



St. Vrain Sanitation District

Financial Statements and Supplementary
Information

For the Years Ended December 31, 2017 and 2016

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June 5, 2018

St. Vrain Sanitation District

Contents

| | |
|-------------------------------------------------------------------------------------------------------------|---------|
| Independent Auditor's Report | 1 - 2 |
| Management's Discussion and Analysis | 3 - 8 |
| Basic Financial Statements: | |
| Statements of Net Position | 9 |
| Statements of Revenues, Expenses and Changes in Net Position | 10 |
| Statements of Cash Flows | 11 - 12 |
| Notes to Financial Statements | 13 - 35 |
| Required Supplementary Information | |
| Schedule of the District's Proportionate Share of the Net Pension Liability | 36 |
| Schedule of District Contributions | 37 |
| Other Supplementary Information: | |
| Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - Sanitation Enterprise Fund | 38 - 41 |
| Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Government Fund | 42 |



Independent Auditor's Report

Board of Directors
St. Vrain Sanitation District
Firestone, Colorado

We have audited the accompanying financial statements of the St. Vrain 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 St. Vrain Sanitation District as of December 31, 2017 and 2016, and the change 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 on pages 3 through 8, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 36 and the Schedule of District Contributions on page 37 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedules of Revenues and Expenditures - Budget and Actual (Budgetary Basis) on pages 38 to 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedules 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
May 31, 2018

St. Vrain Sanitation District Management's Discussion and Analysis

Management's Discussion and Analysis is intended to present an analysis of the District's financial performance and an overview of the District's financial activities for the year ended December 31, 2017. The financial statements are an essential part of this analysis and are included with this document.

DISTRICT MISSION STATEMENT

St. Vrain Sanitation District's mission is to serve the present and the future sewage treatment needs of its customers in an efficient, cost effective, and environmentally responsible manner.

FINANCIAL HIGHLIGHTS

After evaluation of the District's financial statements the following highlights have been identified.

1. **The District's net financial position is \$89,059,465.** This represents an increase of \$3,602,456 (4.2%) over the District's 2016 ending net financial position. The increased net financial position is representative of a growing District with growth funded primarily through developer contributions.
2. **The District's 2017 operating revenues are \$5,571,634.** Revenues of the District increased in 2017 by 11.6% or \$578,005. Increased revenues are a result of an increased customer base through service connection sales.
3. **The District's operating expenses are \$7,867,088.** Depreciation expense of \$3,697,187 is included in the District's 2017 operating expenses.
4. **Capital contributions to the District for 2017 are \$5,901,983.** Capital contributions to the District are derived from the sale of sanitary sewer connections and the contribution of sanitary sewer infrastructure installed by developers of residential subdivisions. With this continued growth, the District monitors the collection and treatment capacity of its infrastructure to ensure the ability to meet the future needs of the District customers.
5. **Net pension liability of \$2,369,554.** Net pension liability is being recognized in 2017 as a requirement for reporting of the District's proportionate share of the total pension liability of PERA in accordance with the Governmental Accounting Standards Board ("GASB") statement No 68, an amendment to GASB statement No. 27 on pension reporting.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts:

- Management's Discussion and Analysis
- Basic Financial Statements
- Supplementary Information

The basic financial statements include notes that explain in detail the information in the financial statements.

Basic Financial Statements

Statements of Net Position

The statements of net position includes all of the District's assets, liabilities and deferred inflows of resources with the difference being reported as net financial position. It provides information pertaining to the nature of the District's investments (assets) and obligations to creditors (liabilities). The statement also provides the basis for determining the overall financial health of the District including liquidity and financial flexibility.

A recent addition to the required supplementary information section is the net pension liability calculation to comply with GASB 68 requirements. This information can be found in footnote 7.

St. Vrain Sanitation District Management's Discussion and Analysis

The Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position reports District revenues and expenses. All changes in net position are recorded 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 result in cash flows in future fiscal years (e.g. earned, but unused vacation leave.) This statement measures the success of the District's overall operation and can be used to determine if the District's user fee, rates, and charges are sufficient to recover operating expenses.

Statements of Cash Flows

The statements 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, and capital and noncapital financing activities.

FINANCIAL ANALYSIS OF THE ST. VRAIN SANITATION DISTRICT

The financial statements of the District begin on page 9. 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 PRIORITIES

The financial goal of the District is to operate in an efficient and financially responsible manner. The District annually reviews its financial policies to assess their impact on financial activities. Policies that affected financial activities are as follows:

1. Growth of the District is development driven and funded.
2. In October of 2010, the District issued a combination of tax exempt and Build America ("BAB") wastewater revenue bonds to fund the expansion and construction of its wastewater treatment facility. The expansion of the facilities ensures the District's ability to meet the current and future needs of the customers of the District.
3. District administration and operations are funded from user fees.
4. Capital improvements to existing District assets and the acquisition of some new assets are funded through plant investment fees collected at the time of sanitary sewer connection purchase.

Plant investment fee and monthly service fee levels are reviewed annually. The current level of these fees has been determined to be sufficient, at this time, to provide the necessary revenues to satisfy the operations and capital construction needs of the District as well as the rate covenants required to satisfy the District indebtedness. The District contracted to have a rate study completed in 2017. The result of the rate study determined the District's current planned rate structure and 2019 increase in monthly service fees are sufficient to cover anticipated expenditures. The District also charges line extension fees upon connection to various interceptor lines throughout the District. These fees are used to reimburse developers who funded the construction of specific lines, currently these fees generally range from \$650 to \$1,350. The fees are increased in alternating even-numbered years. The next such increase will occur on January 1, 2018.

Day-To-Day Operational Control of the District

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

The General Government Fund was funded in 2017 by a .519 mill levy to fund the general operations of the District. For 2016, the mill levy was .570 for general operations. Growth of the District's assessed value led to the decrease in mills allowable under the statutory limits. While this resulted in a decrease in the mill levy assessed to property owners overall there existed an increase in District revenue to \$384,848 compared to \$361,414 in 2016. 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. Growth of the collection system is funded by developer contributions that are sufficient to pay 100% of the cost of design and construction unless the board approves of the participation of the District in the construction of a line.

St. Vrain Sanitation District Management's Discussion and Analysis

Any revenues contributed by the District are derived from Plant Investment Fees ("PIF") collected from new connections to the system. District participation requires District investment to be reimbursed over time to the District through the collection of line extension fees reimbursing the District in a primary role prior to participating developers. The enterprise fund can be further segmented into general operations and construction.

The District 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 collection 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 PIFs collected from users; growth is funded by the developers who are directly affected by the lines being funded.

The District's day-to-day operational control involves many levels of planning, forecasting and budgeting. Revenues and expenditures are allocated to specific District functions. District staff presents monthly financial reports and information to the board of directors for review and approval at their regular monthly meetings. The reports contain monthly revenues and expenditures compared to the adopted budget, as well as the financial position of the District reported in balance sheet form. These reports, and subsequent review, are an essential tool that is critical to the District's long-range financial control and planning efforts.

Financial Analysis

A summary of the statements of net position are shown as Table A. Increases or decreases in the District's net position are an indicator 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.

