



**South Fort Collins Sanitation
District**

**Financial Statements and
Supplementary Information**

For the Years Ended December 31, 2017 and 2016



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July 5, 2018

South Fort Collins Sanitation District

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the South Fort Collins Sanitation District (the "District") as of and for the years ended December 31, 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's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Fort Collins Sanitation District as of December 31, 2017 and 2016, and the changes in its 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 on pages 3 to 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) on pages 26 to 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Anton Collins Mitchell LLP

Greeley, Colorado
June 13, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The South Fort Collins Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2017. In addition to this overview and analysis based on currently known facts, decisions and conditions, the District would encourage readers to consider the information presented in the District's financial statements, which begin on page 11 of this report.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the District exceeded its liabilities and deferred inflows of resources at the end of the fiscal year ended December 31, 2017 by \$124.7 million (net position). Of the net position balance, \$37.7 million is unrestricted and is available to meet the District's ongoing obligations in accordance with the District's fund designations and fiscal policies.
- ❖ The District's net position increased by \$5.4 million (4.5%).
- ❖ The District's revenue from customer service charges, its principal operating revenue, increased by \$1.2 million (28%) during fiscal year 2017. This is due to the increased number of taps serviced. Service charge revenue for non-residential customers is based upon water usage. There was also a 25% rate increase in February of 2017.
- ❖ The number of customers served by the District increased by 465 taps (3.3%) in 2017, generating \$3.1 million in system development and impact fees as part of capital contributions. The District served a total of 14,378 taps at year end.
- ❖ The District accepted 11 new projects for the year ended December 31, 2017, representing \$1.8 million in capital contributions.
- ❖ The District maintained its property tax mill levy at 0.5 mills which generated \$360 thousand in revenue

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE SOUTH FORT COLLINS SANITATION DISTRICT

The financial statements of the District begin on page 11. The true picture of the financial health of the District must be tempered with the operational theory and financial control that is practiced on a daily basis by the District.

Financial Policy and Priorities

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

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

Plant investment fees and monthly service fees are reviewed annually. The current level of these fees has been determined to be sufficient at this time to provide the necessary revenues to sustain operations and capital construction. The District also requires developers to oversize lines where applicable. In some cases reimbursement agreements are in place between the developer and the District whereby the District collects additional fees from future developers as they attach to the line. These fees are then remitted to the initial developer.

Day-To-Day Operational Control of the District

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

The general government fund was funded in 2017 by a 0.50 total mill levy. This total levy funds general operations of the District.

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

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

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

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

Overall Financial Position and Results of Operations

Financial Analysis

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

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

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

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

Table A
Condensed Statements of Net Position

	December 31,		
	2017	2016	2015
Current Assets	\$ 38,497,780	\$ 33,349,271	\$ 29,263,711
Capital Assets	86,990,868	86,866,797	85,067,354
Total Assets	\$125,488,648	\$120,216,068	\$114,331,065
Current Liabilities	\$ 363,065	\$ 486,461	\$ 1,002,484
Non-Current Liabilities	79,280	70,284	65,962
Total Liabilities	\$ 442,345	\$ 556,745	\$ 1,068,446
Deferred Inflows of Resources	\$ 350,000	\$ 335,000	\$ 318,000
Net Position			
Net Investment in Capital Assets	\$ 86,990,868	\$ 86,866,797	\$ 85,067,354
Restricted for Emergencies	11,000	10,050	7,800
Unrestricted	37,694,435	32,447,476	27,869,465
Total Net Position	\$124,696,303	\$119,324,323	\$112,944,619

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

	Year Ended December 31,		
	2017	2016	2015
Total Operating Revenues	\$ 5,553,973	\$ 4,337,424	\$ 4,114,044
Total Operating Expenses	5,719,413	5,436,267	4,622,453
Loss from Operations	(165,440)	(1,098,843)	(508,409)
Non-Operating Revenues	657,856	532,131	359,512
Net Income (Loss) Before Contributions	492,416	(566,712)	(148,897)
Capital Contributions	4,879,564	6,946,416	9,864,487
Changes in Net Position	5,371,980	6,379,704	9,715,590
Net Position - Beginning of Year	119,324,323	112,944,619	103,229,029
Net Position - End of Year	\$124,696,303	\$119,324,323	\$112,944,619

Operating activities decreased the District's net position by \$165 thousand compared to a decrease of \$1.1 million in 2016. Key elements of this change are due to the following:

- ❖ Service charges for sewage treatment increased by \$1.1 million (24%) during the year. The increase is due to the increase taps served and an increase in monthly charges. A portion of the non-residential service charges are based upon domestic water consumption.
- ❖ There was an overall increase in operating expenses of \$283 thousand (5%) with pretreatment, engineering, collection and treatment increasing by \$389 thousand, administration and director fees decreasing by \$143 thousand, and depreciation increasing by \$40 thousand. Depreciation expense is \$2.3 million, which is 40% of operating expenses.

Non-operating activities increased the District's net position by \$658 thousand.

