



South Fort Collins Sanitation District

**Financial Statements and
Supplementary Information**
For the Years Ended December 31, 2018 and 2017



South Fort Collins Sanitation District

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the South Fort Collins Sanitation District (the "District") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Fort Collins Sanitation District as of December 31, 2018 and 2017, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

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

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

ACM LLP

Greeley, Colorado
June 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The South Fort Collins Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2018. In addition to this overview and analysis based on currently known facts, decisions and conditions, the District would encourage readers to consider the information presented in the District's financial statements, which begin on page 11 of this report.

FINANCIAL HIGHLIGHTS

- ❖ The assets of the District exceeded its liabilities and deferred inflows of resources at the end of the fiscal year ended December 31, 2018 by \$135.8 million (net position). Of the net position balance, \$43.9 million is unrestricted and is available to meet the District's ongoing obligations in accordance with the District's fund designations and fiscal policies.
- ❖ The District's net position increased by \$11.1 million (8.9%).
- ❖ The District's revenue from customer service charges, its principal operating revenue, increased by \$33.5 thousand (0.6%) during fiscal year 2018. This is due to the increased number of taps serviced. Service charge revenue for non-residential customers is based upon water usage.
- ❖ The number of customers served by the District increased by 596 taps (4.1%) in 2018, generating \$7.4 million in system development and impact fees as part of capital contributions. The District served a total of 14,974 taps at year end.
- ❖ The District accepted 12 new projects for the year ended December 31, 2018, representing \$3.1 million in capital contributions.
- ❖ The District maintained its property tax mill levy at 0.5 mills which generated \$399 thousand in revenue

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE SOUTH FORT COLLINS SANITATION DISTRICT

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

Financial Policy and Priorities

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

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

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

Day-To-Day Operational Control of the District

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

The general government fund was funded in 2018 by a 0.50 total mill levy. This total levy funds general operations of the District.

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

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

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

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

Overall Financial Position and Results of Operations

Financial Analysis

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

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

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

required line oversizing of trunklines and other costs are authorized by the board of directors. A summary of the statement of revenues, expenses and changes in net position is shown in Table B.

Table A
Condensed Statements of Net Position

	December 31,		
	2018	2017	2016
Current Assets	\$ 45,627,363	\$ 38,497,780	\$ 33,349,271
Capital Assets	91,875,809	86,990,868	86,866,797
Total Assets	\$ 137,503,172	\$125,488,648	\$120,216,068
Current Liabilities	\$ 1,231,428	\$ 363,065	\$ 486,461
Non-Current Liabilities	67,612	79,280	70,284
Total Liabilities	\$ 1,299,040	\$ 442,345	\$ 556,745
Deferred Inflows of Resources	\$ 411,593	\$ 350,000	\$ 335,000
Net Position			
Net Investment in Capital Assets	\$ 91,875,809	\$ 86,990,868	\$ 86,866,797
Restricted Emergency Reserve	12,000	11,000	10,050
Unrestricted	43,904,730	37,694,435	32,447,476
Total Net Position	\$ 135,792,539	\$124,696,303	\$119,324,323

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

	Year ended December 31,		
	2018	2017	2016
Total Operating Revenues	\$ 5,587,489	\$ 5,553,973	\$ 4,337,424
Total Operating Expenses	6,157,446	5,719,413	5,436,267
Loss from Operations	(569,957)	(165,440)	(1,098,843)
Non-Operating Revenues	1,199,428	657,856	532,131
Net Income (Loss) Before Contributions	629,471	492,416	(566,712)
Capital Contributions	10,466,765	4,879,564	6,946,416
Changes in Net Position	11,096,236	5,371,980	6,379,704
Net Assets - Beginning of Year	124,696,303	119,324,323	112,944,619
Net Assets - End of Year	\$135,792,539	\$124,696,303	\$119,324,323

Operating activities decreased the District's net position by \$570 thousand compared to a decrease of \$165 thousand in 2017. Key elements of this change are due to the following:

- ❖ There was an overall increase in operating expenses of \$438 thousand (7.7%) with pretreatment, engineering, collection and treatment increasing by \$131 thousand, office, administration and director fees decreasing by \$251 thousand, and depreciation increasing by \$56 thousand. Depreciation expense is \$2.4 million, which is 38% of operating expenses.

Non-operating activities increased the District's net position by \$1.2 million.

