

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

Gilpin County, Colorado

Financial Statements

For the Years of December 31, 2017 and 2016

(With Independent Auditor's Report Thereon)

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**RECEIVED**

Office of the State Auditor

June 26, 2018

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

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December 31, 2017

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Black Hawk – Central City Sanitation District  
Black Hawk, Colorado

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the business type activities of Black Hawk – Central City Sanitation District (the District) of Gilpin County, Colorado as of and for the years ended December 31, 2017 and 2016 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 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 controls 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal

control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriate accounting policies used and the reasonableness of significant accounting estimates made by managements, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Opinion**

In my opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the statements of the Black Hawk – Central City Sanitation District of Gilpin County, Colorado as of December 31, 2017 and 2016 and the respective changes in financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Comparative Financial Information:

The comparative financial information for the prior year has been presented in the accompanying financial statements in order to provide an analysis of changes in the District's financial position and operations. However, complete comparative financial information has not been presented in accordance with generally accepted accounting principles since its inclusion would make the financial statements cumbersome and difficult to read. The comparative financial information for the year ended December 31, 2016, by which a report dated June 26, 2017, expressed an unmodified opinion.

#### Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 6, the schedule of the District's proportionate share of the net pension liability and schedule of District's contributors on pages 38-39 respectively, be presented to supplement the basic financial statements. Such information, although not 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 historic context. I 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 responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information:

My audits were conducted for the purpose of forming opinions on the financial statements and related notes to financial statements that collectively comprise the Black Hawk – Central City Sanitation District’s basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statement.

The budgetary comparison schedule is the responsibility of management and was derived from and relate 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Jack Salewski, CPA

Littleton, Colorado  
June 14, 2018

# BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2017

This Management’s Discussion and Analysis (“MD&A”) is designed to provide a narrative overview of the financial condition and operating results of the Black Hawk- Central City Sanitation District (“The District”). This MD&A should be read in conjunction with the District’s basic financial statements, notes to the financial statements, and supplementary information (beginning on page 1).

The District treats waste water to customers primarily in Gilpin County, Colorado.

### **Overview of The Financial Statements**

The financial statements included in this annual report are those of a quasi-municipal corporation and a political subdivision of the State of Colorado, governed by Colorado revised Statues Title 32 Special Districts, engaged only in a business type activity. As an enterprise fund, the District’s financial statements include:

**Statements of Net Position-** report the District’s current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating. (See page 7).

**Statements of Revenues, Expenses and Changes in Fund Net Position-** report the District’s operating and non-operating revenues by major source, along with operating and non-operating expenses and capital contributions. (See page 9).

**Statements of Cash Flows-** report the District’s cash flows from operating, investing, capital and non-capital activities. (See page 10).

**Notes to the Financial Statements** (See page 12) provide additional required disclosures that are essential to a full understanding of the data provided in the financial statements.

**Schedule of Revenues and Expenditures- Budget and Actual (Budgetary Basis)** (See page 42) reports the budgeted revenue and expenditure activities as compared with actual activities. Though this schedule is not required by GAAP to be part of the audited financial statements, it is added for review as other supplementary information.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2017

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2017**

- Total Net Capital assets, after Accumulated Depreciation Expense increased by \$682,094.
- Total Net Position increased by \$4,026,716.
- Depreciation Expense was in the amount of \$1,126,053.
- Total Liabilities decreased by \$150,635.
- Operating Revenues decreased by \$33,229.

The purpose of this section is to provide non-technical information, so that the average District “citizen” can understand the financial condition of the District. This understanding can then be utilized when evaluating rate increases and the effectiveness and efficiency of the District’s operations.

**Who We Are**

Black Hawk – Central City Sanitation District is a “Quasi-Private Public Entity” formed under Colorado Special District’s Laws. This means that we are a public body which is overseen by an elected Board of Directors, similar to a City and City Council. Unlike a City however, we operate as a non-profit business commonly referred to as an “enterprise fund”. All of the people living within or owning property within our boundaries are eligible to vote on who is to sit on the Board of Directors. Only people who live or own property within the District’s boundaries are eligible to be elected to sit on the Board of Directors. The Board’s primary responsibilities are to protect the public’s health and its capital investment in treatment and collection systems, while meeting environmental protection laws. The District provides collection system and waste water treatment services. The waste water system services about 500 residences and 52 businesses (mostly casinos) within a 20 square mile service area. The District recovers cost of service through user fees.

# BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2017

### **REQUIRED FINANCIAL STATEMENTS**

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Statement of Net Position (page 7) include information on the District’s assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations of District creditors (liabilities). The Statement of Revenues, Expenses and Changes in Fund Net Position (page 9) identifies the District’s revenues and expenses for the fiscal year ended December 31, 2017. The third financial statement is the Statement of Cash Flows (page 10). This statement provides information on the District’s cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash and cash equivalents balance for the past fiscal year.