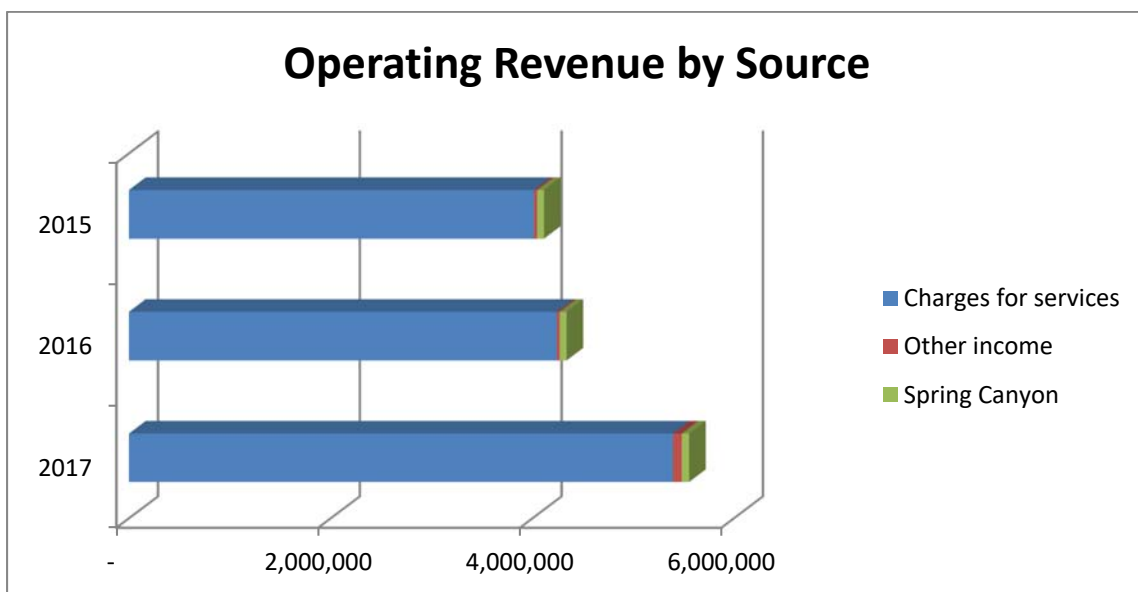
- ❖ Property tax collections \$360 thousand (net of fees) and investment income \$355 thousand.

Capital contributions increased the District's net position by \$4.9 million.

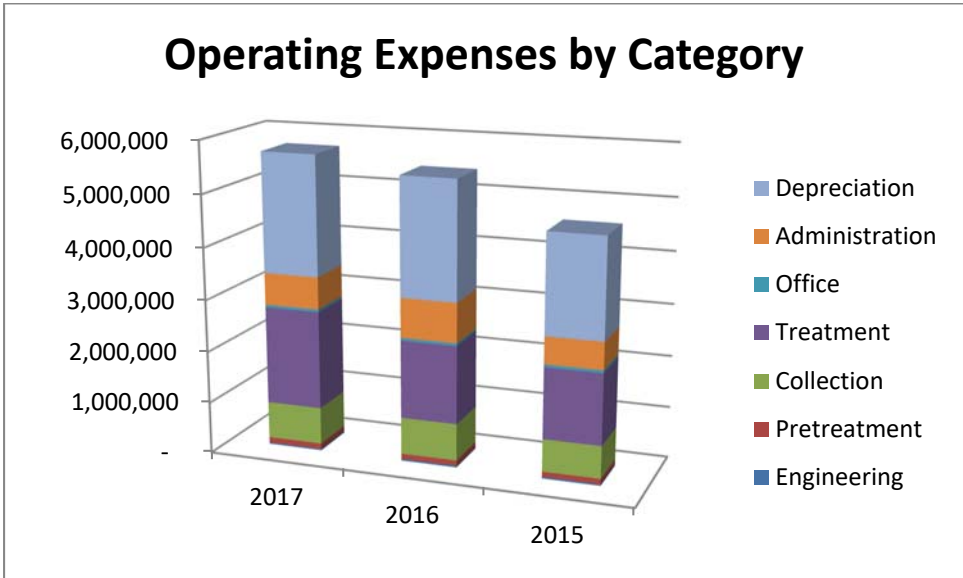
- ❖ Contributions of capital assets were \$1.8 million. These contributions represent collection lines in new subdivisions that were deeded to the District.
- ❖ Other capital contributions of system development fees amounting to \$3.1 million. These consist of tap fees of \$2.7 million and impact fees of \$398 thousand. They represent new residential and non-residential capital payments to the District for the cost of the investment in the treatment plan and replacement of collection lines.