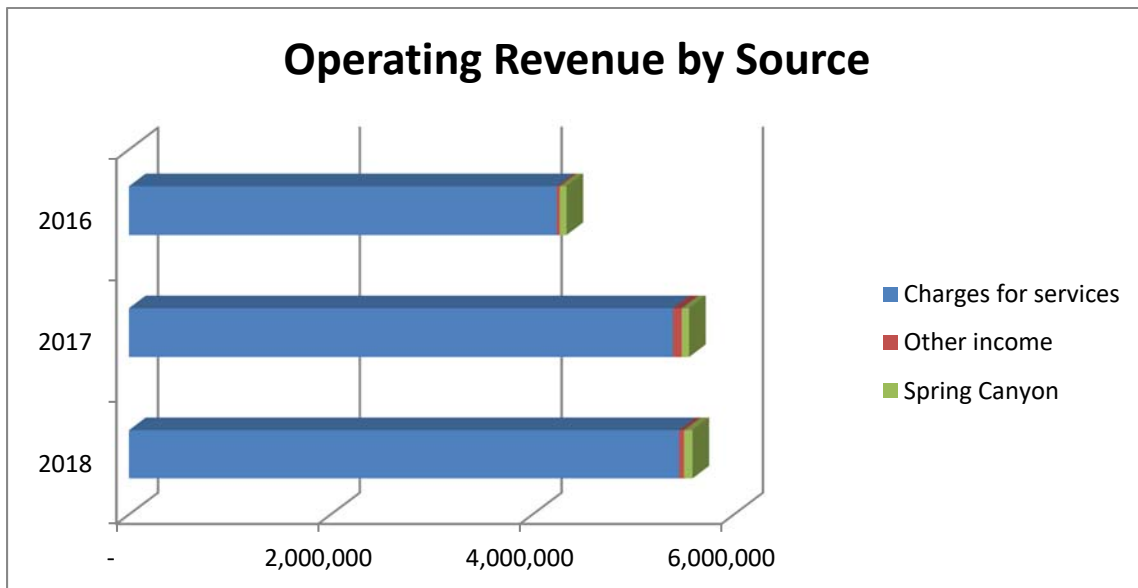
- ❖ Property tax collections \$399 thousand (net of fees) and investment income \$777 thousand.

Capital contributions increased the District's net position by \$10.5 million.

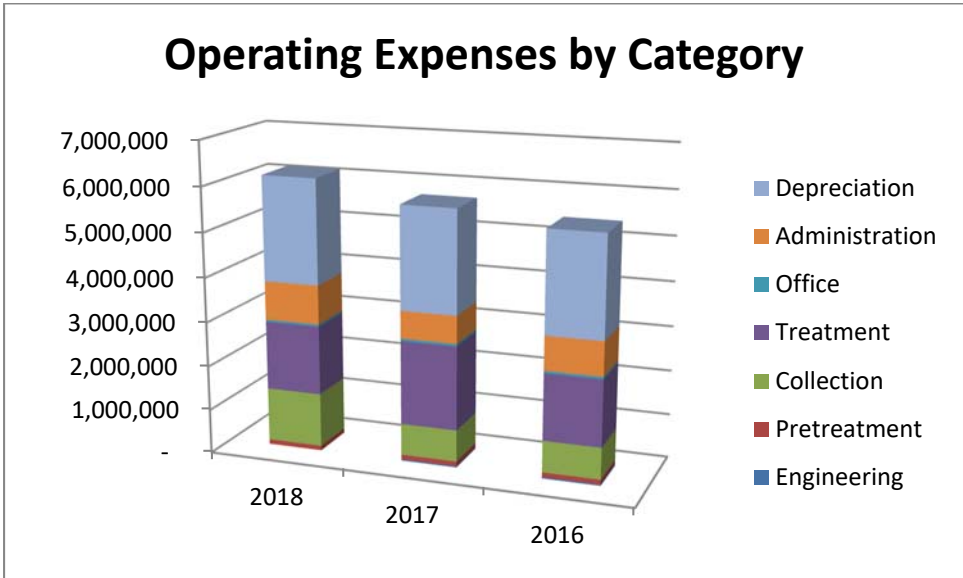
- ❖ Contributions of capital assets were \$3.1 million. These contributions represent collection lines in new subdivisions and a lift station that were deeded to the District.
- ❖ Other capital contributions of system development fees amounting to \$7.4 million. These consist of tap fees of \$6.9 million and impact fees of \$514 thousand. They represent new residential and non-residential capital payments to the District for the cost of the investment in the treatment plant and replacement of collection lines.

