

Central Clear Creek Sanitation District

Annual Financial Report

December 31, 2018

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	i-ii
REQUIRED SUPPLEMENTARY INFORMATION:	
Management Discussion and Analysis	iii-vii
BASIC FINANCIAL STATEMENTS:	
District-wide Financial Statements:	
Statement of Net Position	1
Statement of Revenues, Expenses and Changes in Net Position	2
Statement of Cash Flows	3-4
Notes to Basic Financial Statements	5-15
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues and Expenditures with Budget Comparison - 2018	16
Schedule of Five Years Property Tax	17



Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

Independent Auditor's Report

Members of the Board of Directors
Central Clear Creek Sanitation District
Dumont CO

We have audited the accompanying financial statements of Central Clear Creek Sanitation District as of and for the year ended December 31, 2018 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 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Central Clear Creek Sanitation District, as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year 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 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

The supplementary information as listed in the table of contents 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script, reading "Haynie & Co".

Littleton, Colorado
September 30, 2019

Central Clear Creek Sanitation District

Annual Report

Year Ending December 31, 2018

Overview of the Financial Statements

This annual report consists of the following parts: Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The financial statements include notes that explain in detail some of the information included in the basic financial statements.

Financial Highlights for Fiscal Year 2018

- Total Net Position increased by \$29,964.
- Depreciation Expense was \$139,698.
- Total Liabilities and Deferred Inflows of Resources increased by \$192,472.
- There was an increase in Long Term Debt of \$409,817.
- Operating Revenues increased \$27,905.
- Non-Operating Revenues decreased \$1,061,795.

Management's Discussion and Analysis

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

ABOUT THE DISTRICT

Central Clear Creek Sanitation District is a "Quasi-Private Public Entity" formed under Colorado Special District's Laws. This means that we are a public body which is overseen by an elected Board of Directors, similar to a City and City Council. Unlike a City however, we operate as a non-profit business commonly referred to as an "enterprise fund". All of the people living within our boundaries are eligible to vote on who is to sit on the Board of Directors. Only people who live within the District's boundaries are eligible to be elected to sit on the Board of Directors. The Board's primary responsibilities are to protect the public's health and its capital investment in treatment and collection systems, while meeting environmental protection laws. The District provides collection system and waste water treatment services. The waste water system services about 300 residences within its service area. The District recovers cost of service through user fees.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Statement of Net Position (page 1) includes information on the District's assets and liabilities and provides information about the nature and balances of investments in resources (assets) and the obligations of District creditors (liabilities). The statement of Revenues, Expenses and Changes in Net Assets (page 2) identifies the District's revenues and expenses for the fiscal year ended December 31, 2018. The third financial statement is the Statement of Cash Flows (page 3). This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows the reader can obtain comparative information on the sources and uses of cash and the change in the cash and cash equivalents balance for the past fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT

Review of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Total Assets indicates the District's current assets (cash and equivalent) show an increase in 2018. Current Assets, which is considered to be an asset that consists of cash and other resources and is reasonably expected to be realized in cash or consumed within one year, decreased by \$126,548. Total Assets, which is defined as the total resources owned by the District, increased by \$222,436, due largely to the construction in progress of a new Wastewater Treatment Plant. A large majority of total assets of the District resides within our system of pipelines, and the Wastewater Treatment Plant. Annually the District makes an adjustment recording depreciation expense for these types of assets. In 2018, the District recorded \$139,698 in depreciation expense. Total Liabilities and deferred inflows of resources show an increase of \$192,472. As a rule of thumb, increases in both Current Assets and Total Assets indicates a healthy financial position. If Current or Total Liabilities begin to increase more than the Current or Total Assets accounts are, then further assessment is warranted.

Condensed Statement of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Cash and other assets	\$ 482,773	\$ 609,321	\$ (126,548)
Capital assets, net	<u>4,841,652</u>	<u>4,492,668</u>	<u>348,984</u>
Total Assets	5,324,425	5,101,989	222,436
Outstanding long term debt	2,281,495	1,886,864	394,631
Current liabilities	<u>407,456</u>	<u>627,634</u>	<u>(220,178)</u>
Total Liabilities	2,688,951	2,514,498	174,453
Deferred inflows of resources	<u>115,677</u>	<u>97,658</u>	<u>18,019</u>
Total Deferred Inflows of resources	115,677	97,658	18,019
Net investment in capital assets	2,199,619	2,448,848	(249,229)
Restricted for emergencies - TABOR	15,307	7,701	7,606
Restricted for operating & maintenance reserves	75,317	-	75,317
Unrestricted net position	<u>229,554</u>	<u>33,284</u>	<u>196,270</u>
Total net position	<u>\$ 2,519,797</u>	<u>\$ 2,489,833</u>	<u>\$ 29,964</u>

CAPITAL ASSETS

As of December 31, 2018, the District had capital assets of \$4,841,652. Total net capital assets increased \$348,984 from the prior year due largely to construction of a new wastewater treatment plant.