**TABLE A
Condensed Statements of Net Position**

| | 2017 | 2016 | 2015 |
|---------------------------------------------------|----------------------|----------------------|----------------------|
| Current and other assets | \$ 22,757,033 | \$ 16,951,433 | \$ 15,736,655 |
| Capital assets | 84,673,001 | 86,657,524 | 85,458,417 |
| Total assets | <u>107,430,034</u> | <u>103,608,957</u> | <u>101,195,072</u> |
| Deferred outflows of resources relating | | | |
| to pensions | 700,014 | 484,525 | 223,983 |
| Current liabilities | 996,636 | 807,640 | 520,965 |
| Non-current liabilities | 17,663,485 | 17,371,838 | 17,420,241 |
| Total liabilities | <u>18,660,121</u> | <u>18,179,478</u> | <u>17,941,206</u> |
| Deferred inflows of resources related to pensions | 16,999 | 77,748 | 173 |
| Unearned revenue - property taxes | 393,463 | 379,247 | 357,770 |
| Total deferred inflow of resources | <u>410,462</u> | <u>456,995</u> | <u>357,943</u> |
| Net position | | | |
| Net investment in capital assets | 69,134,543 | 70,821,186 | 69,484,183 |
| Restricted | 12,469 | 11,359 | 11,045 |
| Unrestricted | 19,912,453 | 14,624,464 | 13,624,678 |
| Total net position | <u>\$ 89,059,465</u> | <u>\$ 85,457,009</u> | <u>\$ 83,119,906</u> |

St. Vrain Sanitation District Management's Discussion and Analysis

The information contained in the table indicates that the District maintains a positive financial position. It is important that on a year-to-year basis the District operates within its policies and that in the operations portion of the budget, these revenues exceed 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. It is the policy of the District that growth funds construction, this may result in the possibility that some funds recorded as revenues and received from developers are received in one year and the related expenses are not incurred until subsequent years. This difference is accounted for in the overall long range financial planning of the District. Also, funds collected from sanitary sewer connection fees are invested in a capital construction account and may be used at various times to fund capital improvements, District-required line oversizing of trunk lines or any other shared costs authorized by the board of directors. A summary of the statements of revenues, expenses and changes in net position are shown in Table B.

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

| | 2017 | 2016 | 2015 |
|-----------------------------------------------------|----------------------|----------------------|----------------------|
| Wastewater treatment and collection service charges | \$ 5,571,634 | \$ 4,993,629 | \$ 4,712,984 |
| Operating expenses | | | |
| General government expenses | 78,136 | 136,903 | 68,811 |
| Sewer treatment plant | 1,830,544 | 1,634,783 | 1,496,063 |
| Sewer collection | 895,879 | 1,026,700 | 1,028,452 |
| Depreciation | 3,697,187 | 3,595,359 | 2,066,724 |
| Administration | 1,365,342 | 1,063,562 | 997,064 |
| Total operating expenses | <u>7,867,088</u> | <u>7,457,307</u> | <u>5,657,114</u> |
| Loss from operations | (2,295,454) | (2,463,678) | (944,130) |
| Non-operating revenues (expenses) | | | |
| Taxes | 414,355 | 382,544 | 354,757 |
| Inclusion fees | 1,063 | 3,913 | 13,180 |
| Interest income | 181,242 | 96,723 | 78,445 |
| Build America bond subsidy | 267,378 | 267,092 | 266,518 |
| FEMA reimbursement | - | 8,146 | - |
| Unrealized and realized gain (loss) on: | | | |
| Disposal of assets | 34,637 | - | - |
| Investments | (67,617) | (57,322) | 2,058 |
| Interest expense | (835,131) | (838,463) | (888,524) |
| Total non-operating revenue (expenses) | <u>(4,073)</u> | <u>(137,367)</u> | <u>(173,566)</u> |
| Net income/loss before contributions | (2,299,527) | (2,601,045) | (1,117,696) |
| Capital contributions | 5,901,983 | 4,938,148 | 4,057,741 |
| Change in net position | <u>3,602,456</u> | <u>2,337,103</u> | <u>2,940,045</u> |
| Net position - beginning of year | 85,457,009 | 83,119,906 | 81,417,103 |
| Prior period adjustment | - | - | (1,237,242) |
| Net position - end of year | <u>\$ 89,059,465</u> | <u>\$ 85,457,009</u> | <u>\$ 83,119,906</u> |

St. Vrain Sanitation District Management's Discussion and Analysis

BUDGETARY HIGHLIGHTS

The schedule of revenues and expenditures - budget and actual (budgetary basis) is provided in the supplementary information of this report.

During 2017 the District saw total revenues (exclusive of capital contributions) exceed budgeted revenues by 19.1% in the District Sanitary Sewer Enterprise Fund. The difference is the result of a continued increase in demand for sewer connections. Monthly service charges were 103.7% of the budgeted amount and plant investment fee and capital contributions were 203.0% of the budgeted amount. The 2017 budget anticipated the addition of 375 single family equivalents (sfe), while actual sewer connection sales resulted in a total of 795 additional sfes in 2017.

During 2017, total actual expenditures were less than the budgeted expenditures by \$2,715,697 in the Enterprise Fund and \$371,410 in the General Government Fund. The large variance in Enterprise expenditures was the direct result of an expected capital project that was subsequently deemed unnecessary during 2017. Removing the budgeted amount for this project there remains an expense budget surplus of \$889,585. District management and staff are mindful of the economic concerns of its constituency and thus are conscientious in its use of District funds, relating back to the District policy of cost effectiveness and efficiency.

CAPITAL ASSETS AND DEBT ACTIVITIES

While the previously mentioned capital improvement was removed from the project list in 2017 there were remaining several smaller projects in 2017. These projects totaled slightly under \$200,000. An easement was purchased that was required for a future sewer trunk line installation. A security entrance was installed at the administration building providing a safer environment for District staff. Other expenditures included an information technology server project and the purchase of a District vehicle for inspection staff.

In October of 2010, the District issued wastewater revenue bonds totaling \$16,225,000 to aid in the funding of the expansion project, by doing so allowing the District to maintain a sufficient cash base to meet future needs as they arise. Additionally, growth of the District customer base will rebuild fund balances needed to fund future expansions of the District facilities. At the conclusion of 2017, the District had outstanding debt totaling \$15,505,000, remaining in the wastewater revenue bonds. These bonds are a combination of tax exempt bonds and Build America bonds. A 2016 review by Fitch Ratings resulted in a stable AA rating on the District outstanding bonds, S&P rating on the bonds is AA-, stable. It is anticipated that periodic rating reviews will be completed in 2018 for both agencies.

In 2015 the Board of Directors elected to retire the remaining \$1,623,315 debt due to the Colorado Water Conservation Board ("CWCB") loan originally issued to the Weld County Tri-Area Sanitation District. The District will continue to collect the debt fee from affected customers on an interest-free basis resulting in a reduction of the number of years for the loan payback. This will result in savings to the customers of approximately \$975,000 over the term of the loan.

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The Board of Directors and the management of the St. Vrain Sanitation District considered many factors when they developed the 2018 District Budget. Projected user fees, growth, and plant investment fees were all evaluated and considered before the final budget was adopted. Departmental budgets submitted by departments are reviewed and vetted by the budget team before inclusion in the final budget. These expenses are reconciled to projected revenues. The District is entering into its eighth year of a ten year comprehensive rehabilitation and maintenance project dedicated to ensuring the viability of the District sewer infrastructure. Through the rehabilitation project the District has designated assets over a ten year period to address infrastructure needing maintenance and repair.

St. Vrain Sanitation District Management's Discussion and Analysis

The District will enter 2018 with \$21,934,393 in cash and investments representing an increase in these balances of \$5,967,471 as a result of fiscal year 2017 activities. A District rate study was conducted as a part of the 2017 budget. This is an important exercise as it helps to ensure the District rate structure is sufficient to maintain our vision that growth and development fund future expansion to infrastructure, while monthly service fees cover the costs of operation. The District's current capacity is sufficient to provide the necessary service to the current and near future customers. With the continued growth in the area it is anticipated that the next phase of expansion of the treatment plant will need to take place in the next 5 to 10 years.

CONTACTING THE DISTRICT

This financial report is designed to provide our customers, investors, and creditors with the general overview of the District's finances and demonstrate the District's accountability to the customers of the District. If you have any questions concerning this report or need additional information please contact the District Manager of the St. Vrain Sanitation District, 11307 Business Park Circle, Firestone, Colorado 80504. Additional information about the District can be found by visiting our website www.stsan.com.