Operating Activities

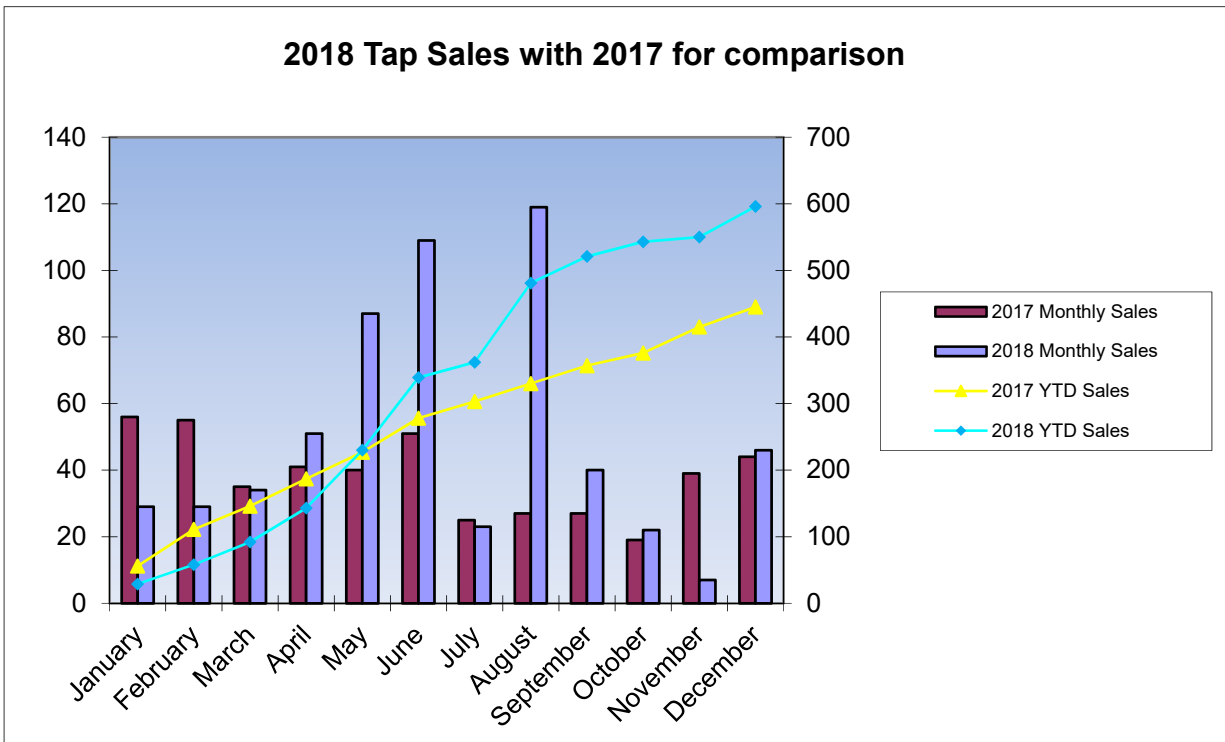
2018 Operating revenues increased the District's Net Position by \$5.6 million



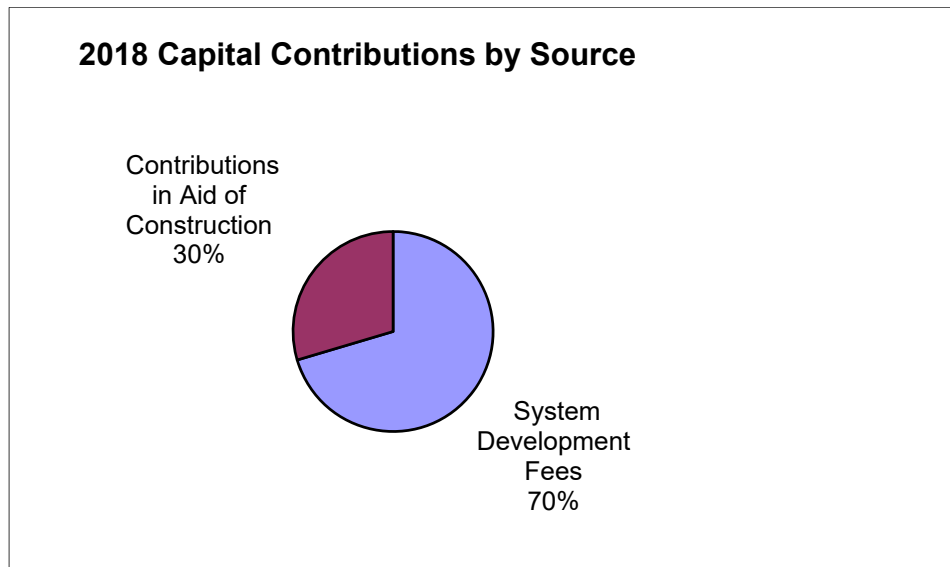
2018 Operating expenses decreased the District's Net Position by \$6.2 million



Active taps grew by 596 in 2018



Capital contributions increased the District's Net Position by \$10.5 million



Budgetary Highlights

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

The variance between actual revenues over expenditures and the budget amounted to a favorable \$18.9 million and is summarized as follows:

- ❖ Tap fee and impact fee revenue were \$5.8 million over budget.
- ❖ Engineering expenses were \$40 thousand under budget.
- ❖ Collection system expenses were \$269 thousand under budget as a result of wages (\$86 thousand), and a collection system master plan that was not completed (\$150 thousand).
- ❖ Pretreatment and Treatment system expenses were \$507 thousand under budget. Significant items under budget are wages and related expenses (\$26 thousand), lab testing (\$36 thousand), power to the plant (\$88 thousand), and repair and maintenance plant (\$196 thousand).
- ❖ Office and Administration were \$37 thousand under budget. Significant items under budget are postage (\$12 thousand) and bank service charges (\$22 thousand).
- ❖ Capital purchases were \$11.4 million under budget. The District did not start pre-construction and procurement of the expansion of the wastewater reclamation facility until late 2018.