### **FINANCIAL ANALYSIS OF THE DISTRICT**

When evaluating the financial condition of an entity, the first thing to look at is the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Total Assets. For 2017, the District’s current assets (cash and equivalent) show an increase. Current Assets, which is considered to be an asset that consists of cash and other resources and is reasonably expected to be realized in cash or consumed within one year, increased by \$3,196,251. Total Assets, which is defined as the total resources owned by the District, increased by \$3,866,345. A large majority of total assets of the District resides within our system of pipelines, and the Wastewater Treatment Plant. In order to maintain an acceptable accounting standard of reporting, the District annually makes an adjustment of “Accumulated Depreciation” for these types of assets. In 2017, the District had \$1,126,053 in accumulated depreciation adjustments. As a rule of thumb, if Current Assets and Total Assets are increasing, everything is probably fine. If Current or Total Liabilities begin to increase more than the Current or Total Assets accounts are, then further assessment is warranted.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2017

**REVENUES**

District operations are funded from revenues received from the various fees charged for services, interest income, and capital recovery through connection fees.

**Condensed Comparative Statement of Revenues**

Revenue Source	2017	2016	Change Gain / Loss
Residential and Commercial			
Customers	\$ 123,475	\$ 121,005	\$ 2,470
Gaming Customers	2,487,343	2,522,869	(35,526)
Capital Recovery	3,879,615	7,500	3,872,115
Interest Income	118,301	40,716	77,585
Other Revenue	46,196	44,436	1,760
Total Revenues	<u>\$6,654,930</u>	<u>\$2,736,526</u>	<u>\$3,918,404</u>

Revenue for services decreased by \$33,056.

**EXPENSES**

**Condensed Comparative Statement of Expenses**

	2017	2016	Change Gain / Loss
Waste Transmission	\$ 392,784	\$ 523,069	\$ (130,285)
Treatment Plant	1,938,950	1,715,565	223,385
District Administration	296,480	296,094	386
Total Expenses	<u>\$2,628,214</u>	<u>\$2,534,728</u>	<u>\$ 93,486</u>

**CAPITAL ASSETS**

As of December 31, 2017, the District had capital assets of \$34,506,576. The District received \$3,879,615 in System Development Fees during Budget Year 2017.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31, 2017

**Condensed Comparative Statement of Net Position**

	2017	2016	Change Gain / Loss
Cash and Other Assets	\$12,816,195	\$ 9,631,944	\$ 3,184,251
Capital Assets	34,506,576	33,824,482	682,094
Total Assets	<u>\$47,322,771</u>	<u>\$43,456,426</u>	<u>\$ 3,866,345</u>
Deferred Outflow of Resources	<u>\$ 68,936</u>	<u>\$ 57,561</u>	<u>\$ 11,375</u>
Non-Current Liabilities	\$ 248,670	\$ 211,332	\$ 37,338
Current Liabilities	351,417	539,390	(187,973)
Total Liabilities	<u>\$ 600,087</u>	<u>\$ 750,722</u>	<u>\$ (150,635)</u>
Deferred Inflow of Resources	<u>\$ 51,998</u>	<u>\$ 50,359</u>	<u>\$ 1,639</u>
<b>Net Position</b>			
Invested in Capital Assets Net of Related Debt	\$34,506,576	\$33,824,482	\$ 682,094
Restricted	57,375	54,405	2,970
Unrestricted	12,175,671	8,834,019	3,341,652
Total Net Position	<u>\$46,739,622</u>	<u>\$42,712,906</u>	<u>\$ 4,026,716</u>

The District implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of December 31, 2016. With the new reporting change, The District is allocated its proportionate share of the Colorado Public Employers’ Retirement Association (PERA)’s net pension liability and pension expense.

Capital Assets represent the longest portion of The District’s Assets (72.92%) and increased by a net of \$682,094. Depreciation expense was \$1,126,053. Unrestricted net position is the portion of net position that can be used to finance day to day operations without external constraints of debt covenants, legislation on other legal requirements. As of December 31, 2017, unrestricted net position was \$3,341,652 more than December 31, 2016.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2017

**Condensed Schedule of Revenues-Expenses Budget and Actual**

	Budget Original 2017	Actual 2017
Revenues	\$6,544,794	\$6,654,980
Expenses	\$3,832,300	\$3,310,358

**REQUEST FOR INFORMATION**

This financial report is designed to provide rate payers and creditors with a general overview of the District’s finances and demonstrate the District’s accountability for the monies it receives. If you have any questions about this report or need additional information, please contact:

The Administrator, PO Box 362, Black Hawk, CO 80422.