Basic Financial Statements

St. Vrain Sanitation District

Statements of Net Position

| December 31, | 2017 | 2016 |
|-----------------------------------------------------------|--------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 3,847,288 | \$ 2,976,646 |
| Investments | 18,087,105 | 12,990,276 |
| Property taxes receivable | 393,463 | 379,247 |
| Receivables, net | 425,805 | 541,378 |
| Prepaid items | 3,372 | 63,886 |
| Total current assets | 22,757,033 | 16,951,433 |
| Capital assets | | |
| Land, other property rights, and construction in progress | 2,762,994 | 2,727,441 |
| Other capital assets, net of accumulated depreciation | 81,910,007 | 83,930,083 |
| Total capital assets, net | 84,673,001 | 86,657,524 |
| Total assets | 107,430,034 | 103,608,957 |
| Deferred outflows of resources | | |
| Deferred outflows of resources relating to pensions | 700,014 | 484,525 |
| Total deferred outflows of resources | 700,014 | 484,525 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 393,121 | 268,735 |
| Accrued expenses | 113,840 | 115,648 |
| Participants payable | 189,675 | 128,257 |
| Current portion of notes and bonds payable | 300,000 | 295,000 |
| Total current liabilities | 996,636 | 807,640 |
| Non-current liabilities | | |
| Non-current portion of notes and bonds payable | 15,238,458 | 15,541,338 |
| Accrued compensated absences | 55,473 | 55,472 |
| Net pension liability | 2,369,554 | 1,775,028 |
| Total non-current liabilities | 17,663,485 | 17,371,838 |
| Total liabilities | 18,660,121 | 18,179,478 |
| Deferred inflows of resources | | |
| Unearned revenue - property taxes | 393,463 | 379,247 |
| Deferred inflows of resources relating to pensions | 16,999 | 77,748 |
| Total deferred inflows of resources | 410,462 | 456,995 |
| Net position | | |
| Net investment in capital assets | 69,134,543 | 70,821,186 |
| Restricted, emergency reserve | 12,469 | 11,359 |
| Unrestricted | 19,912,453 | 14,624,464 |
| Total net position | \$ 89,059,465 | \$ 85,457,009 |

See accompanying notes to the financial statements.

St. Vrain Sanitation District

Statements of Revenues, Expenses and Changes in Net Position

| <i>For the Year Ended December 31,</i> | 2017 | 2016 |
|-----------------------------------------------------|----------------------|----------------------|
| Operating revenues | | |
| Wastewater treatment and collection service charges | \$ 5,571,634 | \$ 4,993,629 |
| Total operating revenues | 5,571,634 | 4,993,629 |
| Operating expenses | | |
| General government expenses | 78,136 | 136,903 |
| Sewer treatment plant | 1,830,544 | 1,634,783 |
| Sewer collection | 895,879 | 1,026,700 |
| Depreciation | 3,697,187 | 3,595,359 |
| Administration and information technology | 1,365,342 | 1,063,562 |
| Total operating expenses | 7,867,088 | 7,457,307 |
| Loss from operations | (2,295,454) | (2,463,678) |
| Non-operating revenues (expenses) | | |
| Property taxes | 384,848 | 361,414 |
| Specific ownership taxes | 29,507 | 21,130 |
| Inclusion fees | 1,063 | 3,913 |
| Interest income | 181,242 | 96,723 |
| Build America bond subsidy | 267,378 | 267,092 |
| FEMA reimbursement | - | 8,146 |
| Gain on disposal of capital assets | 34,637 | - |
| Net unrealized and realized loss on investments | (67,617) | (57,322) |
| Interest expense | (835,131) | (838,463) |
| Total non-operating revenues (expenses) | (4,073) | (137,367) |
| Loss before contributions | (2,299,527) | (2,601,045) |
| Capital contributions | 5,901,983 | 4,938,148 |
| Change in net position | 3,602,456 | 2,337,103 |
| Net position at beginning of year | 85,457,009 | 83,119,906 |
| Net position at end of year | \$ 89,059,465 | \$ 85,457,009 |

See accompanying notes to the financial statements.

St. Vrain Sanitation District

Statements of Cash Flows

| <i>For the Year Ended December 31,</i> | 2017 | 2016 |
|---------------------------------------------------------------------|---------------------|---------------------|
| Cash flows from operating activities | | |
| Cash received from customers | \$ 5,687,207 | \$ 4,893,173 |
| Cash paid to suppliers | (2,375,650) | (2,361,977) |
| Cash paid to employees | (1,291,806) | (1,388,831) |
| Net cash flows from operating activities | 2,019,751 | 1,142,365 |
| Cash flows from non-capital and related financing activities | | |
| Property taxes | 384,848 | 361,414 |
| Specific ownership taxes | 29,507 | 21,130 |
| Inclusion fees | 1,063 | 3,913 |
| FEMA reimbursement | - | 8,146 |
| Net cash flows from non-capital and related financing activities | 415,418 | 394,603 |
| Cash flows from capital and related financing activities | | |
| Contributed capital | 4,362,413 | 3,812,517 |
| Acquisition of capital assets | (198,888) | (3,646,911) |
| Proceeds from sale of capital assets | 121,849 | - |
| Build America bond subsidy | 267,378 | 267,092 |
| Principal paid | (295,000) | (135,000) |
| Interest paid | (839,075) | (841,612) |
| Net cash flows from capital and related financing activities | 3,418,677 | (543,914) |
| Cash flows from investing activities | | |
| Interest income received | 181,242 | 96,723 |
| Purchases of investments | (6,687,447) | (9,193,833) |
| Proceeds from sale of investments | 1,523,001 | 7,501,012 |
| Net cash flows from investing activities | (4,983,204) | (1,596,098) |
| Net change in cash and cash equivalents | 870,642 | (603,044) |
| Cash and cash equivalents at beginning of year | 2,976,646 | 3,579,690 |
| Cash and cash equivalents at end of year | \$ 3,847,288 | \$ 2,976,646 |

(Continued).

St. Vrain Sanitation District

Statements of Cash Flows

| <i>For the Years Ended December 31,</i> | 2017 | 2016 |
|--------------------------------------------------------------------------------------|---------------------|---------------------|
| Reconciliation of operating loss to net cash flows from operating activities: | | |
| Operating loss | \$ (2,295,454) | \$ (2,463,678) |
| Adjustments to reconcile operating loss to net cash flows from operating activities: | | |
| Depreciation | 3,697,187 | 3,595,359 |
| Changes in assets and liabilities: | | |
| Receivables | 115,573 | (100,456) |
| Prepaid expenses | 60,514 | (60,390) |
| Accounts payable and accrued expenses | 123,643 | 123,848 |
| Pension liability and related items | 318,288 | 47,682 |
| Net cash flows from operating activities | \$ 2,019,751 | \$ 1,142,365 |
| Non-cash investing and financing transactions | | |
| Contributed capital assets | \$ 1,600,988 | \$ 1,147,555 |

See accompanying notes to the financial statements.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

1. Summary of Significant Accounting Policies

Form of Organization

The St. Vrain Sanitation District (the “District”) is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes (“CRS”). 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’s boundaries.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. 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

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

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

Based on the above criteria, there are no other organizations that would be considered component units of the District.

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 Accounting

The District’s operations are accounted for using 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 the District are included on the statements of net position. Total net position is segregated into net investment in capital assets, restricted for emergency reserves 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. The District utilizes the accrual basis of accounting wherein revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Cash and Cash Equivalents

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

Investments

Investments are measured at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, or at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

Operating Revenues and Receivables

Operating revenues are those revenues that are generated directly from the primary activity of the District. These revenues are wastewater treatment and collection service charges. The District is responsible for billing and collection of these charges on a quarterly basis.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances are considered past due 30 days from the invoice date. Management provides an allowance for uncollectible amounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. As of December 31, 2017 and 2016, \$11,551 is considered to be uncollectible.

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 Weld County Treasurer to bill and collect its property taxes. Taxes levied in December 2017 are recorded as property taxes receivable and unearned revenue as of December 31, 2017.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. The cost of maintenance and repairs is charged to expense as incurred; significant renewals, betterments and improvements are capitalized.