Capital Assets and Long-Term Debt

Capital Assets. The District's investment in capital assets as of December 31, 2018 amounted to \$92 million (net of accumulated depreciation). This investment in capital assets includes land and easements, collection system lines, buildings and improvements, machinery, equipment and wastewater infrastructure.

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

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

Next Year's Budget and Rates

The District will enter 2019 with \$44 million in cash and investments which represents an increase over 2018 beginning balances of \$10 million. It is anticipated that the District balances will decrease during 2019 due to the construction of an expansion on the wastewater reclamation facility.

Conditions Impacting Future Operations

- ❖ The District is expecting to see moderate tap sales for the near future. The District remains in a growth area in Northern Colorado. The proposed subdivisions in the Timnath growth area will add 3,500 to 6,000 units over the next five to ten years.
- ❖ The total estimated build out growth of the District is approximately 20,000 units. So with its present taps, the District is at 75 percent of expected build-out size.
- ❖ The recovery of the U.S. and local economies along with historically low interest rates continues to be reflected in the number of new taps sales. Tap sales will continue to increase or decrease as the economy improves or wanes.
- ❖ A significant risk to the District is the ability of state and federal regulatory agencies to impose new rules on the treatment of wastewater and its discharge at any time. Maintaining compliance with any new rules has the potential to be costly to the operations of the District.

Contact

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

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

Basic Financial Statements

SOUTH FORT COLLINS SANITATION DISTRICT
Statements of Net Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 44,289,826	\$ 34,338,667
Investments	-	2,990,805
Receivables	1,185,548	1,057,825
Prepaid items	151,989	110,483
Total Current Assets	45,627,363	38,497,780
Capital Assets		
Land, easements and construction in progress	5,074,795	1,084,609
Depreciable capital assets, net of accumulated depreciation	86,801,014	85,906,259
Total Capital Assets	91,875,809	86,990,868
Total Assets	137,503,172	125,488,648
LIABILITIES		
Current Liabilities		
Accounts payable	604,955	148,305
Accrued expenses	626,473	165,260
Unearned revenue - prepaid taps	-	49,500
Total Current Liabilities	1,231,428	363,065
Non-current Liabilities		
Accrued compensated absences	67,612	79,280
Total Non-Current Liabilities	67,612	79,280
Total Liabilities	1,299,040	442,345
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - property taxes	411,593	350,000
Total Deferred Inflows of Resources	411,593	350,000
NET POSITION		
Net investment in capital assets	91,875,809	86,990,868
Restricted for emergencies	12,000	11,000
Unrestricted net position	43,904,730	37,694,435
Total Net Position	\$ 135,792,539	\$ 124,696,303

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

SOUTH FORT COLLINS SANITATION DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Sewer charges and other services	\$ 5,587,489	\$ 5,553,973
Total Operating Revenues	<u>5,587,489</u>	<u>5,553,973</u>
Operating Expenses		
Engineering	-	29,776
Pre-treatment	106,558	108,394
Collection	1,216,099	718,354
Treatment	1,551,105	1,886,181
Office	48,712	53,725
Administration	854,421	602,886
Depreciation	2,361,448	2,305,383
Directors fees and expenses	19,103	14,714
Total Operating Expenses	<u>6,157,446</u>	<u>5,719,413</u>
Loss from Operations	(569,957)	(165,440)
Non-Operating Revenues (Expenses)		
Property taxes - net of fees	398,977	359,988
Inclusion fees	13,803	11,291
Interest income on investments - net of fees	777,453	355,383
Unrealized gain (loss) on investments	9,195	(13,610)
Loss on sale of capital assets	-	(55,196)
Total Non-Operating Revenues (Expenses)	<u>1,199,428</u>	<u>657,856</u>
Income before Capital Contributions	629,471	492,416
Capital Contributions	<u>10,466,765</u>	<u>4,879,564</u>
Change in Net Position	11,096,236	5,371,980
Total Net Position - Beginning	<u>124,696,303</u>	<u>119,324,323</u>
Total Net Position - Ending	<u>\$ 135,792,539</u>	<u>\$ 124,696,303</u>

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

SOUTH FORT COLLINS SANITATION DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Cash received from customers	\$ 5,521,827	\$ 5,432,336
Cash paid to suppliers	(2,263,274)	(2,107,791)
Cash paid to employees	(1,189,449)	(1,377,109)
Net cash flows from operating activities	2,069,104	1,947,436
Cash flows from noncapital financing activities		
Property taxes	405,909	365,929
Property tax collection fees	(7,400)	(6,224)
Inclusion fees	13,803	11,291
Net cash flows from noncapital financing activities	412,312	370,996
Cash flows from capital and related financing activities		
Contributed capital	7,320,500	3,102,500
Acquisition of capital assets	(3,628,210)	(707,586)
Net proceeds from prepaid tap sales	-	(27,500)
Net cash flows from capital and related financing activities	3,692,290	2,367,414
Cash flows from investing activities		
Earnings on investments	777,453	355,383
Purchases of investments	-	(33,024,243)
Proceeds from sale of investments	3,000,000	34,023,618
Net cash flows from investing activities	3,777,453	1,354,758
Net change in cash and cash equivalents	9,951,159	6,040,604
Cash and cash equivalents at beginning of year	34,338,667	28,298,063
Cash and cash equivalents at end of year	\$ 44,289,826	\$ 34,338,667