Operating Activities

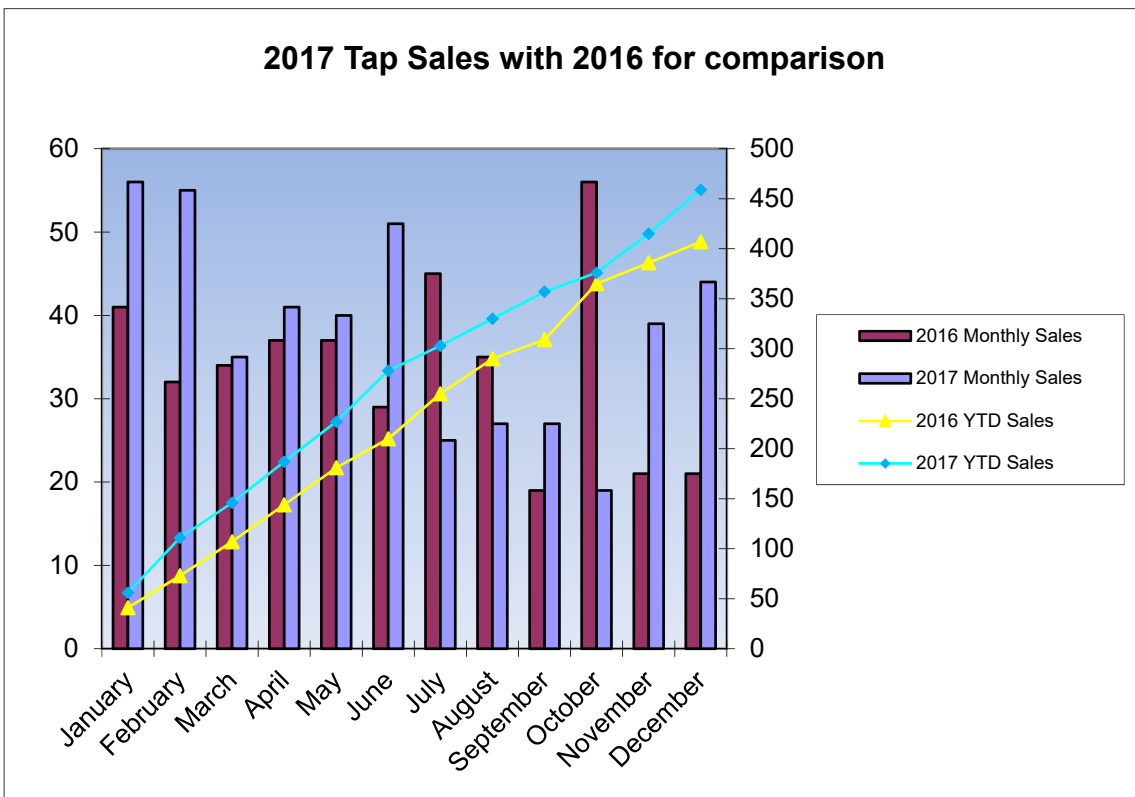
2017 Operating revenues increased the District's Net position by \$5.6 million



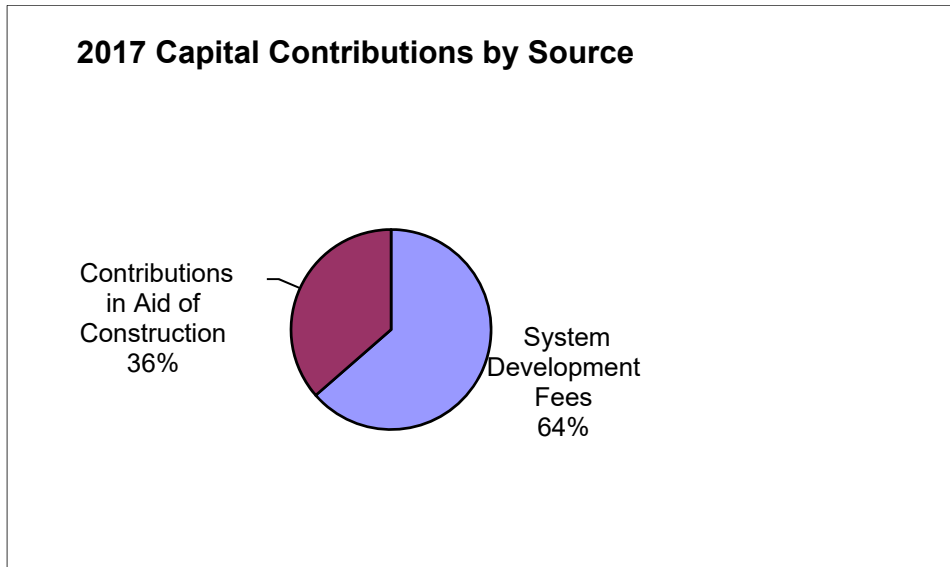
2017 Operating expenses decreased the District's Net position by \$5.7 million



Active taps grew by 465 in 2017



Capital contributions increased the District's Net Position by \$4.9 million



Budgetary Highlights

The District prepares its budget on a modified accrual basis, which is a non-GAAP basis of accounting. The modified accrual basis reports capital contributions as revenue, capital purchases as expense and does not report depreciation as an expense. A schedule of revenues and expenditures - budget and actual begins on page 26 of this report.

