

**WHEAT RIDGE SANITATION DISTRICT**  
**Financial Statements**  
**With**  
**Independent Auditor's Report**  
**December 31, 2018 and 2017**

## TABLE OF CONTENTS

<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10
<b>SUPPLEMENTAL INFORMATION</b>	
Budgetary Comparison Schedule – Non-GAAP Basis	19
Schedule of Expense by Function	20

# Green & Associates LLC

Certified Public Accountants & Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Wheat Ridge Sanitation District

We have audited the accompanying financial statements of the business type activities of Wheat Ridge Sanitation District as of and for the years ended December 31, 2018 and 2017, which collectively comprise the District's basic financial statements as listed in the table of contents and the related notes to the financial statements.

### ***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 opinions 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Wheat Ridge Sanitation District as of December 31, 2018 and 2017, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other-Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 6 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wheat Ridge Sanitation District's basic financial statements as a whole. The budgetary comparison schedule – non GAAP basis and the schedule of expenses by function, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 that reads "G. & Associates LLC". The signature is written in black ink and is positioned above the typed name and date.

Brighton, Colorado  
July 9, 2019

## **Management's Discussion and Analysis**

**WHEAT RIDGE SANITATION DISTRICT**  
**7100 W. 44<sup>th</sup> Ave., #104**  
**Wheat Ridge, CO 80033**

**Management's Discussion and Analysis**

**Introduction**

The Wheat Ridge Sanitation District's management discussion and analysis is intended to provide the reader and user of our financial statements, with (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual, approved budget; and, (e) an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on the 2018 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 7.

**Overview of the Financial Statements of the District**

The audited financial statements of the District are:

Statement of Net Position  
Statement of Revenues, Expenses, and Changes in Net Position  
Statement of Cash Flows  
Notes to Financial Statements

These statements are on pages 7 through 18. These and the Other Supplementary Information, *Budgetary Comparison Schedule* on page 19 and *Schedule of Expenses by Function* on page 20 provide information about the District's financial position as of each December 31, its results of operations and the resulting cash flows for each year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the budgetary comparison schedule, these are presented with current year and prior year comparison.

The **Statement of Net position** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in its assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining a status quo.

The **Statement of Revenue, Expenses, and Changes in Net position** provides information about the components – Operating Revenue, Operating Expenses, Non-Operating Revenue and Expenses, and Capital Contributions – of the District's annual operating activities and how those activities affected Net position.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating, financing, and investment activities affected the District's cash balances.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The **Budgetary Comparison Schedule** provides information comparing the budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, there will be a comparison of the originally approved budget with the final amended budget.

**Condensed Comparative Financial Information:**

**Statement of Net Position**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current Assets			
Cash and cash equivalents	\$ 161,665	\$ 555,385	\$ 419,190
Other current assets	3,081,417	2,761,938	2,601,504
Total Current Assets	<u>3,243,082</u>	<u>3,317,323</u>	<u>3,020,694</u>
Non Current Assets			
Capital assets – net	4,241,441	2,860,661	2,633,000
Total Assets	<u>7,484,523</u>	<u>6,177,984</u>	<u>5,653,694</u>
Current Liabilities	<u>449,167</u>	<u>368,642</u>	<u>160,608</u>
Total Liabilities	<u>449,167</u>	<u>368,642</u>	<u>160,608</u>
Deferred Inflows of Resources	<u>101,708</u>	<u>103,284</u>	<u>99,279</u>
Net Position			
Net investment in capital assets	4,241,441	2,860,661	2,633,000
Restricted	3,343	3,282	3,282
Unrestricted	<u>2,688,864</u>	<u>2,842,115</u>	<u>2,757,525</u>
Total Net Position	<u>\$ 6,933,648</u>	<u>\$ 5,706,058</u>	<u>\$ 5,393,807</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 2,092,700	\$ 2,322,445	\$ 2,090,300
Operating Expenses	<u>2,158,476</u>	<u>2,447,486</u>	<u>2,461,355</u>
Operating Income (Loss)	(65,776)	(125,041)	(371,055)
Non Operating Revenues (Expenses)	<u>1,293,366</u>	<u>437,292</u>	<u>248,679</u>
Change in Net Position	1,227,590	312,251	(122,376)
Net Position, Beginning of Year	5,706,058	5,393,807	5,516,183
Net Position, End of Year	<u>\$ 6,933,648</u>	<u>\$ 5,706,058</u>	<u>\$ 5,393,807</u>