Change in Capital Assets

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	\$ 16,990	\$ 16,990	\$ -
Capital Improvements	-	0	-
Sewer main	709,478	709,478	-
Equipment	128,228	107,920	20,308
Treatment plant	5,127,098	695,426	4,431,672
Construction in progress	<u>-</u>	<u>3,963,298</u>	<u>(3,963,298)</u>
Subtotal	5,981,794	5,493,112	488,682
Less: accumulated depreciation	<u>(1,140,142)</u>	<u>(1,000,444)</u>	<u>(139,698)</u>
Net Capital assets	<u>\$ 4,841,652</u>	<u>\$ 4,492,668</u>	<u>\$ 348,984</u>

LONG-TERM DEBT

As of December 31, 2018, the District had \$2,453,637 in outstanding debt principal (including \$2,281,495 in principal due in more than one year and \$172,142 in principal due in one year (included in total current liabilities)). This amount represents both a loan from National Rural Water Association (NRWA) with a balance of \$100,000 and a construction loan from the Colorado Water Resources Power Development Authority (CWRPDA) with a balance of \$2,353,657.

Additional information on the District's long-term debt can be found in Note 5 of this report.

REVENUES AND EXPENSES

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

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Operating revenue	\$ 216,592	\$ 188,687	\$ 27,905
Non-operating revenue	<u>293,634</u>	<u>1,355,429</u>	<u>(1,061,795)</u>
Total revenues	<u>510,226</u>	<u>1,544,116</u>	<u>(1,033,890)</u>
Sources of supply	216,453	157,736	58,717
General & administrative expense	103,662	72,545	31,117
Depreciation expense	139,698	26,430	113,268
Non-operating expense	<u>20,449</u>	<u>4,864</u>	<u>15,585</u>
Total expenses	<u>480,262</u>	<u>261,575</u>	<u>218,687</u>
Capital contributions	<u>-</u>	<u>159,842</u>	<u>(159,842)</u>
Change in net position	29,964	1,442,383	(1,412,419)
Beginning net position	<u>2,489,833</u>	<u>1,047,450</u>	<u>1,442,383</u>
Ending net position	<u>\$ 2,519,797</u>	<u>\$ 2,489,833</u>	<u>\$ 29,964</u>

Revenue for services increased by \$27,905. Non-operating revenue decreased by \$1,061,795 largely due to receipt of the majority of grant income related to the Water Treatment Plant project in the prior year.

BUDGETARY HIGHLIGHTS

Condensed Schedule of Revenues, Expenses, and Changes in Budget to Actual (Budgetary Basis)

	<u>2018 Budget</u>	<u>2018 Actual</u>	<u>Change</u>
Revenues	\$ 2,045,492	\$ 978,194	\$(1,067,298)
Expenses	<u>324,056</u>	<u>893,876</u>	<u>\$ (569,820)</u>
Revenues Less Expenditures	<u>1,721,436</u>	<u>84,318</u>	<u>(1,637,118)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors adopted the 2019 Budget on November 8, 2018. The District's strategy is to continue to provide sanitation services at reasonable cost to the property owners and residents while seeking to increase reserves for capital expenditures.

In the 2019 budget, the adopted charge for the flat sewer usage rate is \$54.49/EQR. There was no change in this rate from 2018.