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

SOUTH FORT COLLINS SANITATION DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	\$ (569,957)	\$ (165,440)
Adjustments to reconcile operating (loss) to cash flows from operating activities:		
Depreciation	2,361,448	2,305,383
Changes in assets and liabilities:		
Receivables	(65,662)	(121,636)
Prepaid items	(41,506)	16,033
Accounts payable and accrued expenses	396,449	(92,722)
Accrued compensated absences	(11,668)	5,821
Net cash flows from operating activities	\$ 2,069,104	\$ 1,947,439
Noncash capital and related financing transactions		
Capital assets contributed	\$ 3,096,765	\$ 1,777,064
Capital asset additions included in accounts payable	\$ 521,414	\$ -

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2018 and 2017

1. Summary of Significant Accounting Policies

Form of Organization

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

Basis of Accounting

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

Financial Reporting Entity

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

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

Basic Financial Statements

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

Basis of Presentation

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2018 and 2017

Budgets and Budgetary Accounting

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

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

Total appropriated expenditures for the District are as follows:

	Original Budget	Total Revision	Revised Budget
Business-Type Fund:			
Governmental function	\$ 26,000	\$ -	\$ 26,000
Enterprise function	20,188,286	-	20,188,286

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

	2018	2017
Change in net position	\$11,096,236	\$5,371,980
Depreciation	2,361,448	2,305,383
Non-cash capital contributions	(3,096,765)	(1,777,064)
Acquisition of capital assets (cash and non-cash)	(4,149,624)	(707,586)
Loss on sale of capital assets	-	55,196
Excess revenues over expenditures, budgetary basis	\$6,211,295	\$5,247,909

Cash and Cash Equivalents

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2018 and 2017

Investments

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

Accounts Receivable and Allowance for Doubtful Accounts

Revenues are recognized when earned. Customers are billed monthly on 30-day cycles. Accounts receivable result from the timing of billed accounts and are shown net of an allowance for doubtful accounts. User and other similar fees set from time to time by the District's governing board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed in the same manner as provided by the laws of the State of Colorado. The District has determined that no allowance is necessary at December 31, 2018 or 2017, based on historical collection experience.

Capital Assets

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

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

Accrued Compensated Absences Payable

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

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

	Beginning	Additions	Deletions	Ending
2018	\$ 79,280	\$ 40,353	\$ (52,021)	\$ 67,612
2017	\$ 70,284	\$ 62,105	\$ (53,109)	\$ 79,280

Deferred Inflows of Resources

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2018 and 2017

Net Position

Net position is classified in the following categories:

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

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

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

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

Operating Revenues and Expenses

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

Connection Fees

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

Property Taxes

Property taxes are levied in December and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on the last day of February and June 15, or in full on April 30. The District uses the Larimer County Treasurer to bill and collect its property taxes. Taxes levied in December 2018 are recorded as taxes receivable and deferred inflows of resources as of December 31, 2018.

Contributions in Aid of Construction

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2018 and 2017

Use of Estimates

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

2. Cash and Investments

Cash Deposits

Custodial Credit Risk

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The District’s deposit policy is in accordance with C.R.S. 11-10.5-101, Colorado Public Deposit Protection Act (“PDPA”), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution’s internal records identify collateral by depositor, and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2018, the District had deposits with financial institutions with a carrying amount of \$4,581,984. The bank balances with the financial institutions were \$3,869,872, of which, \$250,000 was covered by federal depository insurance. The remaining balance of \$3,619,872 was collateralized with securities held by the financial institutions’ agents but not in the District’s name. At December 31, 2017, the District had deposits with financial institutions with a carrying amount of \$1,888,361. The bank balances with the financial institutions were \$1,894,058 of which \$250,000 was covered by federal depository insurance. The remaining balance of \$1,644,058 was collateralized with securities held by the financial institutions’ agents but not in the District’s name.