## Statement of Cash Flows

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash from (for) Operating Activities	\$ (138,104)	\$ 145,094	\$ 42,056
Cash from Non Capital Financing Activities	613,653	375,481	227,504
Cash from (for) Capital and Related Financing Activities	(904,225)	(312,354)	(548,177)
Cash from (for) Investing Activities	34,956	(72,026)	(210,322)
Increase (Decrease)	<u>(393,720)</u>	<u>136,195</u>	<u>(488,939)</u>
Cash and Cash Equivalents, Beginning of Year	555,385	419,190	908,129
Cash and Cash Equivalents, End of Year	<u>\$ 161,665</u>	<u>\$ 555,385</u>	<u>\$ 419,190</u>

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 7.

### Analysis of Financial Position and Operating Results

Net position increased from \$5,706,058 in 2017 to \$6,933,648 in 2018, a difference of \$1,227,590 due to revenues exceeding expenses by that amount.

For 2018 the District has a net asset reserve for emergencies established by the Board of Directors in the amount of \$3,343.

Net capital assets increased \$1,380,780 in 2018.

The District's Liabilities at December 31, 2018 increased \$80,525 from those at December 31, 2017 relating primarily to the timing of payments to Metro Wastewater.

The District's 2018 operating revenues decreased \$229,745 from 2017. The change in revenue is mainly a result of a decrease in connection fees collected on behalf of other districts.

The District's operating expenses decreased \$289,010 in 2018. This decrease was caused by cost reduction efforts within the District and connection fees collected on behalf of other districts.

Net 2018 non-operating revenues had a \$856,074 increase due primarily to an increase in contributed lines and upsizing.

### Cash Flows

Cash and cash equivalents for 2018 decreased \$393,720. Cash and cash equivalents represent approximately 2% of the District's total net assets at December 31, 2018.

For more information about these changes in net position, the operating activities, and cash flows see the accompanying audited financial statements beginning on page 7.

**Budgetary Discussion**

Actual revenues were \$1,218,970 less than the 2018 budget, primarily due to lower than expected developer contributions.

Actual expenditures were \$1,921,083 less than budgeted due to the District not requiring the use of all of the contingency expenditures, lower capital expenditures, and fewer connection fees.

**Capital Asset and Long Term Debt Discussion**

The District depreciates its infrastructure assets. See Note 1 of Notes to Financial Statements – *Summary of Significant Accounting Policies – Capital Assets* on page 1 and Note 4 of Notes to Financial Statements – Capital Assets on page 16.

The District has no capital asset activities programs in process.

The District has no long-term debt.

**Other**

There are no currently known facts, decisions, or conditions, which are expected to, or may likely, have a significant effect on the financial condition and results of operation in subsequent reporting periods.

**Requests for Information**

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be address to the District at 7100 W. 44<sup>th</sup> Ave., #104, Wheat Ridge, CO 80033.

