

# Leadville Sanitation District

(Leadville, Colorado)

## FINANCIAL STATEMENTS

Fiscal Years Ended  
December 31, 2017 and 2016

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Office of the State Auditor

September 10, 2018

**LEADVILLE SANITATION DISTRICT**  
LEADVILLE, COLORADO  
**FINANCIAL STATEMENTS**

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## Independent Auditor's Report

Board of Directors  
Leadville Sanitation District  
Leadville, Colorado

We have audited the accompanying financial statements of the business-type activities of Leadville Sanitation District (the District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the statements of net position of the District as of and for the years ended December 31, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**  
**Required supplementary Information**

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

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



Kenneth L. Olsen, CPA, PC  
Leadville, CO 80461  
August 31, 2018

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

As management of the Leadville Sanitation District, we offer readers of the Leadville Sanitation District's financial statements this narrative overview and analysis of the financial activities of the Leadville Sanitation District for the fiscal year ended December 31, 2017.

### **Financial Highlights**

The assets of the Leadville Sanitation District exceeded its liabilities at the close of the most recent fiscal year by \$7,136,371 (net position). Of this amount, \$3,112,790 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

Total assets for the Leadville Sanitation District are \$7,406,429. Of this amount, \$4,072,889 are capital assets.

Total liabilities for the Leadville Sanitation District are \$143,108. Of this amount, \$55,769 are long term liabilities.

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

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

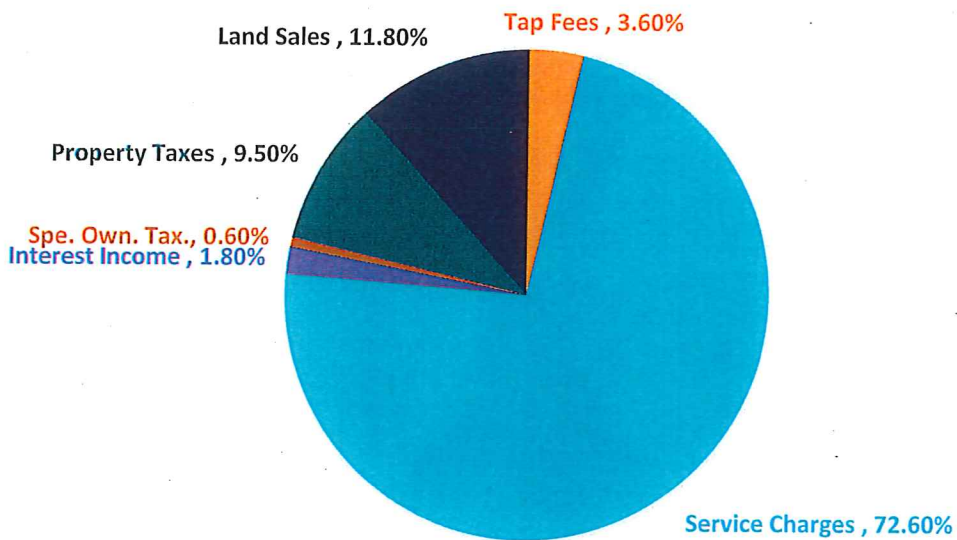
### **Financial Statements**

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

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

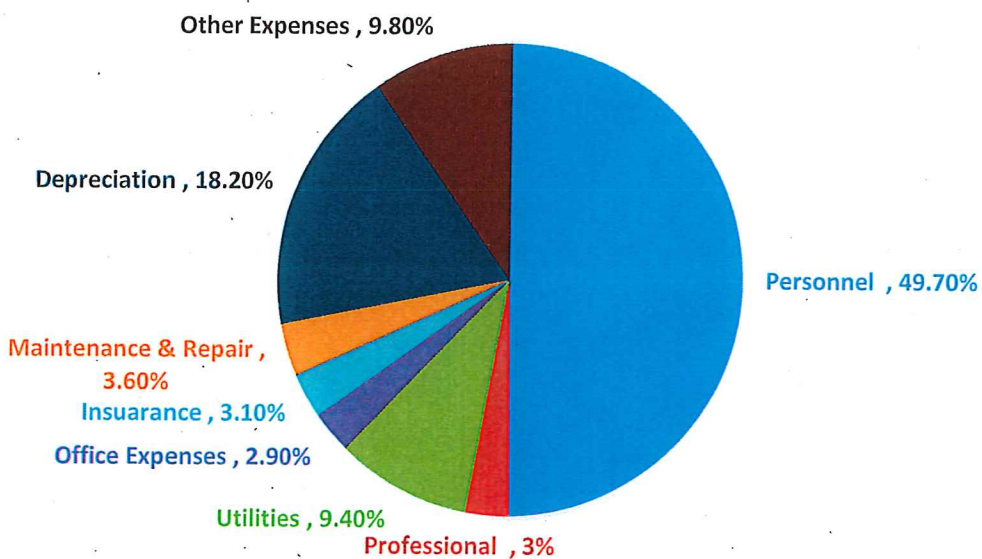
The major revenue sources for the Leadville Sanitation District were service charges-72.6%, property taxes-9.5%, specific ownership taxes-.6%, interest income-1.8%, tap fees-3.6% and Land Sales 11.8%. Total revenue for the year was \$1,276,427.