**BLACK HAWK-CENTRAL CITY SANITATION DISTRICT**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

## **BASIC FINANCIAL STATEMENTS**

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS – ENTERPRISE  
 December 31, 2017 and 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Wastewater System Fund	
	2017	2016
<b>Current Assets:</b>		
Cash and Cash Equivalents (Note 3)	\$ 10,753,912	\$ 7,562,879
Investments	1,414,183	1,404,056
Receivables:		
Customers (Note 2)	18,362	19,483
Others	264	182
Property Taxes Receivable – see Deferred Revenue Contra (Note 2)	45,193	44,221
Prepaid Expense	80,281	85,123
Total Current Assets	<u>12,312,195</u>	<u>9,115,944</u>
<b>Non-Current Assets:</b>		
Prepaid Expense Non-Current Assets (Note 2)	504,000	516,000
	<u>504,000</u>	<u>516,000</u>
<b>Capital Assets: (Note 4)</b>		
Non-Depreciable	2,500,253	2,649,285
Depreciable	45,805,101	43,847,922
Less Accumulated Depreciation	(13,798,778)	(12,672,725)
Total Capital Assets Net	<u>34,506,576</u>	<u>33,824,482</u>
Total Non-Current Assets	<u>35,010,576</u>	<u>34,340,482</u>
Total Assets	<u>47,322,771</u>	<u>43,456,426</u>
<b>Deferred Outflows Of Resources</b>		
Contribution of Measurement Date	15,808	15,292
Changes Investment Earnings	31,052	40,683
Changes in Experience	4,437	1,586
Changes in Assumptions	17,639	-0-
Total Deferred Outflow of Resources	<u>68,936</u>	<u>57,561</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS – ENTERPRISE  
 December 31, 2017 and 2016

	<b>Wastewater System Fund</b>	
	<b>2017</b>	<b>2016</b>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 306,549	\$ 498,669
Compensated Absences	44,868	40,721
Total Current Liabilities	<u>351,417</u>	<u>539,390</u>
Non-Current Liabilities:	<u>248,670</u>	<u>211,332</u>
Total Liabilities	<u>600,087</u>	<u>750,722</u>
<b>Deferred Inflow of Resources:</b>		
Deferred Property Tax Revenue	45,193	44,221
Changes in Proportionate Shares	6,056	2,260
Changes in Experience	-0-	7
Changes in Assumptions	749	3,871
Total Deferred Inflows of Resources	<u>51,998</u>	<u>50,359</u>
<b>Net Position:</b>		
Invested in Capital Assets, net of Related Debt	34,506,576	33,824,482
Restricted for Emergencies	57,375	54,405
Unrestricted	<u>12,175,671</u>	<u>8,834,019</u>
Total Net Position	<u>\$46,739,622</u>	<u>\$42,712,906</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN FUND NET POSITION –  
PROPRIETARY FUNDS – ENTERPRISE  
For the Years December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Sewer User Fees	\$ 2,609,947	\$ 2,643,874
Other	871	173
Total Operating Revenue	<u>2,610,818</u>	<u>2,644,047</u>
Operating Expenses:		
Sources of Supply, Dumping, Treatment and Distribution	1,153,032	1,136,377
General Administrative	349,129	292,595
Depreciation	1,126,053	1,105,756
Total Operating Expenses	<u>2,628,214</u>	<u>2,534,728</u>
Operating Income	<u>(17,396)</u>	<u>109,319</u>
Non-Operating Revenues (Expenses):		
Property Tax Current	44,193	42,342
Delinquent	(226)	-0-
Interest and Penalties on Tax	26	63
Specific Ownership	3,085	2,828
Interest Income	118,301	40,716
Treasurer Fees	(882)	(970)
	<u>164,497</u>	<u>84,979</u>
Net Income before Capital Contribution	<u>147,101</u>	<u>194,298</u>
Capital Contributions:		
Tap Fees	3,879,615	7,500
Total Capital Contribution	<u>3,879,615</u>	<u>7,500</u>
Change in Net Position	4,026,716	201,798
Net Position - Beginning of Year	<u>42,712,906</u>	<u>42,511,108</u>
Net Position - End of Year	<u>\$46,739,622</u>	<u>\$42,712,906</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS – ENTERPRISE  
 For the Year December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 2,611,939	\$ 2,649,620
Payments to Employees	(122,889)	(114,465)
Payment to Suppliers for Goods and Services	<u>(1,313,960)</u>	<u>(1,297,069)</u>
Net Cash Provided by Operating Activities	<u>1,175,090</u>	<u>1,238,086</u>
Cash Flows from Capital and Related Financial Activities:		
Contributed Capital – Tap Fees	3,879,615	7,500
Acquisition of Capital Assets	<u>(2,017,960)</u>	<u>(406,795)</u>
Net Cash Used for Capital and Related Financial Activities	<u>1,861,655</u>	<u>(399,295)</u>
Cash Flows from Noncapital and Related Financing Activities:		
Net Property Tax Revenues	<u>46,114</u>	<u>45,537</u>
Net Cash Provided from Noncapital and Related Financing Activities	<u>46,114</u>	<u>45,537</u>
Cash Flows from Investing Activities:		
Interest Received	118,301	40,716
Net Investment Activity	<u>(10,127)</u>	<u>(3,972)</u>
Net Cash Flows From Investing Activities	<u>108,174</u>	<u>36,744</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,191,033	921,072
Cash and Cash Equivalents at Beginning of Year	<u>7,562,879</u>	<u>6,641,807</u>
Cash and Cash Equivalents at End of Year	<u>\$10,753,912</u>	<u>\$ 7,562,879</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS – ENTERPRISE  
 For the Years December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Income	\$ (17,396)	\$ 109,319
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,126,053	1,105,756
Rent and Prepaid Cam Charges	17,303	21,600
Net Change in Deferred Outflows and Inflows Related to Pensions	26,630	(6,259)
Changes in Assets and Liabilities:		
Accounts Receivable	1,039	5,573
Prepaid Expense	(379)	1,342
Accounts Payable	17,693	755
Compensated Absences	4,147	-0-
Net Cash Provided by Operating Activities	<u>\$1,175,090</u>	<u>\$1,238,086</u>