The provision for depreciation is computed using the straight-line method over the estimated useful lives of the assets. The lives used for individual components of capital assets are as follows:

| | Estimated |
|---------------------------------|---------------|
| Sewage treatment plant | 20 - 50 years |
| Trunk and collection lines | 20 - 50 years |
| Laboratory and office equipment | 3 - 10 years |
| Building | 50 years |
| Vehicles | 5 years |

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Bond Issuance Costs, Premiums, and Bond Refunding

Long-term debt and other long-term obligations are reported as liabilities in the statements of net position. Bond premiums are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium. Debt issuance costs are recognized as an expense during the period of issuance.

For bond refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense using the effective interest method. The accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

Accrued Compensated Absences

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits and overtime, which will be paid to employees upon separation from the District. A liability of \$55,473 and \$55,472 for accrued benefits at December 31, 2017 and 2016, respectively, has been recorded on the statements of net position representing the District's commitment to fund such costs.

Pensions

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

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 investment fee ("PIF") of \$5,650 per single-family equivalent unit ("SFE"), and a line extension fee is charged depending on location. During 2017 and 2016, the line extension fee ranged from \$650 to \$1,350. Plant investment fees and line extension fees are recorded as capital contributions from customers and subdividers.

Budget

Colorado state law requires the adoption of an annual budget. Appropriations lapse at the end of each year. The budget and related appropriations are prepared on the budgetary basis, which differs from GAAP in that:

- Certain capital outlays are budgeted as expenditures;
- Depreciation is not budgeted;
- Contributed lines are not budgeted as non-operating revenue;
- Proceeds from debt issuance are budgeted as non-operating revenues; and
- Debt principal retired is budgeted as non-operating expenses.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Therefore, 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 in the 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 | \$ 3,602,456 | \$ 2,337,103 |
| Add: | | |
| Depreciation | 3,697,187 | 3,595,359 |
| Less: | | |
| Capital outlay | (198,888) | (3,646,911) |
| Contributed capital assets | (1,600,988) | (1,147,555) |
| Debt principal paid | (295,000) | (135,000) |
| Excess of budget basis expenditures over budget basis revenues | \$ 5,204,767 | \$ 1,002,996 |

The District’s Board of Directors (the “Board”) adopts total budget appropriations for each of its legal “funds”. In October of each year the District presents a proposed budget to the Board for review and comment. A budget study session is held at the November meeting to discuss the budget requests. Public notice and a public hearing is held in December of each year when the budget is adopted per state statute by the Board. The Board may transfer budget amounts between departments within any fund; however, any revision that alters the total appropriation of any fund requires that a budget revision be adopted by resolution in the same manner described above for adoption of the original budget. The level of budgetary responsibility is by total “fund” appropriations.

| | Original Budget | Total Revisions | Revised Budget |
|---------------------|-----------------|-----------------|----------------|
| Business type fund: | | | |
| General fund | \$ 449,546 | \$ - | \$ 449,546 |
| Enterprise fund | 8,136,481 | - | 8,136,481 |
| Total | \$ 8,586,027 | \$ - | \$ 8,586,027 |

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources for pension-related amounts. See Note 7 for additional information.

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 deferred inflows of resources relating to property taxes and for pension-related amounts. See Note 7 for additional information.

St. Vrain 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 presents 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.

Participants Payable

Participants are developers who provide funds to the District for construction of sewer infrastructure which is refundable through agreements by development that is later connected to the infrastructure. These agreements provide an affected service area as well as set a "line extension fee." As sewer connections are sold, they are tracked and money collected is deposited in District accounts. Per the agreement, the funds are disbursed to the participants. Occasionally the District participates in construction of lines and then is reimbursed in full prior to reimbursement to participants. Reimbursements are dependent upon growth in the affected areas and are not guaranteed, thus they are not considered a payable until the fee is collected.

Use of Estimates

Preparation of the District's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent 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

Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes ("CRS") require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

PDPA requires the eligible depositories with public deposits in excess of the federal insurance levels to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2017 and 2016, the District had deposits with a financial institution with a carrying amount of \$3,841,935 and \$2,971,293, respectively. The bank balances with the financial institution was \$3,658,493 and \$3,032,920, respectively. Of these amounts, \$250,000 was covered by federal depository insurance. The remaining balances of \$3,408,493 and \$2,782,920, respectively, were collateralized with securities held by the financial institutions' agents but not in the District's name (PDPA).

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

| | 2017 | 2016 |
|----------------------------------------|---------------------|---------------------|
| Cash financial institution | \$ 3,841,935 | \$ 2,971,293 |
| Cash with county treasurer | 5,153 | 5,153 |
| Cash on hand | 200 | 200 |
| Total cash and cash equivalents | \$ 3,847,288 | \$ 2,976,646 |

At December 31, 2017, the District had the following investments:

| Investment | S&P Rating | Value | Weighted Average Maturity Date (in years) | Concentration of Credit Risk |
|--------------------------|------------|----------------------|----------------------------------------------------|---------------------------------|
| CSAFE | AAAm | \$ 5,385,986 | N/A | 29.8% |
| FNMA | AA+ | 4,496,938 | 2.51 | 24.9% |
| FHLB | AA+ | 2,296,741 | 3.52 | 12.7% |
| FHLMC | AA+ | 4,923,634 | 3.23 | 27.2% |
| FFCB | AA+ | 494,806 | 3.84 | 2.7% |
| Certificates of Deposit | N/A | 489,000 | 0.25 | 2.7% |
| Total investments | | \$ 18,087,105 | | |

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

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

| Investment | S&P Rating | Value | Weighted Average Maturity Date (in years) | Concentration of Credit Risk |
|--------------------------|------------|----------------------|----------------------------------------------------|---------------------------------|
| CSAFE | AAAm | \$ 4,192,762 | N/A | 32.3% |
| FNMA | AA+ | 4,507,876 | 3.49 | 34.7% |
| FHLB | AA+ | 1,787,834 | 3.81 | 13.7% |
| FHLMC | AA+ | 2,012,804 | 3.45 | 15.5% |
| Certificates of Deposit | N/A | 489,000 | 1.70 | 3.8% |
| Total investments | | \$ 12,990,276 | | |

Investments

The Board of Directors has adopted an investment policy which defines suitable and authorized investments, which include:

- U.S. Treasury with maturities not exceeding five years from the date of trade settlement.
- Federal Instrumentality Securities with maturities not exceeding five years from the date of trade settlement issued by the following only: Federal National Mortgage Association (“FNMA”), Federal Farm Credit Banks (“FFCB”), Federal Home Loan Banks (“FHLB”), and Federal Home Loan Mortgage Corporation (“FHLMC”). Federal instrumentality securities shall be rated in the highest rating category by at least two Nationally Recognized Statistical Rating Organizations (“NRSROs”) that rate them, and shall be rated not less by any NRSRO that rates the debt.
- Repurchase Agreements with a termination date of 180 days or less collateralized by U.S. Treasury obligations or Federal Instrumentality securities above with a final maturity not exceeding ten years.
- Commercial Paper issued by domestic corporations with an original maturity of 270 days or less that is rated at least A-1, P-1 or the equivalent at the time of purchase by at least two NRSROs and rated not less by all NRSROs that rate the commercial paper.
- Eligible Banker’s Acceptances with maturities not exceeding 180 days, issued by FDIC insured state or national banks. Banker’s Acceptances shall be rated at least A-1, P-1 or the equivalent at the time of purchase by at least two NRSROs and rated not less by all NRSROs that rate the instrument.
- Corporate Debt with a maturity not exceeding three years from the date of trade settlement, issued by any corporation or bank organized and operating within the United States. The debt must be rated at least AA-, Aa3 or the equivalent by at least two NRSROs, and rated not less by any NRSRO that rates it.
- Non-negotiable Certificates of Deposit with a maturity not exceeding one year in any FDIC insured state or national bank located in Colorado that is an eligible public depository.
- Local government investment pools.
- Money Market Mutual Funds registered under the Investment Company Act of 1940 that: 1) are "no-load" (no commission or fee shall be charged on purchases or sales of shares); 2) have a constant net asset value of \$1.00 per share; 3) limit assets of the fund to those authorized by state statute; 4) have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940; and 5) have a rating of AAA or the equivalent by one or more NRSROs.