The variance between actual revenues over expenditures and the budget amounted to a favorable \$9.1 million and is summarized as follows:

- ❖ Tap fee and impact fee revenue were \$1.9 million over budget.
- ❖ Engineering expenses were \$8 thousand under budget.
- ❖ Collection system expenses were \$764 thousand under budget as a result of line repair and maintenance (\$581 thousand), and a collection system master plan that was not completed (\$150 thousand).
- ❖ Pretreatment and Treatment system expenses were \$133 thousand under budget. Significant items under budget are wages and related expenses (\$42 thousand), lab testing (\$28 thousand), chemicals (\$28 thousand) and repair and maintenance plant (\$221 thousand).
- ❖ Office and Administration were \$178 thousand under budget. Significant items under budget are consulting (\$100 thousand) and legal expenses (\$79 thousand).
- ❖ Capital purchases were \$4.4 million under budget. The District did not start design and construction of the expansion of the wastewater reclamation facility until late 2017.

Capital Assets and Long-Term Debt

Capital Assets. The District's investment in capital assets as of December 31, 2017 amounted to \$87 million (net of accumulated depreciation). This investment in capital assets includes land and easements, collection system lines, buildings and improvements, machinery, equipment and wastewater infrastructure.

The new Crossroads Lift Station was placed into service in 2017.

Additional information on the District's capital assets can be found in Note 4 on pages 22 and 23 of this report.

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

Next Year's Budget and Rates

The District will enter 2018 with \$37 million in cash and investments which represents an increase over 2017 beginning balances of \$5 million. It is anticipated that the District balances will decrease during 2018 due to the design and construction of an expansion on the wastewater reclamation facility.

Conditions Impacting Future Operations

- ❖ The District is expecting to see moderate tap sales for the near future. The District remains in a growth area in Northern Colorado. The proposed subdivisions in the Timnath growth area will add 3,500 to 6,000 units over the next five to ten years.
- ❖ The total estimated build out growth of the District is approximately 20,000 units. So with its present taps, the District is at 71 percent of expected build-out size.
- ❖ The recovery of the U.S. and local economies along with historically low interest rates continues to be reflected in the number of new taps sales. Tap sales will continue to increase or decrease as the economy improves or wanes.
- ❖ A significant risk to the District is the ability of state and federal regulatory agencies to impose new rules on the treatment of wastewater and its discharge at any time. Maintaining compliance with any new rules has the potential to be costly to the operations of the District.

Contact

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

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

Basic Financial Statements

South Fort Collins Sanitation District
Statement of Net Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 34,338,667	\$ 28,298,063
Investments	2,990,805	4,003,790
Receivables	1,057,825	920,904
Prepaid items	110,483	126,514
Total Current Assets	38,497,780	33,349,271
Capital Assets		
Land, easements and construction in progress	1,084,609	1,842,786
Depreciable capital assets, net of accumulated depreciation	85,906,259	85,024,011
Total Capital Assets	86,990,868	86,866,797
Total Assets	125,488,648	120,216,068
LIABILITIES		
Current Liabilities		
Accounts payable	148,305	250,022
Accrued expenses	165,260	159,439
Unearned revenue - prepaid taps	49,500	77,000
Total Current Liabilities	363,065	486,461
Non-current Liabilities		
Accrued compensated absences	79,280	70,284
Total Non-Current Liabilities	79,280	70,284
Total Liabilities	442,345	556,745
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - property taxes	350,000	335,000
Total Deferred Inflows of Resources	350,000	335,000
NET POSITION		
Net investment in capital assets	86,990,868	86,866,797
Restricted for emergencies	11,000	10,050
Unrestricted net position	37,694,435	32,447,476
Total Net Position	\$ 124,696,303	\$ 119,324,323

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

South Fort Collins Sanitation District
Statements of Revenues, Expenses and
Changes in Net Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Sewer charges and other services	<u>\$ 5,553,973</u>	<u>\$ 4,337,424</u>
Total Operating Revenues	<u>5,553,973</u>	<u>4,337,424</u>
Operating Expenses		
Engineering	29,776	33,374
Pre-treatment	108,394	106,015
Collection	718,354	718,424
Treatment	1,886,181	1,499,365
Office	53,725	52,185
Administration	602,886	749,851
Depreciation	2,305,383	2,265,671
Directors fees and expenses	<u>14,714</u>	<u>11,382</u>
Total Operating Expenses	<u>5,719,413</u>	<u>5,436,267</u>
Loss from Operations	(165,440)	(1,098,843)
Non-Operating Revenues (Expenses)		
Property taxes - net of fees	359,988	329,503
Inclusion fees	11,291	4,093
Interest income on investments - net of fees	355,383	161,919
Unrealized (loss) gain on investments	(13,610)	11,689
(Loss) gain on sale of capital assets	<u>(55,196)</u>	<u>24,927</u>
Total Non-Operating Revenues	<u>657,856</u>	<u>532,131</u>
Income (Loss) before Capital Contributions	492,416	(566,712)
Capital Contributions	<u>4,879,564</u>	<u>6,946,416</u>
Change in Net Position	5,371,980	6,379,704
Total Net Position - Beginning	<u>119,324,323</u>	<u>112,944,619</u>
Total Net Position - Ending	<u>\$ 124,696,303</u>	<u>\$ 119,324,323</u>