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1: ORGANIZATION AND REPORTING ENTITY

**Organization**

The Black Hawk – Central City Sanitation District (District) was organized under the provisions of the Colorado Revised Statutes for the sole purpose of providing sewer utility service to the citizens of the District.

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 government units. Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial principles. The District's significant accounting policies are described in Note 2.

**Reporting Entity**

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
2. Fiscal dependency on the primary government and there is potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1: ORGANIZATION AND REPORTING ENTITY (continued)

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an “other stand alone government”

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Fund Accounting**

The District uses a fund to report on its financial position and the results of its operations. Fund Accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The District uses a proprietary fund-type, an enterprise fund, to account for its activities of providing sewer collection, transmission and treatment services to District residents. The enterprise fund uses the economic resources measurement focus and the accrual basis of accounting for reporting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The fund distinguishes operating revenues and expenses from non-operating revenues and expenses, and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund’s principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Budgets and Budgetary Accounting**

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

The budget process timeline is as follows:

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

The total appropriated expenditures for the District were \$3,833,500

**Cash and Cash Equivalents**

The District considers all highly liquid investments with original maturities of three months or less which are available for operating expenditures to be cash equivalents.

**Investments**

The District's investments in marketable debt and equity securities are carried at amortized cost. There are no limitations on withdrawals. Amounts invested in certificates of deposit, with original maturities of greater than three months, are carried at fair value, including accrued interest.

**Allowance for Doubtful Accounts**

The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and to place liens on property. The District has determined that no allowance is necessary at December 31, 2017 or 2016, based on historical collection experience.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Revenue Recognition**

Revenues are recognized when waste water services are provided.

**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 and producing and delivering goods in connection with the District's purpose of providing waste water treatment for its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

**Capital Assets**

Capital Assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed when incurred.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Estimated Lives</u>
Depreciation	
Transmission and Distribution System	20-40 years
Facilities	20-40 years
Equipment	3-20 years
Furniture and Equipment	3-20 years

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense / expenditures) until then. The District has items related to pensions that are reported as deferred outflows of resources at December 31, 2017.

**Net Position**

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

*Invested in capital assets, net of related debt* – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* – This component of net position consists of net position that do not meet the definition of “restricted” or “invested” in capital assets, net of related debt. The District’s Board of Directors did not designate any unrestricted net position to be used for the purchase of equipment in 2017 or 2016.

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

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Pensions**

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to / deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Subsequent Events**

The District has evaluated events subsequent to the year ended December 31, 2017 through June 14, 2018, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

**Compensated Absences**

Obligations associated with the District's vacation policy are recorded as a liability and expensed when earned to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance due under this policy is shown as a current liability.

The District has recorded a liability of \$44,868 and \$40,721 at December 31, 2017 and 2016 respectively.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities 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, and such differences could be material.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Reconciliation of Budget Based Accounting to GAAP Financial Statements**

The District prepares its annual budget on a non-GAAP basis of accounting.

Below is a reconciliation from the GAAP basis to the budget basis of accounting:

	2017
Change in Net Position	\$ 4,026,716
Add:	
Depreciation	1,126,053
Less:	
Capital Outlay	(1,808,197)
Excess (Deficiency) of Revenues over Expenditures (Budgetary Basis)	<u>\$ 3,344,572</u>

**GASB Statement Implementation**

For the year ended December 31, 2017, the District adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which is effective for financial statement periods beginning after June 15, 2015. GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The District's fair value measurements have not changed as a result of the implementation.

NOTE 3: CASH AND INVESTMENTS

**Deposits**

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limited, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act (PDPA) requires state regulators to certify eligible depositories with public deposits in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits.

At December 31, 2017 and 2016, the District had deposits with a financial institution with a carrying amount of \$525,176 and \$772,923, respectively. The bank balances with the financial institution were \$557,779 and \$902,616 respectively, which of this amount \$250,000 was covered by federal depository insurance, with the excess in 2017 covered by PDPA.