District policy is to hold investments until maturity.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

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.

At December 31, 2017, investment balances at fair value hierarchy are as follows:

| Description | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------------|---------|---------------|---------|---------------|
| FNMA | \$ - | \$ 4,496,938 | \$ - | \$ 4,496,938 |
| FHLB | - | 2,296,741 | - | 2,296,741 |
| FHLMC | - | 4,923,634 | - | 4,923,634 |
| FFCB | - | 494,806 | - | 494,806 |
| Certificates of deposit | - | 489,000 | - | 489,000 |
| Investments measured at amortized cost | | | | 5,385,986 |
| | \$ - | \$ 12,701,119 | \$ - | \$ 18,087,105 |

At December 31, 2016, investment balances at fair value hierarchy are as follows:

| Description | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------------|---------|--------------|---------|---------------|
| FNMA | \$ - | \$ 4,507,876 | \$ - | \$ 4,507,876 |
| FHLB | - | 1,787,834 | - | 1,787,834 |
| FHLMC | - | 2,012,804 | - | 2,012,804 |
| Certificates of deposit | - | 489,000 | - | 489,000 |
| Investments measured at amortized cost | | | | 4,192,762 |
| | \$ - | \$ 8,797,514 | \$ - | \$ 12,990,276 |

Interest Rate Risk

Colorado state statutes require that no investment may have a maturity in excess of five years from the date of purchase, unless an available active market exists. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment portfolio does not contain investments that exceed that limitation of five years.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial credit risk. As of December 31, 2017 and 2016, the District had no investments exposed to custodial credit risk outside of its investment in the Colorado Local Government Liquid Asset Trust (the "Trust"), discussed below.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Local Government Investment Pool

At December 31, 2017 and 2016, the District had invested \$5,385,986 and \$4,192,762, respectively, 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, *Certain External Investment Pools and Pool Participants*.

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 and is measured at amortized cost.

3. Receivables

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

| | 2017 | 2016 |
|---------------------------------|-------------------|-------------------|
| Trade receivables | \$ 415,068 | \$ 461,678 |
| Allowance for doubtful accounts | (11,551) | (11,551) |
| Accrued interest receivable | 4,815 | 4,815 |
| Other | 17,473 | 86,436 |
| Total | \$ 425,805 | \$ 541,378 |

St. Vrain 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:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|-----------------------------------------------------|----------------------|-----------------------|--------------------|---------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,077,066 | \$ - | \$ (13,527) | \$ 1,063,539 |
| Construction in progress | 1,650,375 | 49,080 | - | 1,699,455 |
| Total capital assets, not being depreciated | 2,727,441 | 49,080 | (13,527) | 2,762,994 |
| Capital assets, being depreciated: | | | | |
| Building | 1,136,697 | 41,176 | (87,719) | 1,090,154 |
| Trunk and collection lines | 51,814,582 | 1,600,988 | - | 53,415,570 |
| Sewage treatment plant | 50,745,455 | - | - | 50,745,455 |
| Laboratory and office equipment | 1,062,454 | 81,558 | - | 1,144,012 |
| Vehicles | 161,599 | 27,074 | (17,258) | 171,415 |
| Total capital assets, being depreciated | 104,920,787 | 1,750,796 | (104,977) | 106,566,606 |
| Less accumulated depreciation for: | | | | |
| Building | (286,770) | (21,252) | 14,034 | (293,988) |
| Trunk and collection lines | (10,823,202) | (1,042,786) | - | (11,865,988) |
| Sewage treatment plant | (8,910,866) | (2,539,866) | - | (11,450,732) |
| Laboratory and office equipment | (873,390) | (69,238) | - | (942,628) |
| Vehicles | (96,476) | (24,045) | 17,258 | (103,263) |
| Total accumulated depreciation | (20,990,704) | (3,697,187) | 31,292 | (24,656,599) |
| Total capital assets, being depreciated, net | 83,930,083 | (1,946,391) | (73,685) | 81,910,007 |
| Total capital assets, net | \$86,657,524 | \$ (1,897,311) | \$ (87,212) | \$84,673,001 |

St. Vrain 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 Balance | Additions | Disposals | Ending Balance |
|-----------------------------------------------------|----------------------|---------------------|-----------------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,077,066 | \$ - | \$ - | \$ 1,077,066 |
| Construction in progress | 3,072,821 | - | (1,422,446) | 1,650,375 |
| Total capital assets, not being depreciated | 4,149,887 | - | (1,422,446) | 2,727,441 |
| Capital assets, being depreciated: | | | | |
| Building | 1,136,697 | - | - | 1,136,697 |
| Trunk and collection lines | 46,347,521 | 5,467,061 | - | 51,814,582 |
| Sewage treatment plant | 50,932,377 | 617,482 | (804,404) | 50,745,455 |
| Laboratory and office equipment | 953,890 | 108,564 | - | 1,062,454 |
| Vehicles | 190,342 | 23,805 | (52,548) | 161,599 |
| Total capital assets, being depreciated | 99,560,827 | 6,216,912 | (856,952) | 104,920,787 |
| Less accumulated depreciation for: | | | | |
| Building | (264,036) | (22,734) | - | (286,770) |
| Trunk and collection lines | (9,887,367) | (935,835) | - | (10,823,202) |
| Sewage treatment plant | (7,152,830) | (2,562,440) | 804,404 | (8,910,866) |
| Laboratory and office equipment | (816,994) | (56,396) | - | (873,390) |
| Vehicles | (131,070) | (17,954) | 52,548 | (96,476) |
| Total accumulated depreciation | (18,252,297) | (3,595,359) | 856,952 | (20,990,704) |
| Total capital assets, being depreciated, net | 81,308,530 | 2,621,553 | - | 83,930,083 |
| Total capital assets, net | \$ 85,458,417 | \$ 2,621,553 | \$ (1,422,446) | \$ 86,657,524 |

5. Long Term Debt

Wastewater Revenue Bonds, Series 2010A and Series 2010B

On October 7, 2010, the District issued bonds in two series, totaling \$16,225,000, for the purpose of constructing the new treatment facility. The Series 2010A bonds are tax-free Wastewater Revenue Bonds, payable from future revenues generated by the District. The Series 2010B bonds are also Wastewater Revenue Bonds, payable from future revenues generated by the District; however, they were issued under the federally subsidized Build America Bonds (“BABs”) program, which are therefore federally taxable. The District’s interest costs are partially subsidized under the BABs program, and are recognized as non-operating revenues in 2017 and 2016.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

The following is a summary of changes in long-term debt of the District for the year ended December 31, 2017:

| | Beginning Balance | Additions | Debt Retired | Ending Balance | Due Within One Year |
|------------------------------------------------------------|----------------------|------------------|---------------------|----------------------|------------------------|
| Wastewater Revenue Bonds, Series 2010A and Series 2010B | \$ 15,800,000 | \$ - | \$ (295,000) | \$ 15,505,000 | \$ 300,000 |
| Compensated absences | 55,472 | 65,611 | (65,610) | 55,473 | - |
| Total | 15,855,472 | \$ 65,611 | \$ (360,610) | 15,560,473 | \$ 300,000 |
| Bond premium | 36,338 | | | 33,458 | |
| Current portion of long-term debt | (295,000) | | | (300,000) | |
| Net outstanding long-term debt | \$ 15,596,810 | | | \$ 15,293,931 | |