REQUESTS FOR INFORMATION

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

The Administrator, P.O. Box 162, Dumont, CO 80436

Basic Financial Statements

Central Clear Creek Sanitation District

Statement of Net Position

December 31, 2018

Assets

Current Assets

Cash and cash equivalents	\$ 151,426
Investments	210,617
Receivables:	
Customers	5,053
Property taxes receivable	115,677
Total Current Assets	<u>482,773</u>

Capital Assets

Capital assets, not being depreciated	16,990
Capital assets, being depreciated (net of accumulated depreciation)	4,824,662
Total Capital Assets	<u>4,841,652</u>
Total Assets	<u><u>\$5,324,425</u></u>

Liabilities, Noncurrent Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities

Accounts payable	\$ 35,739
Customer deposits	7,203
Retainage payable	188,396
Accrued interest payable	3,976
Current maturities of long-term debt	172,142
Total Current Liabilities	<u>407,456</u>

Noncurrent Liabilities

Long-term liabilities, net of current maturities	2,281,495
Total Noncurrent Liabilities	<u>2,281,495</u>

Deferred Inflows of Resources

Deferred property tax	115,677
Total Deferred Inflows of Resources	<u>115,677</u>

Net Position

Net investment in capital assets	2,199,619
Restricted for emergencies—TABOR	15,307
Restricted for operating & maintenance reserves	75,317
Unrestricted	229,554
Total Net Position	<u>2,519,797</u>
Total Liabilities, Noncurrent Liabilities,	
Deferred Inflows of Resources and Net Position	<u><u>\$5,324,425</u></u>

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

Central Clear Creek Sanitation District

Statement of Revenue, Expenditures, and Changes in Net Position

December 31, 2018

Operating Revenues

Sewer user fees	\$ 216,592
Total Operating Revenue	<u>216,592</u>

Operating Expenses

Sources of supply, dumping, treatment and distribution	216,453
General administrative	103,662
Depreciation	<u>139,698</u>
Total Operating Expenses	<u>459,813</u>

Operating Income (Loss)	<u>(243,221)</u>
--------------------------------	------------------

Non-operating Revenues (Expenses)

Grant income	182,960
Property tax	98,545
Specific ownership tax	4,307
Interest and penalties	3,078
Net investment income	4,744
Loan interest	<u>(20,449)</u>
Total Non-operating Revenues (Expenses)	<u>273,185</u>

Income Before Capital Contributions	<u>29,964</u>
--	---------------

Capital Contributions

Total Capital Contributions	<u>-</u>
-----------------------------	----------

Change in Net Position	29,964
-------------------------------	--------

Net Position—Beginning of Year	<u>2,489,833</u>
---------------------------------------	------------------

Net Position—End of Year	<u><u>\$ 2,519,797</u></u>
---------------------------------	----------------------------

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

Central Clear Creek Sanitation District

Statement of Cash Flows

For the Year Ended December 31, 2018

Cash Flows from Operating Activities:

Receipts from customers	\$ 223,769
Cash paid to suppliers for goods and services	<u>(582,421)</u>
Net Cash Provided by Operating Activities	<u>(358,652)</u>

Cash Flows from Non-capital Financing Activities:

Grant income	182,960
Property and specific ownership tax	102,852
Interest and penalties	<u>3,078</u>
Net Cash From Non-capital Financing Activities	<u>288,890</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets	(465,109)
Long-term debt proceeds	467,967
Debt principal paid	(58,150)
Interest paid	<u>(19,713)</u>
Net Cash From Capital and Related Financing Activities	<u>(75,005)</u>

Cash Flows from Investing Activities:

Interest income received	<u>4,744</u>
Net Cash From Investing Activities	<u>4,744</u>

Net Change in Cash and Cash Equivalents (140,023)

Cash and Cash Equivalents—beginning of year 502,066

Cash and Cash Equivalents—end of year \$ 362,043

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

Central Clear Creek Sanitation District
Statements of Cash Flows (continued)
For the Year Ended December 31, 2018

Reconciliation of Net Operating Income to

Net Cash From Operating Activities:

Operating income (loss) \$ (243,221)

Adjustments to reconcile operating loss to net
cash provided by operating activities:

Depreciation 139,698

Changes in assets and liabilities:

Change in accounts receivable—

Sewer (26)

Change in prepaid expense 4,570

Change in accounts payable (266,876)

Change in deposits 7,203

Total Adjustments (115,431)

Net Cash From Operating Activities **\$ (358,652)**

Non-cash transactions

Contributed assets \$ -

The accompanying notes are an integral part of these statements.

Central Clear Creek Sanitation District

Notes to Basic Financial Statements

December 31, 2018

1. Organization

Organization

Central Clear Creek Sanitation District (the District) was organized under the Title 32 Colorado Special District Act for the sole purpose of providing sanitation services to the citizens of the District. The wastewater treatment facility was placed into service in January 1976. The District is responsible for maintaining the sewer mains, billing homeowners and collecting usage charges and fees.

