

**VALLEY SANITATION DISTRICT**  
Arapahoe County and  
City and County of Denver, Colorado

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

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Office of the State Auditor

May 11, 2018

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### **Independent Auditor's Report**

Board of Directors  
Valley Sanitation District  
Arapahoe County and City and  
County of Denver, Colorado

We have audited the accompanying financial statements of Valley Sanitation District (District) as of and for the years ended December 31, 2017 and 2016 and the related notes to the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Valley Sanitation District, as of December 31, 2017 and 2016, and the

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

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

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
April 11, 2018

**VALLEY SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Our discussion and analysis of Valley Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2017 and 2016. Please read it in conjunction with the District's basic financial statements which begin on page 1.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

**FINANCIAL SUMMARY AND ANALYSIS**

**Net Position - 2017**

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets exceed liabilities plus deferred inflows of resources in 2017 by \$785,869. This amount increased from 2016 to 2017 by \$70,415 or 9.8%. Current assets decreased by 4% or \$35,699 from 2016 to 2017. Cash and cash equivalents and investments decreased by \$57,696, primarily due to spending on sewer outfall interceptor line relocation project. Accounts receivable increased by \$16,761 or 20.9%. The accounts receivable is comprised primarily of the amount due from the City of Englewood which collects the District's surcharge on behalf of the District and remits amounts periodically. Additionally, property taxes receivable increased by \$5,000 due to an increase in the District's assessed

**VALLEY SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

valuation and a slightly lower mill levy for the property taxes levied for collection in 2018. The District's 2.493 mill levy was offset by a temporary mill levy reduction of .439 mills by the District to comply with the statutory property tax revenue limitation (5.5% limit) of C.R.S. 29-1-301 and TABOR. Current liabilities increased \$3,926, or 16.0%, from 2016 to 2017. This increase is due to an increase in accounts payable due to more expenses incurred in December 2017 than December 2016 and the related timing of the payment of those expenses.

**Net Position - 2016**

As noted in the table below, the District's assets exceed liabilities plus deferred inflows of resources in 2016 by \$715,454. This amount increased from 2015 to 2016 by \$94,460 or 15.2%. Current assets also increased by 14% or \$111,215 from 2015 to 2016. Cash and cash equivalents and investments increased by \$91,188, primarily due to positive operating results. Accounts receivable increased by \$5,471 or 7.4%. The accounts receivable is comprised primarily of the amount due from the City of Englewood which collects the District's surcharge on behalf of the District and remits amounts periodically. The 2016 surcharge fees are expected to be received in 2017. Additionally, property taxes receivable increased by \$10,500 due to an increase in the District's assessed valuation and a slightly higher mill levy for the property taxes levied for collection in 2017. The District's 2.493 mill levy was offset by a temporary mill levy reduction of .228 mills by the District to comply with the statutory property tax revenue limitation (5.5% limit) of C.R.S. 29-1-301. Current liabilities increased \$6,255, or 34.1%, from 2015 to 2016. This increase is due to an increase in accounts payable due to more expenses incurred in December 2016 than December 2015 and the related timing of the payment of those expenses.

**NET POSITION**

	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>			
Current assets	\$ 850,498	\$ 886,197	\$ 774,982
Capital assets, net	120,869	5,829	5,829
Total assets	<u>971,367</u>	<u>892,026</u>	<u>780,811</u>
<b>LIABILITIES</b>			
Current liabilities	28,498	24,572	18,317
Total liabilities	<u>28,498</u>	<u>24,572</u>	<u>18,317</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>157,000</u>	<u>152,000</u>	<u>141,500</u>
<b>NET POSITION</b>			
Investment in capital assets	120,869	5,829	5,829
Restricted	5,200	4,700	4,400
Unrestricted	659,800	704,925	610,765
Total net position	<u>\$ 785,869</u>	<u>\$ 715,454</u>	<u>\$ 620,994</u>

**Changes in Net Position - 2017**

As noted in the table below, the District's net position increased by \$70,415. Total revenues decreased by \$5,188 from 2016 to 2017. A large decrease of \$26,000 in capital contributions was partially offset by increases in charges for services, property and specific ownership taxes

**VALLEY SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

and investment earnings. Overall expenses increased by \$18,857 or 10.8% from 2016 to 2017. The largest increase in expenses was in administration, where the District incurred costs notifying its constituents about the need for the sewer outfall interceptor line relocation project and holding an election to obtain voter approval for financing the project. Sewer operations decreased as costs related to the sewer outfall interceptor line relocation project in 2016 were determined to be non-capitalizable, where the most of the costs incurred in 2017 were determined to be capitalizable.