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

South Fort Collins Sanitation District
Statements of Cash Flows
December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Cash received from customers	\$ 5,432,338	\$ 4,302,514
Cash paid to suppliers	(2,107,790)	(2,429,795)
Cash paid to employees	(1,377,109)	(1,334,032)
Net cash flows from operating activities	1,947,439	538,687
Cash flows from noncapital financing activities		
Property taxes	365,929	335,682
Property tax collection fees	(6,224)	(6,179)
Inclusion fees	11,291	4,093
Net cash flows from noncapital financing activities	370,996	333,596
Cash flows from capital and related financing activities		
Contributed capital	3,102,498	3,709,750
Proceeds from the sale of capital assets	-	43,500
Acquisition of capital assets	(707,587)	(857,914)
Net proceeds from prepaid tap sales	(27,500)	5,500
Net cash flows from capital and related financing activities	2,367,411	2,900,836
Cash flows from investing activities		
Earnings on investments	355,383	161,919
Purchases of investments	(33,024,243)	(1,497,412)
Proceeds from sale of investments	34,023,618	775,269
Net cash flows from investing activities	1,354,758	(560,224)
Net change in cash and cash equivalents	6,040,604	3,212,895
Cash and cash equivalents at beginning of year	28,298,063	25,085,168
Cash and cash equivalents at end of year	\$ 34,338,667	\$ 28,298,063

Continued.

South Fort Collins Sanitation District
Statements of Cash Flows
December 31, 2017 and 2016

	2017	2016
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (165,440)	\$ (1,098,843)
Adjustments to reconcile operating (loss) to cash flows from operating activities:		
Depreciation	2,305,383	2,265,671
Changes in assets and liabilities:		
Receivables	(121,636)	(34,910)
Prepaid items	16,033	(86,923)
Accounts payable and accrued expenses	(92,722)	(510,630)
Accrued compensated absences	5,821	4,322
Net cash flows from operating activities	<u>\$ 1,947,439</u>	<u>\$ 538,687</u>
Noncash capital and related financing transactions		
Capital assets contributed	<u>\$ 1,777,064</u>	<u>\$ 3,236,666</u>
Capital asset additions included in accounts payable	<u>\$ -</u>	<u>\$ (10,893)</u>

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

1. Summary of Significant Accounting Policies

Form of Organization

South Fort Collins Sanitation District (the "District") is organized under the provisions of Section 32-1-305(6) of the Colorado Revised Statutes, ("C.R.S."). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which includes the power to levy taxes against property within the District.

Basis of Accounting

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

Financial Reporting Entity

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

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

Basic Financial Statements

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

Basis of Presentation

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statements of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Total net position is segregated into net investment in capital assets, restricted for emergencies, and unrestricted net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Budgets and Budgetary Accounting

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

1. On or about October 15, the District staff submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at regular Board meetings to obtain taxpayer comments.
3. Prior to December 15, the budget is legally adopted by the Board of Directors.
4. Unused appropriations lapse at the end of each year.

Total appropriated expenditures for the District are as follows:

	Original Budget	Total Revision	Revised Budget
Business-Type Fund:			
Governmental function	\$ 24,400	\$ -	\$ 24,400
Enterprise function	9,646,011	-	9,646,011

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

	2017	2016
Change in net position	\$5,371,980	\$6,379,704
Depreciation	2,305,383	2,265,671
Non-cash capital contributions	(1,777,064)	(3,236,666)
Acquisition of capital assets (cash and non-cash)	(707,586)	(847,021)
Loss (Gain) on sale of capital assets	55,196	(24,927)
Proceeds from sale of capital assets	-	47,500
Excess revenues over expenditures, budgetary basis	\$5,247,909	\$4,584,261

Cash and Cash Equivalents

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Investments

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

Accounts Receivable and Allowance for Doubtful Accounts

Revenues are recognized when earned. Customers are billed monthly on 30 day cycles. Accounts receivable result from the timing of billed accounts and are shown net of an allowance for doubtful accounts. User and other similar fees set from time to time by the District's governing board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed in the same manner as provided by the laws of the State of Colorado. The District has determined that no allowance is necessary at December 31, 2017 or 2016, based on historical collection experience.

Capital Assets

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

Depreciation has been computed using the straight-line method based on lives of 50 years for sewer lines and the sewage treatment plant and 3 to 20 years for equipment.

Accrued Compensated Absences Payable

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

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

	Beginning	Additions	Deletions	Ending
2017	\$ 70,284	\$ 62,105	\$ (53,109)	\$ 79,280
2016	\$ 65,962	\$ 61,608	\$ (57,286)	\$ 70,284

Deferred Inflows of Resources

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Net Position

Net position is classified in the following categories:

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

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

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

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

Operating Revenues and Expenses

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

Connection Fees

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

Property Taxes

Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on the last day of February and June 15, or in full on April 30. The District uses the Larimer County Treasurer to bill and collect its property taxes. Taxes levied in December 2017 are recorded as taxes receivable and deferred inflows of resources as of December 31, 2017.

