliation to GAAP Basis				
Net income - Budgetary Basis			(554,150)	
Add Capital Outlay			548,177	
Less Depreciation			(116,403)	
Net Income - GAAP Basis			<u>\$ (122,376)</u>	

Wheat Ridge Sanitation District
Schedule of Expenses by Function
For the Year Ended December 31, 2016 and 2015

Collection and Transmission Expense	<u>2016</u>	<u>2015</u>
Contract operations and maintenance	\$ 171,214	\$ 159,454
Inspections	15,654	14,504
Backup restoration	500	3,565
Locates	39,647	45,314
Repairs and maintenance	192,644	61,158
Metro connection fees	<u>154,452</u>	<u>156,024</u>
Subtotal	574,111	440,019
Depreciation	<u>112,242</u>	<u>103,798</u>
Total Collection and Transmission	<u><u>\$ 686,353</u></u>	<u><u>\$ 543,817</u></u>
General and Administrative Expense		
Administrative services	\$ 79,280	\$ 76,120
Auditing	5,100	5,100
Engineering	27,097	37,641
Financial management fees	3,597	3,227
Bank charges	950	839
Directors' fees	5,800	5,500
Insurance	8,639	7,989
Legal	22,940	25,837
Membership dues and meetings	1,826	1,237
Miscellaneous expense	157	170
Office supplies and equipment maintenance	19,507	12,773
Occupancy	12,063	11,332
Taxes - payroll	434	428
Telephone	<u>3,578</u>	<u>3,450</u>
Subtotal	190,968	191,643
Depreciation	<u>4,161</u>	<u>4,159</u>
Total General and Administrative	<u><u>\$ 195,129</u></u>	<u><u>\$ 195,802</u></u>

The accompanying notes are an integral part of these financial statements