**Changes in Net Position - 2016**

As noted in the table below, the District's net position increased by \$94,460. Total revenues increased by \$30,362 from 2015 to 2016. The largest portion of this increase was in capital contributions where the District received \$28,000 more in system development fees in 2016 than in 2015. Overall expenses increased by \$44,136 or 34% from 2015 to 2016. During 2016 the District incurred costs related to the possible relocation of the sewer outfall interceptor line. These costs were primarily for legal, administration and engineering, which increased a combined \$49,237 from 2015 to 2016. The District deemed these costs to be non-capitalizable as they were for preliminary studies and planning.

**CHANGES IN NET POSITION**

	Years Ended December 31,		
	2017	2016	2015
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 72,898	\$ 68,536	\$ 76,901
General revenues:			
Property taxes	151,981	141,251	132,382
Specific ownership taxes	12,449	10,392	10,356
Investment earnings	7,389	3,726	1,904
Capital contributions	19,000	45,000	17,000
Total revenues	<u>263,717</u>	<u>268,905</u>	<u>238,543</u>
<b>EXPENSES</b>			
Sewer operations	81,942	97,533	81,365
Administration	109,210	74,915	47,070
Other	2,150	1,997	1,874
Total expenses	<u>193,302</u>	<u>174,445</u>	<u>130,309</u>
<b>CHANGE IN NET POSITION</b>	70,415	94,460	108,234
<b>NET POSITION - BEGINNING OF YEAR</b>	715,454	620,994	512,760
<b>NET POSITION - END OF YEAR</b>	<u>\$ 785,869</u>	<u>\$ 715,454</u>	<u>\$ 620,994</u>

**BUDGETARY HIGHLIGHTS**

During 2017 the District's budget was amended increasing the appropriated expenditures from \$228,352 to \$513,363. The most significant changes was for the capital expenditures line which

**VALLEY SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

was increased from \$0 to \$250,000 for the sewer rehabilitation project. The total budgeted revenue was only slightly amended, increasing from \$239,703 to \$240,520. Actual revenues for 2017 were \$263,717, which exceeded this budget by \$23,197. The total actual expenditures were \$308,342, or \$205,021 under budget. Details of the 2017 budget to actual results can be found on page 12 of this report.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

All of the District's capital assets were fully depreciated at December 31, 2017 and 2016, with the exception of the construction in progress of the sewer outfall interceptor line relocation project of \$120,869 that was started in 2015 for \$5,829, had no additions in 2016, but increased by \$115,040 in 2017. The sewer outfall interceptor line relocation project is still in process at December 31, 2017. Additional information on the District's capital assets can be found in Note 4 of this report.

The District has no outstanding debt.

**ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES**

Total revenue in 2018 is projected to be \$2,941,907, including \$2,700,000 of loan proceeds. The other sources of revenue are anticipated as follows: property tax revenue of \$157,074, specific ownership tax revenue of \$11,781, investment earnings of \$5,273, sewer service surcharge revenue of \$65,279 and other revenue of \$2,500. Total expenditures for 2018 are budgeted at \$2,115,582 with \$206,368 for operations, \$1,862,436 for capital outlay and \$46,778 for contingencies and emergency reserves. As budgeted revenues are expected to exceed expenditures resulting in an \$826,325 increase in funds available for 2018.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of Valley Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, Patricia Harris, 6316 S. Benton Way, Littleton, CO 80123.