### REVENUE



The major expenses for the Leadville Sanitation District were personnel costs-49.7%, professional fees-3.0%, utilities-9.4%, office expenses-2.9%, insurance-3.1%, maintenance and repair-3.6%, depreciation-18.2%, and other expenses-9.8%. Total expenses including depreciation for the year were \$890,355.

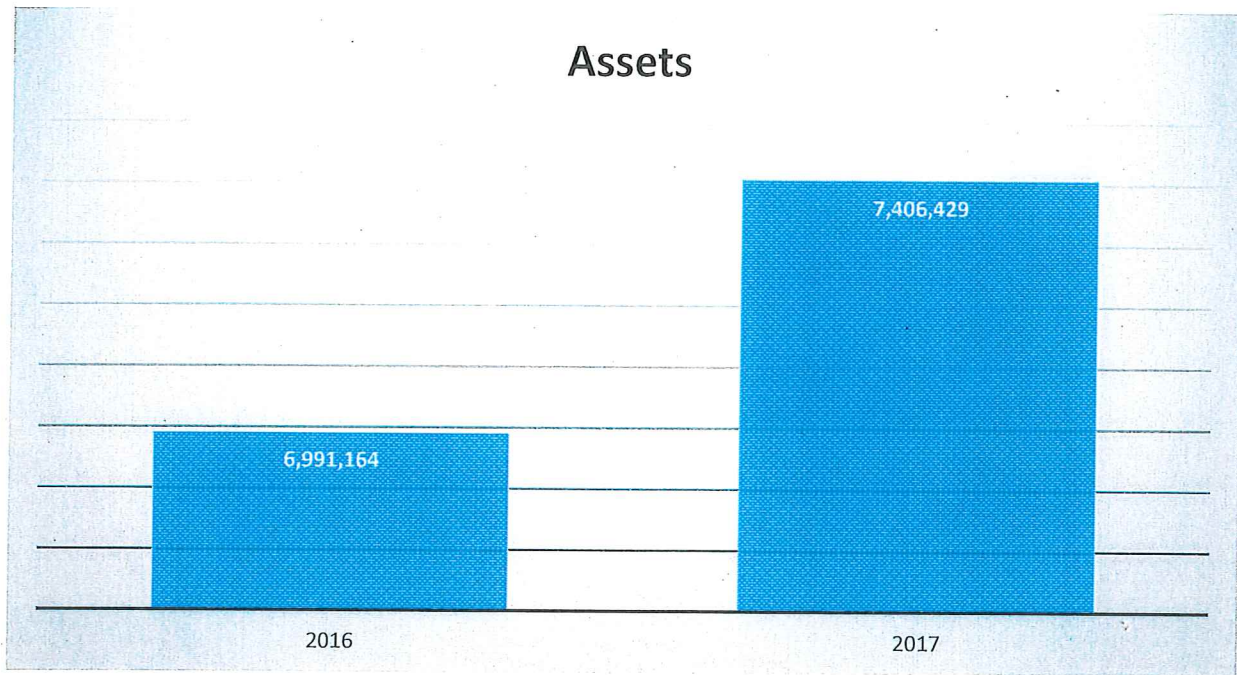
### EXPENSES



Revenues exceeded expenses by \$386,072 for the Leadville Sanitation District in 2017.

### Overall analysis

There was an increase in total assets for the Leadville Sanitation District in the amount of \$415,265. between fiscal year 2016 and 2017.



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

### Requests for information

This financial report is designed to provide a general overview of the Leadville Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Leadville Sanitation District, PO Box 253, Leadville, CO. 80461.