## **Basic Financial Statements**

**Wheat Ridge Sanitation District**  
**Statements of Net Position**  
**December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 161,665	\$ 555,385
Investments	2,445,744	2,414,705
Prepaid expenses	16,934	14,430
Accounts receivable	164,270	157,831
Due from Metro Wastewater	339,748	65,493
Accrued interest	13,013	6,195
Property taxes receivable	101,708	103,284
Total Current Assets	3,243,082	3,317,323
<b>Noncurrent Assets</b>		
Capital Assets		
Depreciable		
Sewer lines, extensions and inclusions	7,514,459	6,009,024
Office equipment	59,359	53,669
Leasehold improvements	2,824	2,824
Total Capital Assets	7,576,642	6,065,517
Less: Accumulated depreciation	(3,335,201)	(3,204,856)
Net Capital Assets	4,241,441	2,860,661
Total Noncurrent Assets	4,241,441	2,860,661
Total Assets	7,484,523	6,177,984
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	416,564	338,119
Accrued expenses	933	782
Developer deposits	31,670	29,741
Total Current Liabilities	449,167	368,642
<b>Deferred Inflows of Resources</b>		
Deferred property taxes	101,708	103,284
Total Deferred Inflows of Resources	101,708	103,284
<b>Net Position</b>		
Net Investment in capital assets	4,241,441	2,860,661
Restricted for emergencies	3,343	3,225
Unrestricted	2,688,864	2,842,172
Total Net Position	\$ 6,933,648	\$ 5,706,058

The accompanying notes are an integral part of these financial statements

**Wheat Ridge Sanitation District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>		
Sewage treatment revenue	\$ 1,998,763	\$ 2,014,088
Grease trap fees	7,184	8,479
Metro connection fees	66,676	275,144
Inspection fees	3,925	6,900
Miscellaneous income	16,152	17,834
Total Operating Revenues	<u>2,092,700</u>	<u>2,322,445</u>
<b>Operating Expenses</b>		
Sewage treatment	1,269,409	1,480,336
Collection and transmission	465,504	599,554
General and administration	293,218	242,903
Depreciation	130,345	124,693
Total Operating Expenses	<u>2,158,476</u>	<u>2,447,486</u>
Operating Income (Loss)	<u>(65,776)</u>	<u>(125,041)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	101,865	97,760
Specific ownership taxes	9,579	9,716
Investment income	61,708	27,129
Office sharing revenue	9,719	9,081
Connection fees	38,520	260,630
Upsizing charges	455,654	-
Change in FMV of investments	11,105	(5,318)
County treasurer fees	(1,684)	(1,706)
Total Nonoperating Revenues (Expenses)	<u>686,466</u>	<u>397,292</u>
Income Before Capital Contributions	620,690	272,251
Capital Contributions	<u>606,900</u>	<u>40,000</u>
<b>Change in Net Position</b>	1,227,590	312,251
Net Position, beginning of year	<u>5,706,058</u>	<u>5,393,807</u>
Net Position, end of year	<u>\$ 6,933,648</u>	<u>\$ 5,706,058</u>

The accompanying notes are an integral part of these financial statements

**Wheat Ridge Sanitation District**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 2,086,261	\$ 2,324,093
Cash paid to suppliers	(2,224,365)	(2,178,999)
Net cash provided (used) by operating activities	(138,104)	145,094
<b>Cash Flows From Non-Capital Financing Activities</b>		
Property and ownership taxes received	111,444	107,476
Office sharing revenue	9,719	9,081
Fee paid to county treasurer	(1,684)	(1,706)
Cash received for connection charges and upsizing	494,174	260,630
Net cash provided (used) by non-capital financing activities	613,653	375,481
<b>Cash Flows From Capital And Related Financing Activities</b>		
Acquisitions and construction of capital assets	(904,225)	(312,354)
Net cash provided (used) in capital and related financing activities	(904,225)	(312,354)
<b>Cash Flows From Investing Activities</b>		
Investment income received	54,890	25,170
Proceeds from sale of investments	1,516,814	1,898,655
Cash paid for investments	(1,536,748)	(1,995,851)
Net cash provided (used) by investing activities	34,956	(72,026)
<b>Net increase (decrease) in cash and cash equivalents</b>	(393,720)	136,195
Cash and cash equivalents, beginning of year	555,385	419,190
Cash and cash equivalents, end of year	\$ 161,665	\$ 555,385
<b>Non Cash Items</b>		
Developer contributions	\$ 606,900	\$ 40,000
Market value adjustments	11,105	(5,318)
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income / (Loss)	\$ (65,776)	\$ (125,041)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation and amortization	130,345	124,693
Changes in assets and liabilities		
Prepaid expenses	(2,504)	1,253
Accounts receivable	(6,439)	1,648
Due to / from Metro Wastewater	(274,255)	(159,360)
Accounts payable	78,445	294,081
Other accrued liabilities	2,080	7,820
Net Cash Provided (Used) by Operating Activities	\$ (138,104)	\$ 145,094