## **BASIC FINANCIAL STATEMENTS**

**VALLEY SANITATION DISTRICT  
STATEMENTS OF NET POSITION  
December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 530,905	\$ 588,856
Investments	60,410	60,155
Due from county treasurer	970	769
Prepaid expenses	4,288	4,253
Accounts receivable:		
Sewer service surcharge	92,517	79,905
Other	4,408	259
Property taxes receivable	157,000	152,000
Total current assets	850,498	886,197
<b>CAPITAL ASSETS</b>		
Capital assets, not being depreciated	120,869	5,829
Capital assets, being depreciated	659,646	659,646
	780,515	665,475
Less accumulated depreciation and amortization	(659,646)	(659,646)
Total capital assets	120,869	5,829
<b>TOTAL ASSETS</b>	<b>\$ 971,367</b>	<b>\$ 892,026</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 28,498	\$ 24,572
Total current liabilities	28,498	24,572
Total liabilities	28,498	24,572
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property tax revenue	157,000	152,000
Total deferred inflows of resources	157,000	152,000
<b>NET POSITION</b>		
Net investment in capital assets	120,869	5,829
Restricted for emergencies	5,200	4,700
Unrestricted	659,800	704,925
Total net position	785,869	715,454
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 971,367</b>	<b>\$ 892,026</b>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**VALLEY SANITATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUE</b>		
Sewer service surcharge	\$ 66,282	\$ 66,069
Other charges for services	6,616	2,467
Total operating revenue	<u>72,898</u>	<u>68,536</u>
 <b>OPERATING EXPENSES</b>		
Sewer operations	81,942	97,533
Administration	109,210	74,915
Total operating expenses	<u>191,152</u>	<u>172,448</u>
 <b>OPERATING LOSS</b>	<u>(118,254)</u>	<u>(103,912)</u>
 <b>NONOPERATING REVENUE (EXPENSE)</b>		
Property taxes	151,981	141,251
Specific ownership taxes	12,449	10,392
Net investment income	7,389	3,726
County treasurer's fees	(2,150)	(1,997)
Total nonoperating revenue (expense)	<u>169,669</u>	<u>153,372</u>
 <b>GAIN BEFORE CONTRIBUTIONS</b>	<u>51,415</u>	<u>49,460</u>
 <b>CAPITAL CONTRIBUTIONS</b>		
System development fees	19,000	45,000
Total capital contributions	<u>19,000</u>	<u>45,000</u>
 <b>CHANGE IN NET POSITION</b>	70,415	94,460
 <b>NET POSITION - BEGINNING OF YEAR</b>	<u>715,454</u>	<u>620,994</u>
 <b>NET POSITION - END OF YEAR</b>	<u><u>\$ 785,869</u></u>	<u><u>\$ 715,454</u></u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**VALLEY SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 56,137	\$ 63,065
Payments to vendors	(181,802)	(162,366)
Payments to employees	(7,725)	(7,751)
Net cash required by operating activities	(133,390)	(107,052)
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
System development fees received	19,000	45,000
Capital asset purchases	(112,774)	-
Net cash provided (required) by capital financing activities	(93,774)	45,000
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property and specific ownership taxes received	164,229	151,511
County treasurer's fees paid	(2,150)	(1,997)
Net cash provided by noncapital financing activities	162,079	149,514
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment maturities	60,334	371,169
Investment purchases	(60,589)	(60,879)
Interest received	7,389	3,726
Net cash provided by noncapital financing activities	7,134	314,016
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(57,951)	401,478
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	588,856	187,378
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 530,905	\$ 588,856
 <b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (118,254)	\$ (103,912)
Adjustments to reconcile (loss) from operations to net cash required by operating activities:		
Effects of changes in operating assets and liabilities:		
Prepaid expenses	(35)	(3,924)
Accounts receivable	(16,761)	(5,471)
Accounts payable	1,660	7,318
Deposits	-	(1,063)
Net cash required by operating activities	\$ (133,390)	\$ (107,052)

These financial statements should be read only in connection with the accompanying notes to financial statements.

**VALLEY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Valley Sanitation District (District), was created as a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County and City and County of Denver, Colorado. The District was established to provide sewer service to property within its service area primarily through intergovernmental agreements. The District is governed by an elected Board of Directors.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no authorized but unissued debt.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District has elected to follow Governmental Accounting Standards Board pronouncements.

**Operating Revenues and Expenses**

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**VALLEY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**Restricted Resources**

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.

**Budgets**

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are considered deferred inflows of resources and are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

**Cash Equivalents**

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**Prepaid Expenses**

Certain payments to vendors for goods or services reflect costs which are applicable to future accounting periods are recorded as prepaid items in the financial statements.