**LEADVILLE SANITATION DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash & Cash Equivalents-Unrestricted	\$ 2,681,869	\$ 2,363,382
Cash & Cash Equivalents-Restricted	21,000	24,000
Investments -Unrestricted	275,939	326,290
Accounts Receivable - User Charges		
Less allowance for uncollectible charges	88,254	86,546
Note Receivable - Current Portion	18,054	18,054
Tap Fees Receivable	16,977	0
Interest Receivable	5	4
Prepaid Expenses	40,648	42,958
Property Taxes Receivable net of allowance for uncollectibles	126,950	124,020
Other Receivables	0	4,305
Total Current Assets	3,269,696	2,989,559
Long-Term Assets		
Note Receivable less current maturities	63,844	77,555
Capital Assets		
Sewage Treatment Plant & Equipment	5,451,003	5,161,875
Sewage Collection System	2,250,247	2,250,247
Less Accumulated Depreciation	(3,649,713)	(3,509,424)
Land	21,352	21,352
Total Capital Assets	4,072,889	3,924,050
<b>TOTAL ASSETS</b>	<b>7,406,429</b>	<b>6,991,164</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>		
Accounts Payable & Accrued Liabilities	49,227	27,171
Developer Deposits	22,398	4,113
Current Maturities of Note Payable	14,539	13,847
Interest Payable	1,175	1,406
Total Current Liabilities	87,339	46,537
Long-Term Liabilities		
Note Payable, Less Current Maturities	55,769	70,308
<b>TOTAL LIABILITIES</b>	<b>143,108</b>	<b>116,845</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable property tax revenue	126,950	124,020
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>126,950</b>	<b>124,020</b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	4,002,581	3,839,895
Restricted for Tabor emergency reserve	21,000	24,000
Unrestricted	3,112,790	2,886,404
<b>TOTAL NET POSITION</b>	<b>\$ 7,136,371</b>	<b>\$ 6,750,299</b>

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

**LEADVILLE SANITATION DISTRICT**  
**STATEMENT OF REVENUE, EXPENSES, & CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
Operating Revenue		
Charges for Services	\$ 927,162	\$ 884,209
Operating Expenses		
Collection & Treatment		
Salaries & Labor Costs	221,903	210,172
Employee Benefits	81,072	74,217
Insurance	27,303	33,255
Repairs & Maintenance	31,734	32,552
Utilities	83,630	85,381
Other	83,785	41,510
Depreciation	153,453	149,973
	682,880	627,060
Administration		
Salaries & Labor Costs	101,994	99,147
Employee Benefits	37,282	34,925
Bad Debt Expense (Recovery)	151	216
Office	25,639	27,331
Professional Fees	27,196	22,202
Other	3,085	2,606
Depreciation	8,152	7,532
	203,499	193,959
Total Operating Expenses	886,379	821,019
Operating Income (Loss)	40,783	63,190
Non-operating Revenue (Expense)		
Property Taxes		
Net of county collection fees of \$ 3821 & \$3785 for 2017 & 2016, respectively	121,833	118,347
Specific Ownership Taxes	7,111	5,723
Land Sales	150,839	0
Interest Income	23,557	16,027
Interest Expense	(3,976)	(4,647)
Total Non-operating Revenue	299,364	135,450
Income Before Capital Contributions	340,147	198,640
<b>CAPITAL CONTRIBUTIONS</b>		
Developer Contributions	0	250,000
Tap Fees	45,925	42,199
Total Capital Contributions	45,925	292,199
<b>CHANGE IN NET POSITION</b>	386,072	490,839
<b>NET POSITION AT BEGINNING OF YEAR</b>	6,750,299	6,259,460
<b>NET POSITION AT END OF YEAR</b>	\$ 7,136,371	\$ 6,750,299