The accompanying notes are an integral part of these financial statements

**Wheat Ridge Sanitation District  
Notes to Financial Statements  
December 31, 2018 and 2017**

**Note 1 Summary of Significant Accounting Policies**

Wheat Ridge Sanitation District (the District) is a quasi-municipal corporation, pursuant to the provisions of the Colorado Special District Act. The District was established to provide sanitation services to its service area located in Jefferson County, Colorado. The District operates under a Board of Directors form of government. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The significant accounting policies utilized are provided below:

**Financial Reporting Entity**

The District follows all Governmental Accounting Standards Board (GASB) accounting pronouncements, which is the authoritative body and provides guidance for determining which governmental activities, organization and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. The District is not financially accountable for any other organization, nor is the District a component unit of any other entity.

**Basis of Presentation**

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

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

**Wheat Ridge Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2018 and 2017**

**Note 1 Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting (continued)**

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establishes standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

**Budgets and Budgetary Accounting**

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District manager submits the proposed budget to the District Board of Directors.
- Prior to its adoption, the budget is open for inspection by the public.
- After public inspection and consideration of any objections filed, the Board reviews the proposed budget and formally adopts it by resolution.
- At the time of the adoption of the budget, the Board passes an appropriating ordinance giving the District legal authority to spend.
- Prior to December 15, the Board adopts the mill levy.

Budgets are not prepared in accordance with accounting principles generally accepted in the United States of America because they include capital asset expenditures, but do not include depreciation. Budgets may be amended during the year by approval of the Board of Directors. Any amendments to the budget are incorporated into the budget in these financial statements. Appropriations lapse at the end of the budget year. The budget was not amended in 2018.

**Property Taxes**

Property taxes attach an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on January 1<sup>st</sup> and are payable either in one installment on or before April 30<sup>th</sup>, or in two installments due on or before February 28<sup>th</sup> and June 15<sup>th</sup> of each year. The collections and assessments are done by Jefferson County and are remitted to the District monthly. District property taxes which are due to be paid in the next period, and representing an enforceable lien at January 1<sup>st</sup> of the next year, have been recorded as a receivable and as deferred revenue.

**Connection Fees**

The District charges a connection fee for new customers connecting to the District’s system. Connection fees retained by the District are reported as non-operating revenues. Connection fees collected on behalf of another district are reported as operating revenues and expenses.

**Wheat Ridge Sanitation District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**Note 1 Summary of Significant Accounting Policies (Continued)**

**Assets and Liabilities**

Investments – investments are recorded at fair market value. Level one inputs have been used to determine fair market value.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets - are recorded at cost except for those assets which have been contributed, which are stated at estimated fair market value at the date of contribution or at developer's cost. The capitalization threshold for fixed assets is \$5,000. Depreciation is computed using the straight-line method over the asset's estimated economic useful life. The estimated useful lives are as follows:

Sewer lines	33 years
Machinery and equipment	10 years
Office furniture and equipment	3-20 years
Leasehold improvements	33 years

**Deferred Outflows / Inflows of Resources**

The District implemented the provisions of GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB 63) and the provisions of GASB No. 65 Items Previously Reported as Assets and Liabilities (GASB 65). As a result in addition to assets, liabilities and net position, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

**Net position**

Equity is classified as net position and displayed in three components:

a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.

c. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets." These net position are available for future operations or distributions.