The following is a summary of changes in long-term debt of the District for the year ended December 31, 2016:

| | Beginning Balance | Additions | Debt Retired | Ending Balance | Due Within One Year |
|------------------------------------------------------------|----------------------|------------------|---------------------|----------------------|------------------------|
| Wastewater Revenue Bonds, Series 2010A and Series 2010B | 15,935,000 | - | (135,000) | 15,800,000 | 295,000 |
| Compensated absences | 36,628 | 62,608 | (43,764) | 55,472 | - |
| Total | 15,971,628 | \$ 62,608 | \$ (178,764) | 15,855,472 | \$ 295,000 |
| Bond premium | 39,234 | | | 36,338 | |
| Current portion of long-term debt | (135,000) | | | (295,000) | |
| Net outstanding long-term debt | \$ 15,875,862 | | | \$ 15,596,810 | |

The annual requirements to amortize all debt outstanding as of December 31, 2017 are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|----------------------|---------------------|----------------------|
| 2018 | \$ 300,000 | \$ 828,987 | \$ 1,128,987 |
| 2019 | 410,000 | 819,237 | 1,229,237 |
| 2020 | 420,000 | 803,944 | 1,223,944 |
| 2021 | 535,000 | 787,648 | 1,322,648 |
| 2022 | 555,000 | 761,540 | 1,316,540 |
| 2023-2027 | 3,990,000 | 3,303,354 | 7,293,354 |
| 2028-2032 | 5,305,000 | 2,085,962 | 7,390,962 |
| 2033-2035 | 3,990,000 | 467,475 | 4,457,475 |
| Total | \$ 15,505,000 | \$ 9,858,147 | \$ 25,363,147 |

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

6. 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 natural disasters. The District maintains commercial insurance coverage to mitigate these risks of loss. Settled claims have not exceeded this commercial insurance coverage in any of the past three years.

7. Public Employees Retirement Association of Colorado

Plan description

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

Benefits provided

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

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

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

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

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

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

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

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

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

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

Contributions

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

| | Rate |
|------------------------------------------------------------------------------------------------------------------------------|---------|
| Employer Contribution Rate ¹ | 10.00% |
| Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f) ¹ | (1.02)% |
| Amount Apportioned to the LGDTF ¹ | 8.98% |
| Amortization Equalization Disbursement (AED) as specified in CRS § 24-51-411 ¹ | 2.20% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS 24-51-411 ¹ | 1.50% |
| Total Employer Contribution Rate to the LGDTF ¹ | 12.68% |

¹Rates are expressed as a percentage of salary as defined in CRS § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$136,316 and \$129,502, respectively, for the years ended December 31, 2017 and 2016.

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

At December 31, 2017 and 2016, the District reported a net pension liability of \$2,369,554 and \$1,775,028, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2017 and 2016, respectively. The District’s proportion of the net pension liability was based on District contributions to the LGDTF for the calendar years 2016 and 2015 relative to the total contributions of participating employers to the LGDTF.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

At December 31, 2016, the District's proportion was 0.17548 percent, which was an increase of 0.01435 from its proportion measured as of December 31, 2015. At December 31, 2015, the District's proportion was 0.16113 percent, which was a decrease of 0.01117 from its proportion measured as of December 31, 2014.

For the years ended December 31, 2017 and 2016, the District recognized pension expense of \$464,605 and \$177,184, respectively.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 42,167 | \$ - |
| Changes of assumptions or other inputs | 168,077 | 6,852 |
| Net difference between projected and actual earnings on pension plan investments | 284,573 | - |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 68,881 | 10,147 |
| District contributions subsequent to the measurement date | 136,316 | - |
| Total | \$ 700,014 | \$ 16,999 |

The \$136,316 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | Amortization |
|-------------------------|--------------|
| 2018 | \$ 325,966 |
| 2019 | 131,628 |
| 2020 | 80,984 |
| 2021 | 8,121 |
| | \$ 546,699 |

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 13,318 | \$ 61 |
| Changes of assumptions or other inputs | - | 32,512 |
| Net difference between projected and actual earnings on pension plan investments | 341,705 | - |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | - | 45,175 |
| District contributions subsequent to the measurement date | 129,502 | - |
| Total | \$ 484,525 | \$ 77,748 |

Actuarial assumptions

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

| | |
|------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.80 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.90 percent |
| Salary increases, including wage inflation | 3.90 - 10.85 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.50 percent |
| Discount rate | 7.50 percent |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) | 2.00 percent |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

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

| | |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 - 10.45 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic) | 2.00 percent |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

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

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

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA’s Board on November 18, 2016 to more closely reflect PERA’s actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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

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

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

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

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

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

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

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|-----------------------------------|-------------------|------------------------------------------------|
| U.S. Equity - Large Cap | 21.20% | 4.30% |
| U.S. Equity - Small Cap | 7.42% | 4.80% |
| Non U.S. Equity - Developed | 18.55% | 5.20% |
| Non U.S. Equity - Emerging | 5.83% | 5.40% |
| Core Fixed Income | 19.32% | 1.20% |
| High Yield | 1.38% | 4.30% |
| Non U.S. Fixed Income - Developed | 1.84% | 0.60% |
| Emerging Market Debt | 0.46% | 3.90% |
| Core Real Estate | 8.50% | 4.90% |
| Opportunity Fund | 6.00% | 3.80% |
| Private Equity | 8.50% | 6.60% |
| Cash | 1.00% | 0.20% |
| Total | 100.00% | |

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate

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

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

Based on the above assumptions and methods, LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

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

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|-------------------------------------------------------------|------------------------|----------------------------------|------------------------|
| District’s proportionate share of the net pension liability | \$ 3,493,798 | \$ 2,369,554 | \$ 1,438,556 |

Pension plan fiduciary net position

Detailed information about the LGDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

8. Postemployment Healthcare Benefits

Plan description

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

Funding policy

The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the CRS, as amended. For the years ending December 31, 2017, 2016, and 2015, the District’s employer contributions to the HCTF were \$10, 966 \$10,417, and \$9,884, respectively, equal to their required contributions for each year.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

9. Defined Contribution Pension Plan

Plan Description - Employees of the District who are members of the LGDTF (see Note 7) may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the years ended December 31, 2017, 2016, and 2015, the 401(k) Plan member contributions were \$48,258, \$46,184, and \$45,427, respectively.

10. Board Designated Net Position

Board designated net position, which is intended to be used for specific purposes but is not legally restricted, is a component of unrestricted net position. At December 31, 2017 and 2016, the Board designated \$3,259,747 and \$3,268,343, respectively, to provide funding for a reserve for infrastructure replacements, an emergency reserve, and a debt reserve.

11. Commitments and Contingencies

Federal, State and Local Provisions

Substantially all of the District's facilities are subject to federal, state, and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the District expect such compliance to have, any material effect upon the capital expenditures, net income and financial condition of the District. Management believes that its current practices and procedures for the control and disposition of such waste comply with applicable federal and state requirement.

Line Extension Agreements

Pursuant to certain line extension agreements, the District is committed to reimburse various parties for line extension fees as customers connect to the applicable lines. However, the District is not required to reimburse funds until the fees are received from new customers or developers. Generally, the fees shall first be applied to the District's contribution until totally reimbursed, and only thereafter to the various parties. Some agreements call for the line extension fees received to be divided between the developer and the District on a pro-rata basis. The agreements generally are for 15 years after which time any further fees received remain with the District.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

As of December 31, 2017, the maximum reimbursements are as follows:

| | District | Participants |
|----------------------------------------|----------------------|---------------------|
| Idaho Creek Line Extension | \$ - | \$ 1,141,456 |
| WCR 20/11 Line Extension | - | 102,677 |
| Dacono/ 52 Crossing | - | 215,457 |
| Liberty Gulch Line Extension | - | 3,371,558 |
| Aurora Dairy Line Extension | - | 279,000 |
| Carlson Line Extension | 216,979 | 219,227 |
| Northline Extension | 1,614,598 | 1,183,417 |
| Graydon Line Extension | 102,450 | 598,883 |
| Knudson | - | 41,684 |
| North 66 | - | 141,000 |
| Liberty Gulch Phase III Line Extension | - | 1,215,341 |
| WCR 26E Line Extension | - | 254,013 |
| Wyndham Hill | - | 372,695 |
| TA Interceptor | 8,471,685 | - |
| Totals | \$ 10,405,712 | \$ 9,136,408 |

12. 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 fund reserves (balances). The amendment requires voter approval for any increase in 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.