**Investments**

The Board of Directors had adopted an investment policy, which specifies investment instruments meeting defined rating, and risk criteria in which the District may invest, which include:

- Direct obligations of the United States with a maximum maturity of five years.
- Obligations of U.S. Government Agencies with a maximum maturity of five years.
- Securities of entities or organizations not listed above, but created by, or authorized to be created by legislation of the U.S. Congress where the issuing agency is subject to control by the federal government.
- General obligations of any state of the United States, the District of Columbia, the territorial possessions of the U.S., or political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental agencies. These securities must be rated in the highest two rating category by two or more nationally recognized rating agencies. The period from the settlement date to its maturity shall be no longer than three years.
- The District's own securities including certificates of participation and lease obligations.
- Local government investment pools.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

- Repurchase agreements for any of the U.S. Government and agency securities listed above.
- Reverse repurchase agreements for any of the U.S. Government and agency securities listed above.
- Securities lending agreement, subject to certain statutory conditions including that necessary transfer documents must be transferred to the investing public entity.
- Certain money market funds subject to statutory conditions including registration of the fund under the federal “investment Company Act of 1940”, that the fund seeks to maintain a constant share price.
- Certain guaranteed investment contracts rated in one of the two highest rating categories by two or more nationally recognized securities rating agencies that regularly issue such ratings.
- U.S. dollar denominated corporate or bank security, issued by a corporation or bank organized and operating within the United States; the debt matures within three years; the debt must carry at least two ratings not below “AA- or Aa3” from any nationally recognized rating agencies.

District policy is to hold investments until maturity.

**Interest Rate Risk**

The District has adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, which is consistent with state statutes. Colorado revised Statutes limit investment maturities to five years or less from the date of purchase.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

**Local Government Investment Pools**

At December 31, 2017 and 2016, the District had invested \$10,228,736 and \$6,679,596, respectively, in Colorado Surplus Asset Trust Fund (CSAFE), a local government investment pool. As an investment pool, CSAFE operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. CSAFE is exempt from registration with the Securities and Exchange Commission. CSAFE rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities and the highest rated commercial paper. The value of this investment is stated at amortized cost. There are no limitations on withdrawals. Separate financial statements can be obtained by going to [www.CSAFE.com](http://www.CSAFE.com).

Cash deposits and investments held by the District were as follows at December 31:

	2017	2016
Bank Deposits	\$ 525,176	\$ 883,283
Local Government Investment Pool	10,228,736	6,679,596
Total Cash and Cash Equivalents	<u>\$ 10,753,912</u>	<u>\$ 7,562,879</u>

Investments held by the District at December 31, 2017, were as follows:

	S & P Rating	Moody Rating	Cost	Fair Value	Weighted Average Years to Maturity
Certificate of Deposit	AA+	Aaa	<u>\$1,414,183</u>	<u>\$1,414,183</u>	1.5
Total			<u>\$1,414,183</u>	<u>\$1,414,183</u>	

**Fair Value of Investments**

The District categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date net of amortized cost. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1:** Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3:** Unobservable inputs for an asset or liability.

The District has the following fair value measurements as of December 31, 2017:

Investments by Fair Value Level:	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Certificate of Deposits	\$ 1,414,183	\$1,414,183	\$ -0-	\$ -0-
CSAFE	10,228,736	-0-	10,228,736	-0-
Total Investments by Fair Value	<u>\$11,642,919</u>	<u>\$1,414,183</u>	<u>\$10,228,736</u>	<u>\$ -0-</u>

The District has the following fair value measurements as of December 31, 2016:

Investments by Fair Value Level:	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Certificate of Deposits	\$1,404,056	\$ 1,404,056	\$ -0-	\$ -0-
CSAFE	6,679,596	-0-	6,679,596	-0-
Total Investments by Fair Value	<u>\$8,083,652</u>	<u>\$ 1,404,056</u>	<u>\$6,679,596</u>	<u>\$ -0-</u>

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 4: CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and land rights	\$ 2,040,870	\$ -0-	\$ -0-	\$ 2,040,870
Construction in progress	608,415	534,964	608,415	534,964
Total capital assets not being depreciated	<u>2,649,285</u>	<u>534,964</u>	<u>618,415</u>	<u>2,575,834</u>
Capital assets being depreciated:				
Buildings and improvements	27,676,238	-0-	-0-	27,676,238
Improvements other than buildings	15,577,111	1,870,057	-0-	17,447,168
Machinery and equipment	594,573	11,541	-0-	606,114
Total capital assets being depreciated	<u>43,847,922</u>	<u>1,881,598</u>	<u>-0-</u>	<u>45,729,520</u>
Less accumulated depreciation:				
Buildings and improvements	(7,095,364)	(693,525)	-0-	(7,788,889)
Improvements other than buildings	(5,278,262)	(381,665)	-0-	(5,659,927)
Machinery and equipment	(299,099)	(50,863)	-0-	(349,962)
Total accumulated depreciation	<u>(12,672,725)</u>	<u>(1,126,053)</u>	<u>-0-</u>	<u>(13,798,778)</u>
Total capital assets being depreciated, net	<u>31,175,197</u>	<u>755,545</u>	<u>-0-</u>	<u>31,930,742</u>
Total capital assets, net	<u>\$33,824,482</u>	<u>\$1,290,509</u>	<u>\$608,415</u>	<u>\$34,506,576</u>