**Wheat Ridge Sanitation District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**Note 1 Summary of Significant Accounting Policies (Continued)**

**Cash Equivalents**

For purposes of the statement of the general financial statements, and the statement of cash flows, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The District considers certificates of deposit with maturities of more than three months at date of purchase as investments.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 Cash and Investments**

**Cash Deposits**

As of December 31, 2018, and 2017, the District's cash deposits had a carrying balance of \$65,400 and \$447,263 and a corresponding bank balance of \$145,463 and \$463,516, of which \$145,463 and \$250,000 was insured by the Federal Deposit Insurance Corporation, respectively. The District had \$0 and \$213,516 collateralized under PDPA at December 31, 2018 and 2017, respectively.

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2018, and 2017, none of the District's bank deposits were exposed to custodial credit risk.

The District's investments were measured at fair value using level one inputs, which are values based on an observable input that reflect quoted prices. The US Bank money market account is AAA rated by Standard and Poor's. At December 31, 2018 and 2017, the District's holdings of U.S. agency obligations were rated AA+ by Standard & Poor's.

**Wheat Ridge Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2018 and 2017**

**Note 2 Cash and Investments (Continued)**

**Investments**

Colorado statutes specify in which investment instruments the units of local government may invest. The District's investment policy conforms to state statute. Below are a list of authorized by Colorado statute:

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

At December 31, 2018, the District had the following investments:

<u>Investment Type</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Percent of total investments</u>
U.S. Government Securities	0.50	571,149	23%
Federal Home Loan Bank	1.05	879,471	36%
Federal Farm Credit Bank	0.99	497,715	20%
Federal Home Loan Mortgage Corp	0.49	297,870	12%
Federal National Mortgage Association	1.21	199,539	8%
Total Fair Market Value		<u>\$ 2,445,744</u>	<u>100%</u>

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

<u>Investment Type</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Percent of total investments</u>
U.S. Government Securities	0.72	895,648	37%
Federal Home Loan Bank	1.27	498,752	21%
Federal Farm Credit Bank	0.96	471,639	20%
Federal Home Loan Mortgage Corp	0.93	348,024	14%
Federal National Mortgage Association	0.25	200,642	8%
Total Fair Market Value		<u>\$ 2,414,705</u>	<u>100%</u>

**Wheat Ridge Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2018 and 2017**

**Note 2 Cash and Investments (Continued)**

At December 31, 2018 and 2017, the District had \$57,727 and \$83,051, respectively, invested in COLOTRUST which are investment vehicles established for government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement.

The custodian acts as 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. COLOTRUST is rated AAAM by Standard & Poor's and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Cash and cash equivalents consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash on hand (cash and cash equivalent)	\$ 400	\$ 400
Cash at County Treasurer (cash and cash equivalent)	872	746
Cash in bank (cash and cash equivalent)	65,400	447,263
COLOTRUST (cash and cash equivalent)	57,727	83,051
Money markets (cash and cash equivalent)	37,266	23,925
Total cash and cash equivalents	<u>\$ 161,665</u>	<u>\$ 555,385</u>

**Note 3 Accounts Receivable**

Accounts receivable at December 31, 2018 and 2017, were comprised of the following:

	<u>2018</u>	<u>2017</u>
Fees for sewer services	\$ 160,454	\$ 154,661
Other receivables	3,816	3,170
Allowance for doubtful accounts	-	-
Total	<u>\$ 164,270</u>	<u>\$ 157,831</u>

**Wheat Ridge Sanitation District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**Note 4 Capital Assets**

A summary of changes to capital assets for 2018 is as follows:

	Balance at 12/31/2017	Additions	Deletions	Balance at 12/31/2018
Depreciable				
Sewer lines, extensions and inclusions	6,009,024	1,505,435	-	7,514,459
Office equipment	53,669	5,690	-	59,359
Leasehold improvements	2,824	-	-	2,824
Total Depreciable	<u>6,065,517</u>	<u>1,511,125</u>	<u>-</u>	<u>7,576,642</u>
TOTAL	<u>6,065,517</u>	<u>1,511,125</u>	<u>-</u>	<u>7,576,642</u>
Less Accumulated Depreciation				
Sewer lines, extensions and inclusions	(3,149,142)	(128,998)	-	(3,278,140)
Office equipment	(52,890)	(1,347)	-	(54,237)
Leasehold improvements	(2,824)	-	-	(2,824)
Total Accumulated Depreciation	<u>(3,204,856)</u>	<u>(130,345)</u>	<u>-</u>	<u>(3,335,201)</u>
Net Capital Assets	<u>\$ 2,860,661</u>	<u>\$ 1,380,780</u>	<u>\$ -</u>	<u>\$ 4,241,441</u>

A summary of changes to capital assets for 2017 is as follows:

	Balance at 12/31/2016	Additions	Deletions	Balance at 12/31/2017
Depreciable				
Sewer lines, extensions and inclusions	5,656,670	352,354	-	6,009,024
Office equipment	53,669	-	-	53,669
Leasehold improvements	2,824	-	-	2,824
Total Depreciable	<u>5,713,163</u>	<u>352,354</u>	<u>-</u>	<u>6,065,517</u>
TOTAL	<u>5,713,163</u>	<u>352,354</u>	<u>-</u>	<u>6,065,517</u>
Less Accumulated Depreciation				
Sewer lines, extensions and inclusions	(3,025,226)	(123,916)	-	(3,149,142)
Office equipment	(52,113)	(777)	-	(52,890)
Leasehold improvements	(2,824)	-	-	(2,824)
Total Accumulated Depreciation	<u>(3,080,163)</u>	<u>(124,693)</u>	<u>-</u>	<u>(3,204,856)</u>
Net Capital Assets	<u>\$ 2,633,000</u>	<u>\$ 227,661</u>	<u>\$ -</u>	<u>\$ 2,860,661</u>

Depreciation charged to expense by function was:

	2018	2017
Administrative and general	\$ 1,346	\$ 777
Collection and transmission	128,999	123,916
Total depreciation expense	<u>\$ 130,345</u>	<u>\$ 124,693</u>

**Wheat Ridge Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2018 and 2017**

**Note 5 Operating Leases**

The District entered into a three-year lease for office space on June 17, 2015. The lease contained an option for the District to extend it for an additional three years. On April 25, 2018 the District exercised its option to extend the lease. The lease amounts vary during the term of the lease from \$824 to \$874 per month. Future minimum lease payments are as follows:

Year	Amount
2019	6,643
2020	10,343
2021	<u>5,245</u>
Total	<u>\$ 22,231</u>

**Note 6 Tax, Spending, and Debt Limitation**

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

The District has created a Water and Wastewater statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution.

The District has established an emergency reserve of \$3,343 and \$3,225 as of December 31, 2018 and 2017, respectively, to comply with Article X, Section 20 of the Colorado Constitution.

**Note 7 Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation and associated coverage's, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. Settled claims exceeded the Districts commercial coverage by \$0, \$0 and \$500 for the year ended December 31, 2018, 2017 and 2016, respectively.

**Wheat Ridge Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2018 and 2017**

**Note 8 Reclassifications**

Certain items have been reclassified from the previous year to conform with the presentation of the current years financial statements.