Contributions in Aid of Construction

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Use of Estimates

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

2. Cash and Investments

Cash Deposits

Custodial Credit Risk

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The District’s deposit policy is in accordance with C.R.S. 11-10.5-101, Colorado Public Deposit Protection Act (“PDPA”), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution’s internal records identify collateral by depositor, and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2017, the District had deposits with financial institutions with a carrying amount of \$1,888,361. The bank balances with the financial institutions were \$1,894,058, of which, \$250,000 was covered by federal depository insurance. The remaining balance of \$1,644,058 was collateralized with securities held by the financial institutions’ agents but not in the District’s name. At December 31, 2016, the District had deposits with financial institutions with a carrying amount of \$23,928,544. The bank balances with the financial institutions were \$24,109,799 of which \$250,000 was covered by federal depository insurance. The remaining balance of \$23,859,799 was collateralized with securities held by the financial institutions’ agents but not in the District’s name.

Cash deposits and cash equivalents held by the District at December 31, 2017 and 2016, were as follows:

	2017	2016
Petty cash	\$ 50	\$ 50
Cash on deposit with financial institutions	1,888,361	23,928,544
Local government investment pool	32,450,256	4,369,469
Total cash and cash equivalents	\$34,338,667	\$28,298,063

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Local Government Investment Pools

As of December 31, 2017 and 2016, the District had invested balances of \$6,734,450 and \$4,369,469 in CSAFE, an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. CSAFE is a highly liquid fund operating similarly to a money market-like fund and each share is equal in value to \$1.00. CSAFE measures all of its investment at amortized cost in accordance with GASB Statement No. 79. CSAFE invests primarily in United States Treasuries, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, AAAM rated money market funds, highly rated corporate bonds and Colorado Depositories. The weighted average maturity of the portfolio shall not exceed 60 days and the weighted average life of the portfolio shall not exceed 120 days. CSAFE is rated AAAM by Standard & Poor's. The District reports this investment value at amortized cost.

At December 31, 2017 and 2016, the District had invested \$25,715,806 and \$0 in the Colorado Local Government Liquid Asset Trust (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Investments

Credit Risk

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

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

District policy is to hold investments until maturity.

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Interest Rate Risk

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

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

Investments	S & P Rating	Moody Rating	Fair Value	Weighted Average Days to Maturity	Concentration of Credit Risk
US Treasury Notes	AA+	Aaa	\$2,990,805	243	100.0%
Total			\$2,990,805		

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

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

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2017 and 2016, all of the District's investments were categorized in Level 2.

3. Receivables

Receivables at December 31, 2017 and 2016, consisted of the following:

	2017	2016
Trade accounts receivable	\$ 698,249	\$ 579,291
Property taxes receivable	352,537	337,254
Accrued interest receivable	7,039	4,359
Total receivables	\$ 1,057,825	\$ 920,904

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

4. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2017:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 905,214	\$ 147,037	\$ (905,214)	\$ 147,037
Land and easements	937,572	-	-	937,572
Total capital assets, not being depreciated	1,842,786	147,037	(905,214)	1,084,609
Capital assets, being depreciated:				
Sewer lines	70,399,950	2,739,350	(24,220)	73,115,080
Sewage treatment plant	37,703,406	492,278	(83,313)	38,112,371
Equipment	1,192,447	11,199	(11,203)	1,192,443
Total capital assets, being depreciated	109,295,803	3,242,827	(118,736)	112,419,894
Less accumulated depreciation for:				
Sewer lines	(18,551,854)	(1,444,001)	24,220	(19,971,635)
Sewage treatment plant	(4,903,426)	(768,204)	28,117	(5,643,513)
Equipment	(816,512)	(93,178)	11,203	(898,487)
Total accumulated depreciation	(24,271,792)	(2,305,383)	63,540	(26,513,635)
Total capital assets, being depreciated, net	85,024,011	937,444	(55,196)	85,906,259
Capital assets, net	\$ 86,866,797	\$ 1,084,481	\$ (960,410)	\$ 86,990,868

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

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

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

5. Contingency

Risk Management

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

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

6. Transactions with Other Governmental Entities

The District pays the Fort Collins-Loveland Water District with separately elected officers a monthly fee for its management. The two Districts provide water and wastewater services to a service area with similar boundaries.

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Total expense for each of the years ended December 31, 2017 and 2016, was \$468,871 and \$450,189, respectively. As of December 31, 2017 and 2016, the District owed the Fort Collins-Loveland Water District \$39,687 and \$148,386, respectively, which are included in accounts payable in the accompanying statements of net position.

7. Defined Contribution Plan

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

The District's contributions to the plan for the years ending December 31, 2017, 2016 and 2015 were \$49,840, \$47,665 and \$40,875, respectively.

8. 457 Deferred Compensation Plan

The District offers its employees a deferred compensation plan (the "Plan"), created in accordance with Internal Revenue Code Section 457. The Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the calendar years 2017 and 2016). Catch-up contributions of up to \$6,000 for calendar years 2017 and 2016, were allowed for participants who had attained age 50 before the close of the plan year. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. For the years ended December 31, 2017 and 2016, the District did not make any contributions to the Plan.

9. Tabor Compliance

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

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$11,000 and \$10,050 as of December 31, 2017 and 2016, respectively for emergencies as defined by TABOR.