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 4: CAPITAL ASSETS (continued)

A summary of capital asset activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land rights	\$ 2,040,870	\$ -0-	\$ -0-	\$ 2,040,870
Construction in progress	-0-	608,415	-0-	608,415
Total capital assets not being depreciated	<u>2,040,870</u>	<u>608,415</u>	<u>-0-</u>	<u>2,649,285</u>
Capital assets being depreciated:				
Buildings and improvements	27,676,238	-0-	-0-	27,676,238
Improvements other than buildings	15,577,111	-0-	-0-	15,577,111
Machinery and equipment	370,969	223,604	-0-	594,573
Total capital assets being depreciated	<u>43,624,318</u>	<u>223,604</u>	<u>-0-</u>	<u>43,847,922</u>
Less accumulated depreciation:				
Buildings and improvements	(6,401,839)	(693,525)	-0-	(7,095,364)
Improvements other than buildings	(4,886,316)	(391,946)	-0-	(5,278,262)
Machinery and equipment	(278,814)	(20,285)	-0-	(299,099)
Total accumulated depreciation	<u>(11,566,969)</u>	<u>(1,105,756)</u>	<u>-0-</u>	<u>(12,672,725)</u>
Total capital assets being depreciated, net	<u>32,057,349</u>	<u>(882,152)</u>	<u>-0-</u>	<u>31,175,197</u>
Total capital assets, net	<u>\$34,098,219</u>	<u>\$(273,737)</u>	<u>\$ -0-</u>	<u>\$33,824,482</u>

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5: RETIREMENT COMMITMENTS

**Multiple-Employer Defined Benefit Pension Plan**

**Pensions**

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The Net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description**

Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund (LGDTF)-a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained online at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Benefits**

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. 24-51-602, 604, 1713, and 1714.

There are seven active and zero inactive employees entitled to benefits.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5: RETIREMENT COMMITMENTS (Continued)

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of the highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contribution were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year.

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017 and 2016

NOTE 5: RETIREMENT COMMITMENTS (Continued)

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

**Contributions**

Eligible employers and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. 24-51-401, *et. Seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. Employer contribution requirements are summarized in table below:

<u>January 1<sup>st</sup> through December 31<sup>st</sup></u>	<u>2016 &amp; 2017</u>
Employer Contribution Rate	10.00%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as Specified in C.R.S. 24-51-208(1)(f)	(1.02%)
Amount Apportioned to the SCHDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-1411	1.50%
Total Employer Contribution Rate to the SCHDTF	<u>12.68%</u>

Rates are expressed as a percentage of salary as defined in C.R.S. 24-51-102(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$15,809 for the year ended December 31, 2017.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017 and 2016

NOTE 5: RETIREMENT COMMITMENTS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources  
And Deferred Inflows of Resources Related to Pensions**

At December 31, 2017, the District reported a liability of \$248,670 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

As of December 31, 2017, the District's proportion was .0184153318% which was a decrease of .007691296% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017, the District recognized pension expense of \$42,438. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 4,437	\$ -0-
Net Difference between projected and actual earnings on pension plan investments	31,052	-0-
Changes in proportion and difference between contributions recognized and proportionate share of contributions	-0-	6,056
Contributions subsequent to the measurement date	15,808	-0-
Changes in assumptions or other inputs	17,639	749
Total	<u>\$ 68,936</u>	<u>\$ 6,805</u>

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5: RETIREMENT COMMITMENTS (Continued)

The \$15,808 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related pensions will be recognized in pension expense as follows:

**For the Fiscal Year Ended**

December 31, 2018	\$27,219
December 31, 2019	18,427
December 31, 2020	677

**Actuarial Assumptions**

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90-10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5: RETIREMENT COMMITMENTS (Continued)

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA’s Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial Cost Method	Entry Age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50-10.45 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjust to 55% of the base rate for males and 40% of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013 and January 17, 2014.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5: RETIREMENT COMMITMENTS (Continued)

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience.

As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, prost-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5: RETIREMENT COMMITMENTS (Continued)

The long-term expected return on plan asset is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50% per year, compounded annually, net of investment expenses to 7.25% per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80% per year to 2.40% per year.
- Real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5: RETIREMENT COMMITMENTS (Continued)

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5: RETIREMENT COMMITMENTS (Continued)

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the LDGTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate, and therefore, the discount rate is 7.25%.

**Sensitivity of the Districts Proportionate Share of the Net Pension Liability to Change in the Discount Rate**

As of the prior measurement date, the long-term expected rate of return of 7.50% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50%, 0.25% higher compared to the current measurement date.