The District is governed by an elected, five-member Board of Directors. Each member serves a four-year term; however, the members are not elected in the same year. The District has no employees and contracts out for management and sewer operations services.

2. Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to local governments. A summary of the District's significant accounting policies applied in the preparation of these financial statements follows:

Financial Reporting Entity

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 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.

Fund Accounting

The Proprietary Fund is composed of water and sewer operations. It is used to account for operations that are financed and operated in a manner similar to a private business

Central Clear Creek Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2018

2. Summary of Significant Accounting Policies (continued)

enterprise, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

Enterprise fund accounting is utilized in accordance with generally accepted accounting principles. The financial statements are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Revenues received in advance are recorded as a liability for deferred revenue and the liability is removed when earned.

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

Property, Plant and Equipment

Capital assets which include land, buildings, sewer distribution and collection systems and sewer treatment plant are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Buildings, Treatment Plant, and Transmission System	20-60 years
Improvements	10-40 years
Equipment	5-10 years

Budget and Budgetary Accounting

In accordance with the State Budget Law, 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 District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end. The District's budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) with the following

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

exceptions: Principal retired is budgeted as an expense, depreciation and amortization of debt issuance costs are not budgeted, capital outlays and debt issuance costs are treated as expenses for budget purposes, and deferred revenues are treated as collected revenues for budgetary purposes.

2018 actual expenditures exceeded budgeted appropriation, which may be a violation of state statutes.

Operations

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's ongoing operations. The District's principal operating revenues are charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Tap Fees and Contributions

Tap fees are recorded as revenue when received.

Contributions

Contributions consist of contributions in aid of construction (CAC). CAC represent facilities, or cash payments for facilities, received from property owners, governmental agencies and customers who receive benefit from such facilities. Contributions are recognized in the statement of revenues, expenses, and changes in fund net position, after non-operating revenues (expenses), when earned.

Cash and Cash Equivalents

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

Investments

The District's policy is to account for investments at fair market value in accordance with GASB 31. Gains or losses on the sale of investments are recognized when the investment is sold.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2018 are recorded as prepaid items.

Central Clear Creek Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are determined to be fully collectible as shown at December 31, 2018; therefore, an allowance for doubtful accounts is not recorded in the financial statements.

Deferred Inflows Of Resources

In addition to liabilities, the Statement of Net Position includes 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 or periods and therefore will not be recognized as an inflow of resources until then. The District has unearned property tax revenue. These items are reported as deferred inflows on the statement of net position.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts

Net Position

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

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted – This component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed through constitutional provisions or enabling legislation.
- Unrestricted – The component of net position that does not meet the definition above.

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

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Central Clear Creek Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2018

3. Cash Deposits and Investments

Property Taxes

The District collects property tax from property owners within the district based on assessed values at December 31 of the prior year. Property owners are to pay these assessments either in full by April 30th or in halves by February 28/29th and June 15th. These taxes are collected by Clear Creek County and remitted to the district on the 10th day of the month following collection. Tax revenues remitted to the District for 2018 totaled \$98,545.

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 specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District had cash balances on deposit with original maturities of less than three months stated at cost, which approximates market, as follows:

December 31, 2018	Book	Bank
Cash in checking	\$ 151,426	\$ 165,311
Total cash and cash equivalents	<u>\$ 151,426</u>	<u>\$ 165,311</u>

The District's cash deposits and investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes deposits not covered by depository insurance and uncollateralized. Category 2 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. At December 31, 2018, all of the District's deposits were insured and there were no Category 1, 2 or 3 deposits.

Central Clear Creek Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2018

3. Cash Deposits and Investments (continued)

Investments

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

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

Interest Rate Risk - Although the District has no formal policy regarding interest rate risk, district management limits the weighted average of maturity of its portfolios to no more than three years.

Credit Risk - The District's investments are recorded at fair value based on quoted market prices. District investments are securities that are held by the entity or its agent in the District's name, and are insured or registered by the District or its agent. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, or would further limit its investment choices. The District places no limit on the amount the District may invest in any one issuer.

Local Government Investment Pools – As of December 31, 2018 the District had \$210,617 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAm by Standard and

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2018

3. Cash, Cash Equivalents and Investments (continued)

Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. The District funds are only invested in Colotrust Plus+. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colotrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust.

Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method.

At December 31, 2018, cash deposits and investment, are classified on the statement of net position as follows:

Cash and Cash Equivalents	\$	151,426
Investments		<u>210,617</u>
Total	\$	<u><u>362,043</u></u>

4. Property, Plant and Equipment

In accordance with the policy established by the Board of Directors, the District capitalizes items with a useful life greater than one year. An analysis of the changes in property and equipment for the year ended December 31, 2018 follows:

Central Clear Creek Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2018

4. Property, Plant and Equipment (continued)

	Balance December 31, 2017	Additions	Retirements	Balance December 31, 2018
Capital assets, not being depreciated:				
Land and land rights	\$ 16,990	\$ -	\$ -	\$ 16,990
Construction in progress	3,963,298	-	3,963,298	-
Total capital assets, not being depreciated	3,980,288	-	3,963,298	16,990
Capital assets, being depreciated:				
Buildings and improvements	695,426	4,431,672	-	5,127,098
Improvements other than buildings	709,478	-	-	709,478
Machinery and equipment	107,920	20,308	-	128,228
Total capital assets, being depreciated	1,512,824	4,451,980	-	5,964,804
Less accumulated depreciation:				
Buildings and improvements	(551,491)	(121,551)	-	(673,042)
Improvements other than buildings	(385,090)	(13,333)	-	(398,423)
Machinery and equipment	(63,863)	(4,814)	-	(68,677)
Total accumulated depreciation	(1,000,444)	(139,698)	-	(1,140,142)
Total capital assets being depreciated, net	512,380	4,312,282	-	4,824,662
Total capital assets, net	4,492,668	4,312,282	3,963,298	4,841,652

5. Long-Term Debt

The following schedule provides an analysis of long-term debt for the year ended December 31, 2018:

	Balance December 31, 2017 (unaudited)	Additions	Reductions	Balance December 31, 2018	Due Within One Year
CWRPDA Water Pollution Control	\$ 1,943,820	\$ 467,967	\$ (58,150)	\$ 2,353,637	72,142
National Rural Water Association	100,000	-	-	100,000	100,000
	<u>\$ 2,043,820</u>	<u>\$ 467,967</u>	<u>\$ (58,150)</u>	<u>\$ 2,453,637</u>	<u>\$ 172,142</u>

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2018

5. Long-Term Debt (continued)

1. Governmental Agency Bond—Colorado Water Resources and Power Development Authority (CWRPDA) Revolving Fund Loan

During 2017 the District borrowed \$2,332,216 from the CWRPDA to finance a water treatment plant. The District's electors approved this debt at an election held on May 6, 2014. This note is structured as a construction draw note with a maximum principal amount of \$2,500,000. The note is payable over 30 years and bears interest at a rate of 1% with semi-annual principal and interest payments of \$38,126 on May 1 and November 1 of each year.

On January 5, 2017, the State Revolving Fund ("SRF") Committee reviewed the Capitalization Grant funds for principal forgiveness and determined the District would be awarded a total of \$551,525 in principal forgiveness. Therefore, the total loan balance was revised to \$1,948,475.

2. Governmental Agency Bond—Colorado Water Resources and Power Development Authority (CWRPDA) Revolving Fund Loan

During 2018 the District borrowed \$467,967 from the CWRPDA to finance a water treatment plant. The District's electors approved this debt at an election held on May 6, 2014. This note is structured as a construction draw note with a maximum principal amount of \$500,000. The note is payable over 30 years and bears interest at a rate of 1% with semi-annual principal and interest payments of \$9,784 on May 1 and November 1 of each year.

As of December 31, 2018 the total balance due for the two revolving fund loans from CWRPDA discussed above was \$2,353,637.

3. National Rural Water Association (NRWA) Promissory Note

The Sanitation District has a loan from the National Rural Water Association in the amount of \$100,000 dated June 22, 2015 with interest at a rate equal to 3.00% payable in interest only monthly payments of \$250 per month. The total loan principal plus accrued interest will be due and payable upon receipt of funds from the Energy/Mineral Impact Assistance Fund grant, or the Colorado Water Resources & Power Development Authority Water Pollution Control Revolving Fund loan, or at the end of five years from the date of the loan, whichever comes first.

As of December 31, 2018 there was no accrued interest on the loan and the principal amount of \$100,000 was outstanding.