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

**LEADVILLE SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS: OPERATING ACTIVITIES</b>		
Cash received from customers and others	\$ 925,544	\$ 881,338
Cash payments for goods and services	(237,767)	(254,618)
Cash payments to employees and for benefits	(440,141)	(416,691)
Net Cash Provided by Operating Activities	247,636	210,029
<b>CASH FLOWS: NON-CAPITAL FINANCING ACTIVITIES</b>		
Property tax collections, net of collection fees	121,833	118,347
Specific ownership tax collections	7,111	5,723
Net Cash Provided by Non-capital Financing Activities	128,944	124,070
<b>CASH FLOWS: CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Tap Fees and Grants Received	28,948	44,456
Collection of Notes Receivable	13,711	12,941
Cash received from sale of land	150,839	0
Cash paid for principal on debt	(13,847)	(13,187)
Cash paid for interest on debt	(4,207)	(4,868)
Cash paid for capital acquisitions	(310,444)	(45,008)
Loss on disposal of assets	0	1,569
Net Cash (Used) by Capital & Related Financing Activities	(135,000)	(4,097)
<b>CASH FLOWS: FROM INVESTING ACTIVITIES</b>		
Interest income received	23,556	16,050
Net Cash Provided by Investing Activities	23,556	16,050
Net Increase in Cash & Cash Equivalents	265,136	346,052
CASH & CASH EQUIVALENTS: <i>Beginning of Year</i>	2,713,672	2,367,620
CASH & CASH EQUIVALENTS: <i>End of Year</i>	\$ 2,978,808	\$ 2,713,672
<b>Represented by Statement of Net Position captions:</b>		
Cash and cash equivalents-Unrestricted	2,681,869	2,363,382
Investments-Unrestricted	275,939	326,290
Cash and cash equivalents-Restricted	21,000	24,000
Cash and Cash Equivalents-End of Year	2,978,808	2,713,672
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 40,783	\$ 63,190
Adjustments		
Depreciation	161,605	157,505
(Increase) decrease in receivables	2,597	(7,392)
(Increase) decrease in prepaid expenses	2,310	(4,548)
Increase (decrease) in accounts payable & accrued liabilities	40,341	1,274
Total Adjustments	206,853	146,839
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 247,636	\$ 210,029
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital Assets Contributed to the District	\$ -	\$ 250,000

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

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

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

**REPORTING ENTITY**

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

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

**BASIS OF ACCOUNTING**

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

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

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE A    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES    (Continued)

BUDGETS & BUDGETARY ACCOUNTING

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

The budget process timeline is as follows:

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

The total appropriated expenditures for the District were \$ 1,308,506.

STATEMENT OF CASH FLOWS

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

PREPAID ITEMS

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

PROPERTY TAXES RECEIVABLE

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2016 were collected in 2017 and taxes certified in 2017 will be collected in 2018. Taxes to be collected are due on January 1<sup>st</sup> in the year of collection; however, they may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (not later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16<sup>th</sup>.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE A    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES    (Continued)

CAPITAL ASSETS

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

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

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

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

NET POSITION

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

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

COMPENSATED ABSENCES

The District accrues accumulated unpaid vacation, personal and compensatory leave when earned by the employee. The District has a policy which allows employees to accumulate unused vacation, personal and compensatory leave, up to a certain maximum number of hours. The accumulated vacation, personal and compensatory leave, is recorded as an accrued liability and current salary expense when incurred in the proprietary fund financial statements. In the event of termination, an employee is reimbursed for the accumulated hours up to the maximum amounts. The District accrued \$ 27,377 in compensated absences as of December 31, 2017 and \$ 25,266 as of December 31, 2016. Earned but unused vacation benefits are accrued when incurred in the financial statements.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE A    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES    (Continued)

CONTRIBUTED CAPITAL

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

POST-RETIREMENT BENEFITS

At December 31, 2017 & 2016, the District has no post-retirement benefit plans.

DEFERRED INFLOWS OF RESOURCES

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

USE OF ESTIMATES

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

RISK MANAGEMENT

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

BAD DEBTS

Bad debts are recognized by the allowance method.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS** (CONTINUED)  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**REVENUES & EXPENSES**

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

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

**NOTE B**    **CASH, DEPOSITS, INVESTMENTS, & RESTRICTED CASH**

At December 31, 2017 and 2016, the carrying amount of the District's deposits (cash, interest-bearing savings accounts, and money market accounts) totaled \$2,978,808 and \$2,713,672 respectively, and the bank balances totaled \$3,001,338 and \$2,721,532 respectively, all bank balances were covered by federal depository insurance, or pledged collateral held by the financial institution in the District's name. The District's investments consisted of local investment pools and certificates of deposit at fiscal year-end.

The District's investments are stated at fair value, with certain exceptions described below. The District categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, which provides a framework for measuring fair value and establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Certain investment types are not required to be measured at fair value; these include money market funds and certain investment pools which are measured at amortized cost, and other investment pools which are measured at the net asset value (NAV) determined by the pool, which approximates fair value. These instruments are exempt from categorization within the fair value hierarchy.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

At December 31, the District had the following cash and cash equivalents and investments:

	2017	2016
Investments measured at fair value		
Certificates of deposit	276,037	326,290
Investments measured at amortized cost		
External investments pools COLOTRUST	1,421,651	811,295
Investments measured at net asset value		
External investment pools CSAFE	546,306	540,610
Cash deposits	734,814	1,035,477
	\$ 2,978,808	\$ 2,713,672

The certificates of deposit are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to the benchmark quoted prices.