## **Other Supplementary Information**

**Wheat Ridge Sanitation District**  
**Budgetary vs. Actual Comparison - Non GAAP Basis**  
**For the Year Ended December 31, 2018**

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Connection fees - Wheat Ridge	502,520	38,520	(464,000)
Connection fees -Metro	623,716	66,676	(557,040)
Inspection fees	6,000	3,925	(2,075)
Sewage treatment revenue	1,955,000	1,998,763	43,763
Grease trap fees	9,000	7,184	(1,816)
Property tax	103,284	101,865	(1,419)
Ownership tax	8,500	9,579	1,079
Investment income	22,000	72,813	50,813
Developer reimbursements and contributions	1,368,000	1,062,554	(305,446)
Office sharing revenue	8,500	9,719	1,219
Miscellaneous	200	16,152	15,952
Total Revenues	<u>4,606,720</u>	<u>3,387,750</u>	<u>(1,218,970)</u>
<b>Expenditures</b>			
Sewage Collection and Transmission			
Contract maintenance of lines	215,000	91,399	123,601
Inspections	17,000	12,457	4,543
Backup restoration	5,000	-	5,000
Locates	50,000	63,300	(13,300)
Repairs and maintenance	100,000	231,672	(131,672)
Sewage Treatment			
Metro Wastewater service charge	1,609,157	1,269,409	339,748
Sanitary Administration			
Administrative, auditing and accounting	90,450	88,805	1,645
Engineering	45,000	105,709	(60,709)
Financial management fees	4,000	4,226	(226)
Bank charges	1,000	926	74
Directors' fees	6,000	5,900	100
Insurance	10,500	12,121	(1,621)
Legal	30,000	39,022	(9,022)
Membership dues and meetings	1,300	1,694	(394)
Miscellaneous expense	2,000	65	1,935
Office supplies and equipment maintenance	13,000	19,197	(6,197)
Occupancy	13,150	11,037	2,113
Taxes - payroll	500	467	33
Telephone	3,750	4,049	(299)
County treasurer fees	2,000	1,684	316
Connection Fees - Metro	623,716	66,676	557,040
Contingency Expense	750,000	-	750,000
Capital Expenditures	1,869,500	1,511,125	358,375
Total Expenditures	<u>5,462,023</u>	<u>3,540,940</u>	<u>1,921,083</u>
<b>Reconciliation to GAAP Basis</b>			
Net income - Budgetary Basis		(153,190)	
Add Capital Outlay		1,511,125	
Less Depreciation		(130,345)	
Net Income - GAAP Basis		<u>\$ 1,227,590</u>	

**Wheat Ridge Sanitation District**  
**Schedule of Expenses by Function**  
**For the Year Ended December 31, 2018 and 2017**

<b>Collection and Transmission Expense</b>	<u><b>2018</b></u>	<u><b>2017</b></u>
Contract operations and maintenance	\$ 91,399	\$ 126,556
Inspections	12,457	14,112
Locates	63,300	56,695
Repairs and maintenance	231,672	127,047
Metro connection fees	66,676	275,144
Subtotal	<u>465,504</u>	<u>599,554</u>
Depreciation	<u>128,999</u>	<u>123,916</u>
Total Collection and Transmission	<u><u>\$ 594,503</u></u>	<u><u>\$ 723,470</u></u>
<b>General and Administrative Expense</b>		
Administrative, accounting and auditing services	\$ 88,805	\$ 85,060
Engineering and capacity study	105,709	52,730
Financial management fees	4,226	3,995
Bank charges	926	1,001
Directors' fees	5,900	5,200
Insurance	12,121	9,562
Legal	39,022	31,360
Membership dues and meetings	1,694	1,238
Miscellaneous expense	65	25,618
Office supplies and equipment maintenance	19,197	11,365
Occupancy	11,037	12,297
Taxes - payroll	467	400
Telephone	4,049	3,077
Subtotal	<u>293,218</u>	<u>242,903</u>
Depreciation	<u>1,346</u>	<u>777</u>
Total General and Administrative	<u><u>\$ 294,564</u></u>	<u><u>\$ 243,680</u></u>

The accompanying notes are an integral part of these financial statements