Central Clear Creek Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2018

5. Long-Term Debt (continued)

A summary of the debt service requirements to maturity for the above-mentioned loans is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	172,142	23,677	195,819
2020	72,865	22,954	95,819
2021	73,596	22,223	95,819
2022	74,334	21,485	95,819
2023	75,079	20,740	95,819
2024-2028	386,836	92,258	479,094
2029-2033	406,618	72,476	479,094
2034-2038	427,414	51,681	479,095
2039-2043	449,272	29,823	479,095
2044-2046	315,481	7,274	322,755
	<u>\$ 2,453,637</u>	<u>\$ 364,591</u>	<u>\$ 2,818,228</u>

6. Risk Management

The District is exposed to various risks of loss related to lawsuits; torts; thefts of, damage to or destruction of assets; errors or omissions; injuries to employees; natural disasters or environmental liabilities due to the nature of its operations. The District maintains commercial insurance for all risks of loss through the private insurance. Settled claims have not exceeded the commercial insurance coverage in any of the past three years.

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

7. Tax Spending and Debt Limitation

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. Enterprises, defined by TABOR 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

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2018

7. Tax Spending and Debt Limitation (continued)

TABOR. TABOR establishes 1992 as the initial base for spending and revenue limits. Future spending and revenue limits can be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending (excluding bonded debt service). Excess funds within the spending and revenue limits can be reserved for general use and, when spent in subsequent years, are not subject to the spending limits mentioned above. The District's TABOR reserve at December 31, 2018 is \$15,307.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing taxes or spending above the limits prescribed above, increasing a mill levy, extending an expiring tax or implementing a tax policy change directly causing a net tax revenue gain to any local government. Multiple fiscal year debt requires voter approval, except for bond refinancing at lower interest rates or adding employees to existing pension plans.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors and qualifications as an Enterprise, will require judicial interpretation.

Supplementary Information

Central Clear Creek Sanitation District
Statement of Revenue, Expenditures and Changes in Funds Available
Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2018

	Original and Final Budget	2018 Actual	Variance Favorable (Unfavorable)
Revenue			
Operating revenues:			
Sewer user fees	217,350	216,592	(758)
Late fees	2,500	4,307	1,807
Tap fees	-	-	-
Non-operating revenues:			
General property tax	97,658	98,545	887
Treasurer fees	-	-	-
Specific ownership tax	4,000	3,078	(922)
Interest on investments	525	4,744	4,219
Grant proceeds	723,459	182,960	(540,499)
Loan proceeds	1,000,000	467,968	(532,032)
Total Revenue	<u>\$ 2,045,492</u>	<u>\$ 978,194</u>	<u>\$ (1,067,298)</u>
Expenditures:			
Sewage treatment expenses	173,356	180,915	(7,559)
Collection and transmission expenses	30,000	35,538	(5,538)
General and administrative expenses	120,700	103,662	17,038
Capital outlay	-	526,808	(526,808)
Debt service:			
Interest	-	20,449	(20,449)
Principal	-	26,504	(26,504)
Total Expenditures	<u>\$ 324,056</u>	<u>\$ 893,876</u>	<u>\$ (569,820)</u>
Change in net position (budgetary basis)	<u><u>\$ 1,721,436</u></u>	<u><u>\$ 84,318</u></u>	<u><u>\$ (1,637,118)</u></u>
Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP):			
Depreciation		(139,698)	
Loan proceeds		(467,968)	
Loan principal payment		26,504	
Capital outlay		526,808	
Change in net position (GAAP basis)		<u>29,964</u>	
Net position, beginning of year		<u>2,489,833</u>	
Net position, end of year		<u><u>\$ 2,519,797</u></u>	

Central Clear Creek Sanitation District

Five-Year Summary of Assessed Valuation, Mill Levy, and Property Taxes Collected For the Year Ended December 31, 2018

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2013	\$ 4,541,150	8.082	\$ 36,699	\$ 35,946	97.95%
2014	4,684,440	8.295	38,857	37,195	95.72%
2015	4,663,520	46.516	216,930	211,675	97.58%
2016	5,002,520	31.440	157,033	96,644	61.54%
2017	4,988,960	20.008	99,819	98,884	99.06%
2018	5,234,140	18.658	97,658	98,545	100.91%

Estimated for the year

ending 12/31/2019	\$ 5,374,830	21.930	\$ 115,677
-------------------	--------------	--------	------------

Note

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.