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

	2017	2016
Cash and cash equivalents	\$ 2,681,869	\$ 2,363,382
Restricted Cash	\$ 21,000	\$ 24,000
Investments	275,939	326,290
Total	\$ 2,978,808	\$ 2,713,672

CASH DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

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

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS** (CONTINUED)  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

INVESTMENTS

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

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

LOCAL GOVERNMENT INVESTMENT POOLS

The District has invested in the Colorado Government Liquid Asset Trust (COLOTRUST) and in the Colorado Surplus Asset Fund Trust (CSAFE).

COLOTRUST is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. This investment is valued using Level 2 inputs. Separate financial statements can be obtained by going to [www.colotrust.com](http://www.colotrust.com).

The District investment in CSAFE is considered to be a 2a7-like investments and is valued using the net asset value (NAV) per share of the investments. The 2a7-like investments do not have any unfunded commitments, redemption restrictions or redemption notice proceeds. Separate financial statements can be obtained by going to [www.csafe.org](http://www.csafe.org).

The 2a7-like investments conform to Colorado Statutes CRS 24-75-601 et. Seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado depositories collateralized at 102% of market value according to the guidelines of the Public Deposit Protection Act. At December 31, 2017 and December 31, 2016, the District held investments of \$ 546,306 and \$ 540,610 in C-Safe and \$ 1,421,651 and \$ 811,295 in COLOTRUST respectively.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**INTEREST RATE RISK**

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

**CREDIT RISK**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. As of December 31, 2017, the District's investments in COLOTRUST and CSAFE were rated AAAM by Standard & Poor's.

**CONCENTRATION OF CREDIT RISK**

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

**NOTE C**    **NOTE RECEIVABLE**

The District has provided public notice of its 2017 assessment in the aggregate amount of \$ 18,054 (\$14,042 principal, \$4,012 Interest) against certain lots located within the Silverhills Subdivision of Lake County, Colorado. The assessment arises from an agreement entered into between the District and the Silverhills Sanitation District (subsequently approved by the Lake County, Colorado, District Court) for the repayment of loans made to the District and the construction costs overruns required for the acquisition of easements and the construction of a sanitary sewer line from the Silverhills Subdivision to a sewer collection main owned and maintained by the District.

The total future assessment as of December 31, 2017 is \$ 77,886, which represents \$ 63,844 in loan commitments. The assessment related to the loan funds will be collected in bi-monthly installments plus interest at 5% through December, 2022.

**NOTE D**    **LONG-TERM DEBT**

Long-term debt at December 31, 2017, consists of a 5% note payable with an original face amount of \$ 125,000, due in annual principal and interest installments of \$ 10,030 through maturity in September, 2021; and a second note payable with an original face amount of \$ 100,000, due in annual principal and interest installments of \$ 8,024 through maturity in September, 2022. Both loans are payable to the State of Colorado, Department of Local Affairs.

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

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

Year Ending December 31	Principal	Interest	Total
2018	14,539	3,515	18,054
2019	15,267	2,789	18,056
2020	16,030	1,956	17,986
2021	16,830	1,224	18,054
2022	7,642	382	8,024
	<u>\$ 70,308</u>	<u>\$ 9,866</u>	<u>\$ 80,174</u>

Long-term debt activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions\Adj	Reductions	Ending Balance	Amounts Due within one year
Sewer Debt	84,155		(13,847)	70,308	14,539

**NOTE E**    CAPITAL ASSETS

	December 31,	
	2017	2016
Capital Assets Beginning Balance	7,433,474	7,142,087
Acquisitions	310,444	295,009
Sales and other dispositions	(21,316)	(3,622)
Capital Assets Ending Balance	<u>7,722,602</u>	<u>7,433,474</u>
Accumulated depreciation Beginning Balance	(3,509,424)	(3,353,971)
Additions	(161,605)	(157,505)
Sales and other dispositions	21,316	2,052
Accumulated Depreciation Ending Balance	<u>(3,649,713)</u>	<u>(3,509,424)</u>
Reductions/Adjustments		
Subtotal	<u>4,072,889</u>	<u>3,924,050</u>
Less Capital Related Debt		
Current portion of capital related long-term debt	14,539	13,847
Long-term portion of capital related long-term debt	55,769	70,308
Subtotal	<u>70,308</u>	<u>84,155</u>
Reductions/Adjustments	0	0
Total Net Assets invested in Capital Assets, Net of Related Debt	<u>\$ 4,002,581</u>	<u>\$ 3,839,895</u>