Cash deposits and cash equivalents held by the District at December 31, 2018 and 2017, were as follows:

	2018	2017
Petty cash	\$ 50	\$ 50
Cash on deposit with financial institutions	4,581,984	1,888,361
Local government investment pools	39,707,792	32,450,256
Total cash and cash equivalents	\$44,289,826	\$34,338,667

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2018 and 2017

Local Government Investment Pools

As of December 31, 2018 and 2017, the District had invested balances of \$10,821,202 and \$6,734,450 in CSAFE, an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. CSAFE is a highly liquid fund operating similarly to a money market-like fund and each share is equal in value to \$1.00. CSAFE measures all of its investment at amortized cost in accordance with GASB Statement No. 79. CSAFE invests primarily in United States Treasuries, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, AAAM rated money market funds, highly rated corporate bonds and Colorado Depositories. The weighted average maturity of the portfolio shall not exceed 60 days and the weighted average life of the portfolio shall not exceed 120 days. CSAFE is rated AAAM by Standard & Poor's. The District reports this investment value at amortized cost.

At December 31, 2018 and 2017, the District had invested \$28,886,590 and \$25,715,806 in the Colorado Local Government Liquid Asset Trust (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Investments

Credit Risk

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

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

District policy is to hold investments until maturity.

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2018 and 2017

Interest Rate Risk

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

There were no investments held by the District at December 31, 2018.

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

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

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

3. Receivables

Receivables at December 31, 2018 and 2017, consisted of the following:

	2018	2017
Trade accounts receivable	\$ 757,807	\$ 698,249
Property taxes receivable	414,598	352,537
Accrued interest receivable	13,143	7,039
Total receivables	\$ 1,185,548	\$ 1,057,825

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2018 and 2017

4. Capital Assets

The following is a summary of capital asset activity for the year ended December 31, 2018:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 147,037	\$ 3,990,186	\$ -	\$ 4,137,223
Land and easements	937,572	-	-	937,572
Total capital assets, not being depreciated	1,084,609	3,990,186	-	5,074,795
Capital assets, being depreciated:				
Sewer lines	73,115,080	3,096,764	-	76,211,844
Sewage treatment plant	38,112,371	159,439	-	38,271,810
Equipment	1,192,443	-	(18,291)	1,174,152
Total capital assets, being depreciated	112,419,894	3,256,203	(18,291)	115,657,806
Less accumulated depreciation for:				
Sewer lines	(19,971,635)	(1,491,695)	-	(21,463,330)
Sewage treatment plant	(5,643,513)	(794,099)	-	(6,437,612)
Equipment	(898,487)	(75,654)	18,291	(955,850)
Total accumulated depreciation	(26,513,635)	(2,361,448)	18,291	(28,856,792)
Total capital assets, being depreciated, net	85,906,259	894,755	-	86,801,014
Capital assets, net	\$ 86,990,868	\$ 4,884,941	\$ -	\$ 91,875,809

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2018 and 2017

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

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

5. Commitments and Contingency

Commitments

The District signed a contract with Hydro Construction to complete the construction of a wastewater treatment plant expansion for \$32,146,424. The project is anticipated to be completed in 2020. At December 31, 2018, \$298,924 is included in accounts payable. At December 31, 2018, the remaining amount of the contract is \$31,847,500.

Risk Management

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

At December 31, 2017, (the most current year audited financial statements) CSDPLP has assets of \$56,602,888, liabilities of \$30,815,521 and surplus of \$25,787,367. The liability includes no long-term debt. Total revenues for 2017 amounted to \$20,082,198 and total expenses were \$18,721,378 resulting in an excess of revenues over expenses of \$1,360,820. The amount of the District's share of these amounts is less than 1%.

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2018 and 2017

6. Transactions with Other Governmental Entities

The District pays the Fort Collins-Loveland Water District, with separately elected officers, a monthly fee for its management. The two Districts provide water and wastewater services to a service area with similar boundaries. Total expense for each of the years ended December 31, 2018 and 2017, was \$632,941 and \$468,871, respectively. As of December 31, 2018 and 2017, the District owed the Fort Collins-Loveland Water District \$-0- and \$39,687, respectively, which are included in accounts payable in the accompanying statements of net position.

7. Defined Contribution Plan

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

The District's contributions to the plan for the years ending December 31, 2018, 2017 and 2016 were \$45,258, \$49,840 and \$47,665, respectively.

8. 457 Deferred Compensation Plan

The District offers its employees a deferred compensation plan (the "Plan"), created in accordance with Internal Revenue Code Section 457. The Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,500 and \$18,000 for the calendar years 2018 and 2017, respectively). Catch-up contributions of up to \$6,000 for calendar years 2018 and 2017, were allowed for participants who had attained age 50 before the close of the plan year. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. For the years ended December 31, 2018 and 2017, the District did not make any contributions to the Plan.

9. Tabor Compliance

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

South Fort Collins Sanitation District
Notes to Financial Statements
December 31, 2018 and 2017

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

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted \$12,000 and \$11,000 as of December 31, 2018 and 2017, respectively for emergencies as defined by TABOR.

The Amendment is complex and subject to judicial interpretation.