**Pension Plan Fiduciary Net Position**

Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at: [www.copera.org/Investments/pera-financial-reports](http://www.copera.org/Investments/pera-financial-reports).

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

<b>Discount Rate:</b>	<b>6.25%</b>	<b>7.25%</b>	<b>8.25%</b>
Proportionate share of the net pension liability	\$ 366,652	\$ 248,670	\$ 150,967

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5: RETIREMENT COMMITMENTS (Continued)

**Defined Contribution Pension Plan**

**Plan Description**

Employees of the District who are members of the LGDTF may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Funding Policy**

The voluntary investment program is funded by voluntary contributions of up to a maximum limit set by the IRS as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District contributed \$500 to the 401(k) plan. For the years ended December 31, 2017 and 2016, the 401(k) Plan member contributions were \$12,446 and \$8,361 respectively.

NOTE 6: POST EMPLOYEMENT HEALTHCARE BENEFITS

**Plan Description**

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare plan administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract self-insurance and authorize disbursement necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 6: POST EMPLOYEMENT HEALTHCARE BENEFITS (Continued)

**Funding Policy**

The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required.

The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the C.R.S., as amended. For the years ending December 31, 2017, 2016 and 2015, the District's contributions to the HCTF were \$1,179, \$1,139, and \$1,189 respectively, equal to their required contributions for each year.

NOTE 7: 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; natural disasters; or environmental liabilities due to the nature of its operations. The District maintains commercial insurance for all risks of loss through the private insurance. Settled claims have not exceeded the District's insurance coverage in any of the past three years.

In addition, the District has completed a vulnerability assessment and updated the emergency response plan, as required by the Environmental Protection Agency of the United States Government.

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, and revenue and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's "fiscal year spending" adjusted for allowable increases based upon inflation and local growth. "Fiscal year spending" is generally defined as expenditures plus reserve increase with certain exceptions. Revenue in excess of the "fiscal year spending" limit must be refunded unless the voters approve retention of such revenue.

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 8: TAX, SPENDING, AND DEBT LIMITATIONS (Continued)

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.

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 emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved a portion of its December 31, 2017 year-end net position for emergencies as required under TABOR of \$57,375 and \$54,405 which is the approximate required reserve as of December 31, 2017 and 2016.

The District’s management believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

NOTE 9: COMMITMENTS

The District has construction commitments for a sewer line in the amount of \$32,711.

NOTE 10: SUBSEQUENT EVENTS

Management of the District has evaluation subsequent events through June 14, 2018, the date the financial statements were available to be issued. There were no material subsequent events that require recognition.

REQUIRED SUPPLEMENTARY INFORMATION

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION  
 LIABILITY LAST 10 FISCAL YEARS\*

	2016	2015	2014	2013
District's proportion of the net pension liability	0.0184153318%	0.0191844614%	0.0196440342%	0.0203598434%
District's proportional share of the net pension liability	\$ 248,670	\$ 211,332	\$ 176,071	\$ 167,545
District's covered-employee payroll	122,889	116,659	114,412	113,922
Total pension liability	5,123,847,000	4,762,090,000	4,647,777,000	4,517,239,000
Plan Fiduciary net position	<u>3,773,506,000</u>	<u>3,660,509,000</u>	<u>3,751,468,000</u>	<u>3,322,306,000</u>
Net pension liability	<u>\$1,350,341,000</u>	<u>\$1,101,581,000</u>	<u>\$ 896,309,000</u>	<u>\$ 1,194,933,000</u>
Plan fiduciary net position as a percentage of the total pension liability	73.65%	76.87%	80.72%	73.55%

\*Information for the prior 6 years was not available to report. However, until a full 10 year trend is compiled, the District will present information for only those years for which information is available.

BLACK HAWK - CENTRAL CITY SANITATION DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PENSION CONTRIBUTIONS  
 2007 - 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily Required Contribution	\$ 14,632	\$ 14,153	\$ 14,781	\$ 14,645	\$ 14,445	\$ 13,624	\$ 13,430	\$ 12,980	\$ 12,623	\$ 11,285	\$ 9,570
Contributions in Relation to the Statutorily Required Contribution	14,632	14,153	14,781	14,645	14,445	13,624	13,430	12,980	12,623	11,285	9,570
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-employee Payroll	\$ 115,391	\$ 111,620	\$ 116,569	\$ 114,412	\$ 113,922	\$ 107,445	\$ 105,916	\$ 102,365	\$ 107,157	\$ 103,529	\$ 95,889
Contribution as a Percentage of Covered-employee Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	11.78%	10.90%	9.98%