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE F**    CONTRIBUTED CAPITAL

Changes in contributions in aid of construction during the years ended December 31, 2017 & 2016 are as follows:

	2017	2016
Balance: January 1	603,987	648,263
Depreciation during the year on assets acquired through contributions or capital grants	(44,276)	(44,276)
Balance: December 31	\$ 559,711	\$ 603,987

**NOTE G**    BUDGET

For the year ended December 31, 2017, budgeted estimated revenue and appropriations compared to actual cash receipts and expenditures on non-GAAP, modified cash budgetary basis (Note A) are as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
Modified Cash Basis Receipts	1,310,506	1,293,957	(16,549)
Modified Cash Basis Expenditures	(1,310,506)	(1,056,860)	253,646
Excess of Cash Receipts Over Expenditures	\$ -	\$ 237,097	\$ 237,097

Reconciliation of Budgetary basis to GAAP financial statements for the year ended December 31, 2017 is as follows:

Excess of Modified Cash Receipts over Expenditures	\$ 237,097
Unappropriated Fund Balance	
Depreciation Expense	(161,605)
Capital Expenses	310,444
Debt Service Payments	13,847
Assessment Payments Received and Adjustments	(13,711)
NET INCOME - GAAP Basis	\$ 386,072

**LEADVILLE SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE H    CONSTITUTIONAL AMENDMENT

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

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

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

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

NOTE I    GRANTS

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

NOTE J    SIMPLE IRA

The District offers a retirement plan in which all regularly employed, full-time, permanent employees may participate after one year of service. The District will match up to 3% of the qualifying employee salary contributions as determined by the Board of Directors. All contributions vest immediately. The District has no contingent liability for such items as past service costs. The contributions were \$9,200 and \$8,777 for 2017 and 2016 respectively.

NOTE K    SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through August 31, 2018, the date the financial statements were available to be issued. There were no material subsequent events that require recognition.

# LEADVILLE SANITATION DISTRICT

## OTHER SUPPLEMENTARY INFORMATION

FISCAL YEARS ENDED DECEMBER 31, 2017 AND 2016

# Kenneth L. Olsen, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

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Of Certified Public Accountants

Kenneth L. Olsen, CPA

## Independent Auditor's Report on Other Supplementary Information

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

Our audit of Leadville Sanitation District financial statements as of and for the year ended December 31, 2017, which are presented in the preceding section of this report, was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

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



Kenneth L. Olsen, CPA, PC  
Leadville, CO 80461  
August 31, 2018

**LEADVILLE SANITATION DISTRICT**  
**SCHEDULE OF REVENUE & EXPENDITURES –BUDGET AND ACTUAL**  
**(BUDGETARY BASIS)**  
**FISCAL YEAR ENDED DECEMBER 31, 2017**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
User & Past Due Fees collected by District	872,407	886,629	14,222
Other Fees for Services	20,500	16,937	(3,563)
Property Tax	124,831	125,653	822
Specific Ownership Taxes	5,500	7,111	1,611
Tap Fees	59,204	45,925	(13,279)
Interest Received	5,000	18,919	13,919
Assessments	18,064	18,348	284
Miscellaneous	15,000	23,596	8,596
Unappropriated Fund Balance	190,000	0	(190,000)
Land Sales	0	150,839	150,839
<b>Total Revenue</b>	<b>\$ 1,310,506</b>	<b>\$ 1,293,957</b>	<b>\$ (16,549)</b>
<b>EXPENDITURES</b>			
Personnel Costs	333,603	314,697	18,906
Contract Services	40,000	21,836	18,164
Utilities	127,100	87,474	39,626
Office Expenses	54,250	42,215	12,035
Insurance	172,954	161,084	11,870
Debt Service	18,055	17,823	232
Plant Operations	526,900	101,287	425,613
Plant & Line Reserves	37,644	310,444	(272,800)
<b>Total Expenditures</b>	<b>\$ 1,310,506</b>	<b>\$ 1,056,860</b>	<b>\$ 253,646</b>
<b>Excess of Modified Cash Receipts over Expenditures</b>		<b>\$ 237,097</b>	

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