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 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.

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 and fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$12,469 and \$11,359 for emergencies as defined by TABOR as of December 31, 2017 and 2016, respectively.

The District believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

St. Vrain Sanitation District
Notes to Financial Statements
December 31, 2017 and 2016

13. Subsequent Events

The District evaluated subsequent events through May 31, 2018 the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

Required Supplementary Information

St. Vrain Sanitation District
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Years

| | 2017 | 2016 | 2015 | 2014 |
|----------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability | 0.17548% | 0.16113% | 0.17230% | 0.16490% |
| District's proportionate share of the net pension liability | \$ 2,369,554 | \$ 1,775,028 | \$ 1,544,379 | \$ 1,237,242 |
| District's covered payroll | \$ 1,021,310 | \$ 969,014 | \$ 944,151 | \$ 879,732 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 232.01% | 183.18% | 163.57% | 140.64% |
| Plan fiduciary net position as a percentage of the total pension | 73.60% | 76.90% | 80.70% | 77.66% |

* The amounts presented for each fiscal year were determined as of 12/31 of the prior year.

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

See accompanying Independent Auditor's Report

**St. Vrain Sanitation District
Schedule of District Contributions**

Last Ten Years

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|-----------------------------------------------------------|--------------|--------------|------------|------------|------------|
| Statutorily Required Contribution | 136,316 | \$ 129,502 | \$ 122,871 | \$ 119,718 | \$ 111,550 |
| Contributions in Relation to the Statutorily Contribution | 136,316 | 129,502 | 122,871 | 119,718 | 111,550 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 1,075,050 | \$ 1,021,310 | \$ 969,014 | \$ 944,151 | \$ 879,732 |
| Contributions as a Percentage of Covered Payroll | 12.68% | 12.68% | 12.68% | 12.68% | 12.68% |

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

See accompanying Independent Auditor's Report

Other Supplementary Information

St. Vrain Sanitation District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
Sanitation Enterprise Fund
For the Year Ended December 31, 2017

With Comparative Actual Amounts for the Year Ended December 31, 2016

| | 2017 | | | | | 2016 Actual |
|---------------------------------------------|------------------|------------------|--------------------------------------|---------------------------------------------------------|------------------|----------------|
| | Budgeted Amounts | | Actual Amounts Budget Basis | Variance with Final Budget Positive (Negative) | | |
| | Original | Final | | | | |
| Revenues | | | | | | |
| Monthly sewer charges | \$ 4,427,032 | \$ 4,427,032 | \$ 4,592,607 | \$ 165,575 | \$ 4,058,266 | |
| Drainage debt service fees | 136,540 | 136,540 | 144,228 | 7,688 | 136,486 | |
| Excess surcharges | 135,000 | 135,000 | 138,757 | 3,757 | 182,239 | |
| Fines collected | 1,000 | 1,000 | 3,000 | 2,000 | - | |
| Line extension fees | - | - | 420,214 | 420,214 | 324,974 | |
| Capital contributions | 2,119,050 | 2,119,050 | 4,300,995 | 2,181,945 | 3,790,593 | |
| Inspection fees | 30,300 | 30,300 | 44,005 | 13,705 | 40,010 | |
| Inclusion development fees | 4,800 | 4,800 | 2,123 | (2,677) | 3,600 | |
| Late fees and delinquent charges | 92,000 | 92,000 | 133,179 | 41,179 | 142,461 | |
| Miscellaneous charges and fees | 7,890 | 7,890 | 67,341 | 59,451 | 77,473 | |
| Transfer fees | 15,000 | 15,000 | 26,180 | 11,180 | 28,120 | |
| Nonoperating revenues: | | | | | | |
| General fund | 300,000 | 300,000 | - | (300,000) | - | |
| Interest | 82,290 | 82,290 | 181,014 | 98,724 | 96,399 | |
| FEMA reimbursement | 1,000,000 | 1,000,000 | - | (1,000,000) | 8,146 | |
| Build America bond subsidy | 286,733 | 286,733 | 267,378 | (19,355) | 267,092 | |
| Gain on disposal of capital assets | - | - | 34,637 | 34,637 | - | |
| Unrealized and realized loss on investments | - | - | (67,617) | (67,617) | (57,322) | |
| Total revenues | 8,637,635 | 8,637,635 | 10,288,041 | 1,650,406 | 9,098,537 | |
| Expenditures | | | | | | |
| Sewer collection: | | | | | | |
| Payroll and benefits | 283,331 | 283,331 | 271,048 | 12,283 | 264,718 | |
| Education and training | 11,000 | 11,000 | 3,188 | 7,812 | 1,290 | |
| Legal | 3,000 | 3,000 | 2,332 | 668 | 2,137 | |
| Collection lines: | | | | | | |
| Cleaning and other | 110,000 | 110,000 | 93,595 | 16,405 | 108,715 | |
| Maintenance and repair | 844,230 | 844,230 | 432,684 | 411,546 | 565,875 | |
| Inspection: | | | | | | |
| Auto and truck | 3,500 | 3,500 | 3,676 | (176) | 3,334 | |
| Television | 70,800 | 70,800 | 63,269 | 7,531 | 57,437 | |
| Other | 11,850 | 11,850 | 5,273 | 6,577 | 13,623 | |
| Consultant and consulting engineer | 8,000 | 8,000 | 19,760 | (11,760) | 9,275 | |
| GIS service | 3,000 | 3,000 | 1,054 | 1,946 | 128 | |
| Locate service | 16,000 | 16,000 | - | 16,000 | - | |
| Dues and subscriptions | 276 | 276 | - | 276 | 168 | |
| Total sewage collection | 1,364,987 | 1,364,987 | 895,879 | 469,108 | 1,026,700 | |

Continued.

St. Vrain Sanitation District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
Sanitation Enterprise Fund
For the Year Ended December 31, 2017

With Comparative Actual Amounts for the Year Ended December 31, 2016

| | 2017 | | Actual Amounts Budget Basis | Variance with Final Budget Positive (Negative) | 2016 Actual |
|--------------------------------------|------------------|------------------|--------------------------------------|---------------------------------------------------------|------------------|
| | Budgeted Amounts | | | | |
| | Original | Final | | | |
| Sewage treatment: | | | | | |
| Payroll and benefits | 488,467 | 488,467 | 517,424 | (28,957) | 496,416 |
| Auto and truck expense | 23,000 | 23,000 | 11,318 | 11,682 | 16,942 |
| Contract services | 46,600 | 46,600 | 35,486 | 11,114 | 23,012 |
| Testing and discharge monitoring | 25,000 | 25,000 | 19,512 | 5,488 | 21,978 |
| Equipment maintenance and repair | 138,800 | 138,800 | 110,420 | 28,380 | 71,566 |
| Laboratory supplies and equipment | 32,200 | 32,200 | 17,446 | 14,754 | 19,592 |
| Lift station: | | | | | |
| Maintenance and repair | 7,000 | 7,000 | 7,098 | (98) | 2,535 |
| Telephone | 800 | 800 | 688 | 112 | 775 |
| Plant: | | | | | |
| Maintenance and repair | 159,000 | 159,000 | 127,746 | 31,254 | 55,170 |
| Operating supplies | 222,000 | 222,000 | 234,126 | (12,126) | 224,612 |
| Other | 8,550 | 8,550 | 31,785 | (23,235) | 22,716 |
| Trash and cleaning | 17,200 | 17,200 | 15,252 | 1,948 | 15,080 |
| Training and safety | 22,400 | 22,400 | 11,021 | 11,379 | 11,197 |
| Fees and licenses | 20,000 | 20,000 | 12,900 | 7,100 | 13,838 |
| Utilities: | | | | | |
| Headworks | 59,000 | 59,000 | 53,731 | 5,269 | 51,629 |
| Operating building | 491,300 | 491,300 | 498,417 | (7,117) | 457,104 |
| Other | 5,750 | 5,750 | 4,882 | 868 | 4,361 |
| Pretreatment | 125,577 | 125,577 | 112,346 | 13,231 | 116,736 |
| Bio-solids removal | 35,000 | 35,000 | - | 35,000 | 2,626 |
| Telephone | 10,000 | 10,000 | 8,946 | 1,054 | 6,898 |
| Total sewage treatment | 1,937,644 | 1,937,644 | 1,830,544 | 107,100 | 1,634,783 |
| Capital outlay: | | | | | |
| Capital construction costs | 2,025,000 | 2,025,000 | 198,888 | 1,826,112 | 3,646,911 |
| Total capital outlay | 2,025,000 | 2,025,000 | 198,888 | 1,826,112 | 3,646,911 |

Continued.