The Amendment is complex and subject to judicial interpretation.

10. Subsequent Events

The District evaluated subsequent events through June 13, 2018, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

Supplementary Information

South Fort Collins Sanitation District
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
December 31, 2017 and 2016

	2017				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance - Favorable (Unfavorable)	2016 Actual
Enterprise function:					
Revenues					
Operating Revenues					
Service charges	\$ 4,120,000	\$ 4,120,000	\$ 5,393,739	\$ 1,273,739	\$ 4,241,677
Miscellaneous income	5,000	5,000	86,914	81,914	28,067
Revenue - Spring Canyon	67,000	67,000	73,320	6,320	67,680
Total Operating Revenues	4,192,000	4,192,000	5,553,973	1,361,973	4,337,424
Non-Operating Revenues					
Interest on investments	140,000	140,000	355,383	215,383	161,919
Unrealized gain (loss) investments	-	-	(13,610)	(13,610)	11,689
Tap fees	1,000,000	1,000,000	2,704,500	1,704,500	3,354,750
Impact fees	170,000	170,000	398,000	228,000	355,000
Inclusion fees	-	-	11,291	11,291	4,093
Proceeds from the sale of capital assets	-	-	-	-	47,500
Total Non-Operating Revenues	1,310,000	1,310,000	3,455,564	2,145,564	3,934,951
Operating transfer in	-	-	345,274	345,274	318,121
Total Revenues	5,502,000	5,502,000	9,354,811	3,852,811	8,590,496
Expenditures - Operating					
Engineering					
Wages	34,000	34,000	29,702	4,298	33,374
Dues & subscriptions	3,000	3,000	-	3,000	-
Education & training	1,000	1,000	74	926	-
Total Engineering	38,000	38,000	29,776	8,224	33,374
Pretreatment					
Wages	76,000	76,000	74,776	1,224	73,178
Payroll taxes	6,200	6,200	5,830	370	5,669
Retirement	4,700	4,700	4,342	358	4,216
Insurance - medical	15,100	15,100	15,100	-	15,100
Insurance - life	700	700	664	36	610
Workers' comp insurance	3,000	3,000	2,212	788	2,885
Cell phone	450	450	354	96	354
Consulting	1,400	1,400	-	1,400	-
Dues & subscriptions	100	100	-	100	-
Education & training	2,000	2,000	-	2,000	-
Fuel	750	750	465	285	441
Lab testing	16,000	16,000	1,905	14,095	3,049
Legal	1,000	1,000	-	1,000	-
Contingency	2,000	2,000	2,324	(324)	58
Office supplies	500	500	118	382	291
Public education	300	300	-	300	-
R & M - vehicles	620	620	304	316	164
Total Pretreatment	130,820	130,820	108,394	22,426	106,015

(Continued)

South Fort Collins Sanitation District
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
December 31, 2017 and 2016

Collection

Wages	350,000	350,000	346,012	3,988	342,888
On-call & overtime	57,000	57,000	43,793	13,207	42,531
Payroll taxes	33,000	33,000	30,258	2,742	29,019
Insurance - medical	77,000	77,000	77,000	-	77,000
Insurance - life	2,500	2,500	2,965	(465)	2,467
Retirement	22,000	22,000	19,947	2,053	19,613
Workers' comp insurance	14,000	14,000	11,062	2,938	11,542
Cell phone	3,000	3,000	2,476	524	2,480
Consulting	150,000	150,000	-	150,000	-
Education	5,000	5,000	3,588	1,412	3,034
Fuel	20,000	20,000	14,302	5,698	11,994
Miscellaneous	1,000	1,000	2,108	(1,108)	1,521
Office supplies	1,000	1,000	-	1,000	210
Power - Boyd Lake	4,500	4,500	3,172	1,328	2,791
Power - Crossroads	2,000	2,000	3,160	(1,160)	2,190
Power - Highland Meadows	12,500	12,500	10,049	2,451	11,079
Power - McClelland	2,000	2,000	1,670	330	1,296
Power - Ptarmigan	40,000	40,000	33,026	6,974	31,842
R & M - lines	650,000	650,000	68,155	581,845	98,985
R & M - vehicles	15,000	15,000	24,511	(9,511)	7,328
Safety program	3,000	3,000	4,450	(1,450)	3,290
Supplies	2,000	2,000	1,043	957	1,874
Uniforms	3,000	3,000	2,492	508	2,382
Utility locates	12,500	12,500	13,115	(615)	11,068
Total Collection	1,482,000	1,482,000	718,354	763,646	718,424