10. Subsequent Events

The District evaluated subsequent events through June 12, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

Supplementary Information

SOUTH FORT COLLINS SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018
With Comparative Amounts for the Year Ended December 31, 2017

	2018				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance - Favorable (Unfavorable)	2017 Actual
Enterprise function:					
Revenues					
Operating Revenues					
Service charges	\$ 5,205,000	\$ 5,205,000	\$ 5,454,019	\$ 249,019	\$ 5,393,739
Miscellaneous income	5,000	5,000	48,870	43,870	86,914
Revenue - Spring Canyon	83,750	83,750	84,600	850	73,320
Total Operating Revenues	5,293,750	5,293,750	5,587,489	293,739	5,553,973
Non-Operating Revenues					
Interest on investments	305,000	305,000	777,453	472,453	355,383
Unrealized gain (loss) investments	-	-	9,195	9,195	(13,610)
Tap fees	1,350,000	1,350,000	6,856,000	5,506,000	2,704,500
Impact fees	225,000	225,000	514,000	289,000	398,000
Inclusion fees	-	-	13,803	13,803	11,291
Total Non-Operating Revenues	1,880,000	1,880,000	8,170,451	6,290,451	3,455,564
Operating transfer in	-	-	379,874	379,874	345,274
Total Revenues	7,173,750	7,173,750	14,137,814	6,964,064	9,354,811
Expenditures - Operating					
Engineering					
Wages	35,000	35,000	-	35,000	29,702
Dues & subscriptions	3,000	3,000	-	3,000	-
Education & training	2,000	2,000	-	2,000	74
Total Engineering	40,000	40,000	-	40,000	29,776
Pretreatment					
Wages	78,000	78,000	75,591	2,409	74,776
Payroll taxes	6,200	6,200	6,055	145	5,830
Retirement	4,700	4,700	3,236	1,464	4,342
Insurance - medical	15,100	15,100	15,100	-	15,100
Insurance - life	700	700	876	(176)	664
Workers' comp insurance	3,000	3,000	1,052	1,948	2,212
Cell phone	450	450	637	(187)	354
Consulting	1,400	1,400	-	1,400	-
Dues & subscriptions	100	100	-	100	-
Education & training	2,000	2,000	-	2,000	-
Fuel	750	750	555	195	465
Lab testing	38,800	38,800	3,065	35,735	1,905
Legal	1,000	1,000	-	1,000	-
Contingency	2,000	2,000	-	2,000	2,324
Office supplies	2,000	2,000	289	1,711	118
Public education	800	800	-	800	-
R & M - vehicles	650	650	102	548	304
Total Pretreatment	157,650	157,650	106,558	51,092	108,394

(continued)

SOUTH FORT COLLINS SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018
With Comparative Amounts for the Year Ended December 31, 2017

	2018				
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance - Favorable (Unfavorable)	2017 Actual
Collection					
Wages	360,000	360,000	274,054	85,946	346,012
On-call & overtime	57,000	57,000	39,337	17,663	43,793
Payroll taxes	34,000	34,000	24,320	9,680	30,258
Insurance - medical	77,000	77,000	77,000	-	77,000
Insurance - life	2,500	2,500	2,099	401	2,965
Retirement	23,000	23,000	12,051	10,949	19,947
Workers' comp insurance	14,000	14,000	5,256	8,744	11,062
Cell phone	4,000	4,000	2,789	1,211	2,476
Consulting	150,000	150,000	-	150,000	-
Education	5,000	5,000	4,823	177	3,588
Fuel	20,000	20,000	12,864	7,136	14,302
Miscellaneous	1,000	1,000	1,338	(338)	2,108
Office supplies	1,000	1,000	375	625	-
Power - Boyd Lake	4,500	4,500	3,155	1,345	3,172
Power - Crossroads	3,000	3,000	3,966	(966)	3,160
Power - Highland Meadows	11,500	11,500	8,739	2,761	10,049
Power - McClelland	2,000	2,000	1,394	606	1,670
Power - Ptarmigan	40,000	40,000	34,598	5,402	33,026
R & M - lines and lift stations	640,000	640,000	669,974	(29,974)	68,155
R & M - vehicles	15,000	15,000	16,393	(1,393)	24,511
Safety program	3,000	3,000	4,555	(1,555)	4,450
Supplies	2,000	2,000	2,089	(89)	1,043
Uniforms	3,500	3,500	2,097	1,403	2,492
Utility locates	12,500	12,500	12,833	(333)	13,115
Total Collection	1,485,500	1,485,500	1,216,099	269,401	718,354
Treatment					
Wages	475,000	475,000	448,560	26,440	453,955
On-call & overtime	58,000	58,000	43,169	14,831	44,791
Payroll taxes	44,000	44,000	41,121	2,879	37,890
Insurance - medical	90,600	90,600	90,600	-	107,000
Insurance - life	4,500	4,500	3,914	586	4,202
Retirement	29,000	29,000	18,887	10,113	25,551
Workers' comp insurance	17,000	17,000	6,308	10,692	13,274
Biomonitoring	15,000	15,000	10,350	4,650	13,950
Biosolids removal	155,000	155,000	158,513	(3,513)	119,608
Chemicals	90,000	90,000	95,076	(5,076)	61,862
Dues & subscriptions	2,000	2,000	550	1,450	635
Education & training	6,500	6,500	2,578	3,922	1,741
Fuel - standby power	4,000	4,000	3,152	848	2,170
Fuel - vehicle	6,000	6,000	2,532	3,468	2,447
Janitorial services	4,800	4,800	3,660	1,140	3,660
Lab testing	30,000	30,000	17,009	12,991	16,612
Miscellaneous	500	500	496	4	-
Office supplies	1,000	1,000	237	763	536
Permits	25,000	25,000	20,487	4,513	12,767
Power - plant	500,000	500,000	411,665	88,335	439,622
Cell phones	3,500	3,500	2,969	531	2,485
R & M - building	50,000	50,000	2,629	47,371	1,899