St. Vrain Sanitation District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
Sanitation Enterprise Fund
For the Year Ended December 31, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

| | 2017 | | Actual Amounts Budget Basis | Variance with Final Budget Positive (Negative) | 2016 Actual |
|--------------------------------------------------------|------------------|------------------|--------------------------------------|---------------------------------------------------------|------------------|
| | Budgeted Amounts | | | | |
| | Original | Final | | | |
| Administration and information technology: | | | | | |
| Building maintenance and cleaning | 48,500 | 48,500 | 47,500 | 1,000 | 46,130 |
| Building utilities | 15,000 | 15,000 | 13,260 | 1,740 | 13,079 |
| Building security and trash | 3,290 | 3,290 | 2,637 | 653 | 3,421 |
| Office supplies | 9,000 | 9,000 | 9,581 | (581) | 8,552 |
| Information technology | 223,750 | 223,750 | 144,622 | 79,128 | 135,358 |
| Equipment maintenance and repairs | 6,700 | 6,700 | 3,678 | 3,022 | 4,059 |
| Postage | 6,900 | 6,900 | 6,552 | 348 | 8,023 |
| Telephone: | | | | | |
| Office | 780 | 780 | 2,071 | (1,291) | 1,131 |
| Cell phones | 9,200 | 9,200 | 8,874 | 326 | 9,365 |
| Insurance: | | | | | |
| Liability and property | 79,000 | 79,000 | 77,917 | 1,083 | 78,342 |
| Employee health | 45,204 | 45,204 | 47,413 | (2,209) | 46,547 |
| Training | 16,000 | 16,000 | 13,893 | 2,107 | 7,061 |
| Mileage and meals | 5,300 | 5,300 | 3,846 | 1,454 | 3,265 |
| Legal fees | 9,000 | 9,000 | 12,043 | (3,043) | 33,233 |
| Bank fees | 32,100 | 32,100 | 44,770 | (12,670) | 32,794 |
| Advertising and public notices | 500 | 500 | 23 | 477 | 1,323 |
| Licenses and fees | 1,700 | 1,700 | 1,853 | (153) | 526 |
| Miscellaneous | 10,100 | 10,100 | 65,629 | (55,529) | 45,157 |
| Payroll: | | | | | |
| Salaries | 505,952 | 505,952 | 417,526 | 88,426 | 422,194 |
| Taxes | 7,723 | 7,723 | 7,437 | 286 | 7,454 |
| PERA retirement | 64,124 | 64,124 | 375,204 | (311,080) | 100,494 |
| 401(k) plan matching | 28,083 | 28,083 | 21,455 | 6,628 | 20,185 |
| Consultant and contracted services | 36,800 | 36,800 | 26,311 | 10,489 | 23,255 |
| Dues and subscriptions | 14,400 | 14,400 | 11,247 | 3,153 | 12,614 |
| Total administration and information technology | 1,179,106 | 1,179,106 | 1,365,342 | (186,236) | 1,063,562 |

Continued.

St. Vrain Sanitation District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
Sanitation Enterprise Fund
For the Year Ended December 31, 2017

With Comparative Actual Amounts for the Year Ended December 31, 2016

| | 2017 | | Actual Amounts Budget Basis | Variance with Final Budget Positive (Negative) | 2016 Actual |
|-------------------------------------------------------------------------------------|-------------------|-------------------|--------------------------------------|---------------------------------------------------------|-------------------|
| | Budgeted Amounts | | | | |
| | Original | Final | | | |
| Debt service: | | | | | |
| Bond service fee | 500 | 500 | 500 | - | - |
| Due to General fund | 136,540 | 136,540 | - | 136,540 | - |
| Principal payments on 2010 AB Series | 295,000 | 295,000 | 295,000 | - | 135,000 |
| Interest payments on 2010 AB Series | 838,575 | 838,575 | 834,631 | 3,944 | 838,463 |
| Total debt service | 1,270,615 | 1,270,615 | 1,130,131 | 140,484 | 973,463 |
| Contingencies | 359,129 | 359,129 | - | 359,129 | - |
| Total expenditures | 8,136,481 | 8,136,481 | 5,420,784 | 2,715,697 | 8,345,419 |
| Excess of enterprise fund revenues over enterprise fund expenditures | \$ 501,154 | \$ 501,154 | \$ 4,867,257 | \$ 4,366,103 | \$ 753,118 |

See accompanying Independent Auditor's Report

St. Vrain Sanitation District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
General Government Fund
For the Year Ended December 31, 2017
With Comparative Actual Amounts for Year Ended December 31, 2016

| | 2017 | | Actual Amounts Budget Basis | Variance with Final Budget Positive (Negative) | 2016 Actual |
|-----------------------------------------------------------------------------------------------------|------------------|------------------|--------------------------------------|---------------------------------------------------------|-------------------|
| | Budgeted Amounts | | | | |
| | Original | Final | | | |
| Revenues: | | | | | |
| General property taxes | \$ 379,247 | \$ 379,247 | \$ 384,603 | \$ 5,356 | \$ 361,313 |
| Refund and abatements | - | - | 245 | 245 | 101 |
| Specific ownership taxes | 18,000 | 18,000 | 29,507 | 11,507 | 21,130 |
| Earnings on investments | 1,400 | 1,400 | 228 | (1,172) | 324 |
| Transfer from Enterprise fund | 136,540 | 136,540 | - | (136,540) | - |
| Inclusion fees | 5,000 | 5,000 | 1,063 | (3,937) | 3,913 |
| Total revenues | 540,187 | 540,187 | 415,646 | (124,541) | 386,781 |
| Expenditures: | | | | | |
| Treasurer's fees | 7,000 | 7,000 | 5,685 | 1,315 | 5,362 |
| Abatements | 1,200 | 1,200 | 213 | 987 | 428 |
| Advertising/public notices | 1,200 | 1,200 | - | 1,200 | - |
| Board meetings | 2,400 | 2,400 | 1,146 | 1,254 | 2,025 |
| Director fees | 9,246 | 9,246 | 6,343 | 2,903 | 7,229 |
| Miscellaneous | 23,500 | 23,500 | 16,598 | 6,902 | 15,045 |
| Audit | 18,000 | 18,000 | 13,144 | 4,856 | 17,689 |
| Legal fees | 80,000 | 80,000 | 33,398 | 46,602 | 84,406 |
| Conferences | 2,000 | 2,000 | 1,609 | 391 | 1,773 |
| Elections | 5,000 | 5,000 | - | 5,000 | 2,946 |
| Transfer to Enterprise fund | 300,000 | 300,000 | - | 300,000 | - |
| Total expenditures | 449,546 | 449,546 | 78,136 | 371,410 | 136,903 |
| Excess of general government fund revenues over general government fund expenditures | \$ 90,641 | \$ 90,641 | \$ 337,510 | \$ 246,869 | \$ 249,878 |

See accompanying Independent Auditor's Report