Treatment

Wages	475,000	475,000	453,955	21,045	439,136
On-call & overtime	58,000	58,000	44,791	13,209	43,551
Payroll taxes	44,000	44,000	37,890	6,110	37,394
Insurance - medical	90,600	90,600	107,000	(16,400)	107,000
Insurance - life	4,500	4,500	4,202	298	3,563
Retirement	29,000	29,000	25,551	3,449	23,836
Workers' comp insurance	17,000	17,000	13,274	3,726	11,409
Biomonitoring	15,000	15,000	13,950	1,050	12,250
Biosolids removal	155,000	155,000	119,608	35,392	86,497
Chemicals	90,000	90,000	61,862	28,138	66,955
Dues & subscriptions	2,000	2,000	635	1,365	-
Education & training	10,000	10,000	1,741	8,259	3,702
Fuel - standby power	4,000	4,000	2,170	1,830	1,721
Fuel - vehicle	6,000	6,000	2,447	3,553	2,192
Janitorial services	4,800	4,800	3,660	1,140	3,660
Lab testing	30,000	30,000	16,612	13,388	13,836
Miscellaneous	500	500	-	500	404
Office supplies	1,000	1,000	536	464	194
Permits	25,000	25,000	12,767	12,233	12,042
Power - plant	500,000	500,000	439,622	60,378	440,482
Cell phones	3,500	3,500	2,485	1,015	2,583
R & M - building	50,000	50,000	1,899	48,101	4,707

(Continued)

South Fort Collins Sanitation District
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
December 31, 2017 and 2016

R & M - grounds	5,000	5,000	21,455	(16,455)	3,018
R & M - plant	250,000	250,000	62,696	187,304	99,782
R & M - vehicles	3,000	3,000	866	2,134	1,250
Service contracts	36,000	36,000	392,112	(356,112)	10,930
Supplies	3,000	3,000	1,288	1,712	1,821
Telephone	8,000	8,000	6,886	1,114	7,046
Trash removal	65,000	65,000	29,364	35,636	48,410
Uniforms	4,000	4,000	3,636	364	2,833
Water quality monitoring	2,000	2,000	-	2,000	3,488
Water usage	6,000	6,000	1,221	4,779	3,673
Total Treatment	<u>1,996,900</u>	<u>1,996,900</u>	<u>1,886,181</u>	<u>110,719</u>	<u>1,499,365</u>
Office					
Payroll processing	6,500	6,500	5,412	1,088	5,209
Postage	38,500	38,500	23,920	14,580	28,898
Printing	20,500	20,500	22,569	(2,069)	17,858
Publications & notices	1,000	1,000	1,824	(824)	220
Total Office	<u>66,500</u>	<u>66,500</u>	<u>53,725</u>	<u>12,775</u>	<u>52,185</u>
Administration					
Audit	7,250	7,250	7,500	(250)	7,250
Bank service charges	-	-	21,702	(21,702)	-
Consulting	100,000	100,000	-	100,000	65,705
Contingency	10,000	10,000	11,617	(1,617)	8,091
Customer relations	1,000	1,000	76	924	176
Dues & subscriptions	8,000	8,000	5,175	2,825	7,475
Education & training	1,500	1,500	137	1,363	85
Insurance - liability	35,000	35,000	35,507	(507)	28,821
Insurance - property	35,000	35,000	30,422	4,578	32,605
Legal	100,000	100,000	21,282	78,718	148,230
Management fees - FCLWD	468,541	468,541	468,871	(330)	450,189
Miscellaneous expenses	1,500	1,500	191	1,309	1,224
Travel	1,000	1,000	406	594	-
Total Administration	<u>768,791</u>	<u>768,791</u>	<u>602,886</u>	<u>165,905</u>	<u>749,851</u>
Total Operating Expenses	<u><u>4,483,011</u></u>	<u><u>4,483,011</u></u>	<u><u>3,399,316</u></u>	<u><u>1,083,695</u></u>	<u><u>3,159,214</u></u>
Capital expenditures - Non-Operating					
Collection - operating	93,000	93,000	-	93,000	47,978
Collection - other	225,000	225,000	204,108	20,892	498,929
Treatment - operating	195,000	195,000	11,199	183,801	158,481
Treatment - other	4,600,000	4,600,000	324,235	4,275,765	141,633
Buildings & grounds	40,000	40,000	168,044	(128,044)	-
Pretreatment	10,000	10,000	-	10,000	-
Total Non-Operating Expenditures	<u>5,163,000</u>	<u>5,163,000</u>	<u>707,586</u>	<u>4,455,414</u>	<u>847,021</u>
Enterprise gain (loss)	<u>(4,144,011)</u>	<u>(4,144,011)</u>	<u>5,247,909</u>	<u>9,391,920</u>	<u>4,584,261</u>

(Continued)

South Fort Collins Sanitation District
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
December 31, 2017 and 2016

Governmental function:

Revenues

Property taxes	335,000	335,000	366,212	31,212	335,682
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Expenditures

Collection fees	6,700	6,700	6,224	476	6,179
Directors fees	8,000	8,000	5,635	2,365	6,000
Directors payroll taxes	9,000	9,000	8,369	631	4,905
Directors expenses	700	700	710	(10)	477
Operating transfer out	-	-	345,274	(345,274)	318,121
Total expenditures	24,400	24,400	366,212	(341,812)	335,682

Excess revenues over expenditures	310,600	310,600	-	(310,600)	-
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**Excess (deficiency) of budgetary revenues over
budgetary expenditures**

\$ (3,833,411)	\$ (3,833,411)	\$ 5,247,909	\$ 9,081,320	\$ 4,584,261
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See accompanying independent auditor's report