(continued)

SOUTH FORT COLLINS SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018
With Comparative Amounts for the Year Ended December 31, 2017

	2018		Actual Amounts (Budgetary Basis)	Variance - Favorable (Unfavorable)	2017 Actual
	Budget - Original	Budget - Final			
R & M - grounds	5,000	5,000	1,435	3,565	21,455
R & M - plant	250,000	250,000	54,046	195,954	62,696
R & M - vehicles	3,000	3,000	1,345	1,655	866
Service contracts	32,395	32,395	27,173	5,222	392,112
Supplies	3,000	3,000	1,713	1,287	1,288
Telephone	8,000	8,000	6,314	1,686	6,886
Trash removal	65,000	65,000	51,461	13,539	29,364
Uniforms	4,000	4,000	3,068	932	3,636
Water quality monitoring	4,000	4,000	2,366	1,634	-
Water usage	4,000	4,000	863	3,137	1,221
Total Treatment	1,989,795	1,989,795	1,534,246	455,549	1,886,181
Office					
Payroll processing	6,500	6,500	5,503	997	5,412
Postage	38,500	38,500	26,514	11,986	23,920
Printing	20,500	20,500	15,748	4,752	22,569
Publications & notices	1,000	1,000	947	53	1,824
Total Office	66,500	66,500	48,712	17,788	53,725
Administration					
Audit	7,900	7,900	12,400	(4,500)	7,500
Bank service charges	28,000	28,000	5,812	22,188	21,702
Consulting	100,000	100,000	91,991	8,009	-
Contingency	10,000	10,000	2,249	7,751	11,617
Customer relations	1,000	1,000	114	886	76
Dues & subscriptions	8,000	8,000	6,617	1,383	5,175
Education & training	2,500	2,500	1,576	924	137
Insurance - liability	36,000	36,000	50,726	(14,726)	35,507
Insurance - property	35,000	35,000	30,635	4,365	30,422
Legal	10,000	10,000	18,873	(8,873)	21,282
Management fees - FCLWD	632,941	632,941	632,941	-	468,871
Miscellaneous expenses	1,500	1,500	5	1,495	191
Travel	1,000	1,000	482	518	406
Total Administration	873,841	873,841	854,421	19,420	602,886
Total Operating Expenses	4,613,286	4,613,286	3,760,036	853,250	3,399,316
Capital expenditures - Non-Operating					
Collection - operating	66,000	66,000	-	66,000	-
Collection - other	225,000	225,000	-	225,000	204,108
Treatment - operating	6,024,000	6,024,000	1,708,891	4,315,109	11,199
Treatment - other	9,210,000	9,210,000	2,394,110	6,815,890	324,235
Buildings & grounds	40,000	40,000	63,482	(23,482)	168,044
Pretreatment	10,000	10,000	-	10,000	-
Total Non-Operating Expenditures	15,575,000	15,575,000	4,166,483	11,408,517	707,586
Enterprise gain (loss)	(13,014,536)	(13,014,536)	6,211,295	19,225,831	5,247,909

(continued)

SOUTH FORT COLLINS SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018
With Comparative Amounts for the Year Ended December 31, 2017

2018					
	Budget - Original	Budget - Final	Actual Amounts (Budgetary Basis)	Variance - Favorable (Unfavorable)	2017 Actual
Governmental function:					
Revenues					
Property taxes	350,000	350,000	406,377	56,377	366,212
Expenditures					
Collection fees	6,700	6,700	7,400	(700)	6,224
Directors fees	9,600	9,600	7,500	2,100	5,635
Directors payroll taxes	9,000	9,000	11,007	(2,007)	8,369
Directors expenses	700	700	596	104	710
Operating transfer out	-	-	379,874	(379,874)	345,274
Total expenditures	26,000	26,000	406,377	(380,377)	366,212
Excess revenues over expenditures	324,000	324,000	-	(324,000)	-
Excess (deficiency) of budgetary revenues over budgetary expenditures	<u>\$ (12,690,536)</u>	<u>\$ (12,690,536)</u>	<u>\$ 6,211,295</u>	<u>\$ 18,901,831</u>	<u>\$ 5,247,909</u>

See accompanying independent auditor's report