**Capital Assets**

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives

**VALLEY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Wastewater system	50 years
Equipment	5 years

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**System Development Fees and Contributed Lines**

System development fees are recorded as capital contributions when received. Lines contributed to the District are recorded as capital contributions and additions to the systems at estimated fair market value when received.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2017 and 2016 were comprised of the following:

	<u>2017</u>	<u>2016</u>
Deposits with financial institutions	\$ 67,638	\$ 65,005
Investments	523,677	584,006
	<u>\$ 591,315</u>	<u>\$ 649,011</u>

The cash and investments are classified in the accompanying financial statements as of December 31, 2016 and 2015 as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 530,905	\$ 588,856
Investments	60,410	60,155
	<u>\$ 591,315</u>	<u>\$ 649,011</u>

**Cash Deposits**

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

**VALLEY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017, the District had cash deposits, including certificates of deposit, with a bank balance of \$67,638 and a carrying balance of \$67,638. At December 31, 2016, the District had cash deposits, including certificates of deposit, with a bank balance of \$65,460 and a carrying balance of \$65,005.

**Investments**

The District has adopted a formal investment policy, specifying the principal investment objectives of the District and standards of prudence to be used for managing the District's assets. The policy stipulates that all investments shall conform to State law.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The District has invested in a local government invest pool, the Colorado Local Government Liquid Asset Trust (COLOTRUST), which is rated AAAM by Standard & Poor's.

**Interest Rate Risk**

Colorado Revised Statutes limit investment maturities to three to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirement.

As of December 31, 2017 and 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Investments at NAV</u>	
		<u>2017</u>	<u>2016</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$523,677</u>	<u>\$584,006</u>

**VALLEY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**COLOTRUST**

At December 31, 2017 and 2016, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper.

**Investment Valuation**

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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.

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

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**VALLEY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2017</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 5,829	\$ 115,040	\$ -	\$ 120,869
Total capital assets not being depreciated	<u>5,829</u>	<u>115,040</u>	<u>-</u>	<u>120,869</u>
Capital assets, being depreciated:				
Wastewater system	658,075	-	-	658,075
Equipment	1,571	-	-	1,571
Total capital assets being depreciated	<u>659,646</u>	<u>-</u>	<u>-</u>	<u>659,646</u>
Less accumulated depreciation for:				
Wastewater system	(658,075)	-	-	(658,075)
Equipment	(1,571)	-	-	(1,571)
Total accumulated depreciation	<u>(659,646)</u>	<u>-</u>	<u>-</u>	<u>(659,646)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ 5,829</u>	<u>\$ 115,040</u>	<u>\$ -</u>	<u>\$ 120,869</u>

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 5,829	\$ -	\$ -	\$ 5,829
Total capital assets not being depreciated	<u>5,829</u>	<u>-</u>	<u>-</u>	<u>5,829</u>
Capital assets, being depreciated:				
Wastewater system	658,075	-	-	658,075
Equipment	1,571	-	-	1,571
Total capital assets being depreciated	<u>659,646</u>	<u>-</u>	<u>-</u>	<u>659,646</u>
Less accumulated depreciation for:				
Wastewater system	(658,075)	-	-	(658,075)
Equipment	(1,571)	-	-	(1,571)
Total accumulated depreciation	<u>(659,646)</u>	<u>-</u>	<u>-</u>	<u>(659,646)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ 5,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,829</u>

**VALLEY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 5 - NET POSITION**

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed through constitutional provisions or enabling legislation. As of December 31, 2017 and 2016, the District's restricted net position was \$5,200 and \$4,700 respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 8).

**NOTE 6- RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability coverage and workers compensation. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 7 – INTERGOVERNMENTAL AGREEMENTS**

**City of Englewood**

The District has a service agreement with the City of Englewood (City) whereby the City provides sewage treatment service to the District's service area and charges the users directly. The District is to provide and maintain its own sewer lines and connection to the City's facilities.

**Platte Canyon Water and Sanitation District**

The District has an agreement with Platte Canyon Water and Sanitation District (Platte Canyon) whereby Platte Canyon will provide administrative and sewer maintenance services for the District.

**Columbine Water and Sanitation District**

On February 9, 1987 the District entered into a Maintenance Cost Allocation Agreement (agreement) with Columbine Water and Sanitation District (Columbine) for costs incurred to maintain the District's outfall line to which Columbine connects. Per the agreement, Columbine

**VALLEY SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

agrees to reimburse the District for their proportionate share of these costs, which is equal to 12.4%. During 2017 and 2016, the District charged Columbine \$808 and \$259, respectively, for work performed.

**NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Some of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise may require judicial interpretation.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District restricted net position of \$5,200 and \$4,700 for Emergency Reserves as of December 31, 2017 and 2016, respectively.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

**VALLEY SANITATION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended December 31, 2017**

	<b>Original Budgeted Amounts</b>	<b>Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 151,243	\$ 152,010	\$ 151,981	\$ (29)
Specific ownership tax	9,831	9,881	12,449	2,568
Interest income	3,626	3,626	7,389	3,763
Sewer service surcharge	63,503	63,503	66,282	2,779
Other service charges	2,500	2,500	6,616	4,116
System development fees	9,000	9,000	19,000	10,000
Total revenues	<u>239,703</u>	<u>240,520</u>	<u>263,717</u>	<u>23,197</u>
<b>EXPENDITURES</b>				
Maintenance and repairs	65,000	65,000	67,669	(2,669)
Repairs remedial/emergency	10,000	10,000	3,400	6,600
Engineering	21,700	21,700	8,820	12,880
Administrative expenses	35,000	65,000	59,216	5,784
Advertising and publication	125	125	122	3
Legal	5,000	5,000	6,531	(1,531)
Audit and accounting	5,000	5,000	4,640	360
Meeting hall rent	300	300	300	-
Insurance	4,200	4,200	4,253	(53)
UNCC	2,000	2,000	2,053	(53)
Supplies	500	500	453	47
Directors' fees	6,000	6,000	5,800	200
Salaries and payroll taxes	8,500	8,500	7,725	775
Treasurer fees	2,269	2,280	2,150	130
Public relations	5,000	5,000	8,114	(3,114)
Election	5,000	10,000	11,628	(1,628)
Other	1,000	1,000	428	572
Capital expenditures	-	250,000	115,040	134,960
Contingency	30,000	30,000	-	30,000
Emergency reserves	21,758	21,758	-	21,758
Total expenditures	<u>228,352</u>	<u>513,363</u>	<u>308,342</u>	<u>205,021</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	11,351	(272,843)	(44,625)	228,218
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>725,263</u>	<u>725,263</u>	<u>709,625</u>	<u>(15,638)</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 736,614</u>	<u>\$ 452,420</u>	<u>\$ 665,000</u>	<u>\$ 212,580</u>

Funds available is computed as follows:

Current assets	\$ 850,498
Current liabilities	(28,498)
Deferred inflows of resources	(157,000)
	<u>\$ 665,000</u>

**VALLEY SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
Year Ended December 31, 2017**

Revenue (budgetary basis)	\$ 263,717
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	263,717
Expenditures (budgetary basis)	308,342
Capital outlay	(115,040)
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	193,302
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	\$ 70,415

## **OTHER INFORMATION**

**VALLEY SANITATION DISTRICT  
SUMMARY OF ASSESSED VALUATION , MILL LEVY  
AND PROPERTY TAXES COLLECTED  
Year Ended December 31, 2017**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy		Mills Levied For Operations Mill Levy	Total Property Taxes		Percentage Collected to Levied
	Arapahoe	Denver		Levied	Collected	
2009	\$ 46,521,000	\$ 9,858,270	2.493	\$ 140,554	\$ 140,297	99.8%
2010	\$ 45,376,220	\$ 10,074,100	2.493	\$ 138,238	\$ 137,393	99.4%
2011	\$ 45,486,440	\$ 10,217,990	2.493	\$ 138,871	\$ 138,203	99.5%
2012	\$ 43,889,410	\$ 9,563,790	2.493	\$ 133,259	\$ 132,334	99.3%
2013	\$ 43,954,180	\$ 9,574,890	2.493	\$ 133,448	\$ 130,966	98.1%
2014	\$ 42,781,080	\$ 9,150,070	2.493	\$ 129,464	\$ 129,801	100.3%
2015	\$ 44,024,171	\$ 9,814,650	2.493	\$ 134,220	\$ 132,382	98.6%
2016	\$ 54,855,722	\$ 11,716,860	2.126 (A)	\$ 141,533	\$ 141,251	99.8%
2017	\$ 55,341,708	\$ 11,770,940	2.265 (B)	\$ 152,010	\$ 151,981	100.0%
Estimated for year ending December 31, 2018	\$ 62,888,672	\$ 13,584,410	2.054 (C)	\$ 157,076		

**NOTE:** Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

- (A) - Includes a temporary mill levy reduction of .367 mills.
- (B) - Includes a temporary mill levy reduction of .228 mills.
- (C) - Includes a temporary mill levy reduction of .439 mills.