SUPPLEMENTARY INFORMATION

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF REVENUE AND EXPENSES – BUDGET AND EXPENSES

For the Year Ended December 31, 2017

	Original And Final Budget	Actual (Non-GAAP Basis)	Variance Positive (Negative)
Revenues:			
Operating:			
Sewer User Fees	\$ 2,605,000	\$ 2,609,997	\$ 4,997
Other	-0-	871	871
Non-Operating:			
Property Tax	45,169	46,196	1,027
Interest Income	34,000	118,301	84,301
Contribution in Aid of Construction	3,860,625	3,879,615	18,990
 Total Revenues	 <u>6,544,794</u>	 <u>6,654,980</u>	 <u>110,186</u>
 Expenditures:			
Personnel Services	125,000	127,036	(2,036)
Contractual Services	865,200	667,750	197,450
Materials and Supplies	428,800	307,108	121,692
Other	393,300	400,317	(7,017)
Capital Outlay	2,020,000	1,808,147	211,853
 Total Expenses	 <u>3,832,300</u>	 <u>3,310,358</u>	 <u>521,942</u>
 Increase in Net Position	 <u>\$ 2,712,494</u>	 <u>\$ 3,344,622</u>	 <u>\$ 632,128</u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

RECONCILIATION OF THE SCHEDULE OF REVENUE AND EXPENSES  
BUDGET AND ACTUAL

For the Year Ended December 31, 2017

Reconciliation of budgetary basis accounting to GAAP basis accounting budgetary basis  
Explanation of differences between budgetary basis and GAAP basis:

Revenues:	
Actual (Non-GAAP basis) amount	\$ 6,654,980
Difference budget to GAAP:	
GAAP basis revenue	<u>6,654,980</u>
Expenses:	
Actual (Non-GAAP basis) amount	3,310,358
Difference budget to GAAP:	
Depreciation is an expense for reporting purposes but is not a use of budgetary resources	1,126,053
Capital outlay is an expense of budgetary resources but is not considered an expense for reporting purposes	<u>(1,808,147)</u>
GAAP basis expenses	<u>2,628,264</u>
GAAP basis increase in net position	<u>\$ 4,026,716</u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF REVENUE AND EXPENSES – BUDGET AND EXPENSES

For the Year Ended December 31, 2016

	Original And Final Budget	Actual (Non-GAAP Basis)	Variance Positive (Negative)
Revenues:			
Operating:			
Sewer User Fees	\$ 2,188,451	\$ 2,643,874	\$ 455,423
Other	-0-	173	173
Non-Operating:			
Property Tax	42,953	44,263	1,310
Interest Income	7,100	40,716	33,616
Contribution in Aid of Construction	200,000	7,500	(192,500)
 Total Revenues	 <u>2,438,504</u>	 <u>2,736,526</u>	 <u>298,022</u>
 Expenditures:			
Personnel Services	125,000	114,465	10,535
Contractual Services	867,800	638,526	229,274
Materials and Supplies	418,000	313,689	104,311
Other	416,000	362,292	53,708
Capital Outlay	1,720,000	832,019	887,981
 Total Expenses	 <u>3,546,800</u>	 <u>2,260,991</u>	 <u>1,285,809</u>
 Increase in Net Position	 <u><u>\$(1,108,296)</u></u>	 <u><u>\$ 475,535</u></u>	 <u><u>\$1,583,831</u></u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

RECONCILIATION OF THE SCHEDULE OF REVENUE AND EXPENSES  
BUDGET AND ACTUAL

For the Year Ended December 31, 2016

Reconciliation of budgetary basis accounting to GAAP basis accounting budgetary basis  
Explanation of differences between budgetary basis and GAAP basis:

Revenues:	
Actual (Non-GAAP basis) amount	\$ 2,736,526
Difference budget to GAAP:	
GAAP basis revenue	<u>2,736,526</u>
Expenses:	
Actual (Non-GAAP basis) amount	2,260,991
Difference budget to GAAP:	
Depreciation is an expense for reporting purposes but is not a use of budgetary resources	1,105,756
Capital outlay is an expense of budgetary resources but is not considered an expense for reporting purposes	<u>(832,019)</u>
GAAP basis expenses	<u>2,534,728</u>
GAAP basis increase in net position	<u>\$ 201,798</u>

See accompanying Independent Auditor's Report

BLACK HAWK – CENTRAL CITY SANITATION DISTRICT

SCHEDULE OF PROPERTY TAXES  
For the Year Ended December 31, 2017

	Assessed Value	Mill Levy	Budget	Actual	Percent
2006	212,780,260	.168	35,719	35,726	100.0
2007	229,093,530	.168	38,487	38,410	99.8
2008	255,662,180	.168	42,951	42,852	99.8
2009	254,315,476	.168	44,725	43,776	97.9
2010	291,809,509	.168	49,024	47,925	97.8
2011	288,553,571	.168	48,477	48,221	99.0
2012	256,315,476	.168	43,061	42,772	99.3
2013	257,927,894	.168	44,306	42,989	97.0
2014	248,851,715	.168	41,808	41,723	99.8
2015	248,461,730	.168	41,742	41,710	99.9
2016	268,328,494	.159	42,738	42,342	99.1
2017	263,220,830	.168	44,221	44,193	99.9
2018	269,003,343	.168	45,193		

See accompanying Independent Auditor's Report