

Central Clear Creek Sanitation District

Annual Financial Report

December 31, 2017

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Independent Auditor's Report

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Central Clear Creek Sanitation District, as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Clear Creek Sanitation District's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and as also not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September____, 2018, on our consideration of Central Clear Creek Sanitation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Central Clear Creek Sanitation District's internal control over financial reporting and compliance



Littleton, Colorado
September 25, 2018

Central Clear Creek Sanitation District

Annual Report

Year Ending December 31, 2017

Overview of the Financial Statements

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

Financial Highlights for Fiscal Year 2017

- Total Net Position increased by \$1,442,383.
- Depreciation Expense was \$26,430.
- Total Liabilities increased by \$308,635.
- There was an increase in Long Term Debt of \$1,943,820.
- Operating Revenues increased \$213.
- Grant Income increased \$1,137,734

Management's Discussion and Analysis

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

ABOUT THE DISTRICT

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

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Statement of Net Position (page 3) includes information on the District's assets and liabilities and provides information about the nature and balances of investments in resources (assets) and the obligations of District creditors (liabilities). The statement of Revenues, Expenses and Changes in Net Assets (page 4) identifies the District's revenues and expenses for the fiscal year ended December 31, 2017. The third financial statement is the Statement of Cash Flows (page 5). This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows the reader can obtain comparative information on the sources and uses of cash and the change in the cash and cash equivalents balance for the past fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT

Review of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Total Assets indicates the District's current assets (cash and equivalent) show an increase in 2017. Current Assets, which is considered to be an asset that consists of cash and other resources and is reasonably expected to be realized in cash or consumed within one year, increased by \$77,263. Total Assets, which is defined as the total resources owned by the District, increased by \$3,694,838, due to the construction in progress of a new Wastewater Treatment Plant. A large majority of total assets of the District resides within our system of pipelines, and the Wastewater Treatment Plant. Annually the District makes an adjustment recording depreciation expense for these types of assets. In 2017, the District recorded \$26,430 in depreciation expense. Total Liabilities and deferred inflows of resources show an increase of \$2,252,455. As a rule of thumb, increases in both Current Assets and Total Assets indicates a healthy financial position. If Current or Total Liabilities begin to increase more than the Current or Total Assets accounts are, then further assessment is warranted.

Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u> <u>Unaudited</u>	<u>Change</u>
Cash and other assets	\$ 609,321	\$ 532,058	\$ 77,263
Capital assets, net	4,492,668	875,093	3,617,575
Total Assets	<u>5,101,989</u>	<u>1,407,151</u>	<u>3,694,838</u>
Outstanding long term debt	1,886,864	100,000	1,786,864
Current liabilities	627,634	159,882	467,752
Total Liabilities	<u>2,514,498</u>	<u>259,882</u>	<u>2,254,616</u>
Deferred inflows of resources	97,658	99,819	(2,161)
Total Deferred Inflows of resources	<u>97,658</u>	<u>99,819</u>	<u>(2,161)</u>
Net investment in capital assets	2,448,848	775,093	1,673,755
Restricted for emergencies - TABOR	7,701	8,735	(1,034)
Unrestricted net position	<u>33,284</u>	<u>263,622</u>	<u>(230,338)</u>
Total net position	<u>\$ 2,489,833</u>	<u>\$ 1,047,450</u>	<u>\$ 1,442,383</u>

CAPITAL ASSETS

As of December 31, 2017, the District had capital assets of \$4,492,668. Total net capital assets increased \$3,617,575 from the prior year due largely to construction of a new wastewater treatment plant.

Change in Capital Assets

	<u>2017</u>	<u>2016</u> <u>Unaudited</u>	<u>Change</u>
Land	\$ 16,990	\$ 16,990	\$ -
Capital Improvements	-	350	(350)
Sewer main	709,478	557,136	152,342
Equipment	107,920	107,920	-
Treatment plant	695,426	695,426	-
Construction in progress	3,963,298	471,285	3,492,013
Subtotal	<u>5,493,112</u>	<u>1,849,107</u>	<u>3,644,005</u>
Less: accumulated depreciation	<u>(1,000,444)</u>	<u>(974,014)</u>	<u>(26,430)</u>
Net Capital assets	<u>\$ 4,492,668</u>	<u>\$ 875,093</u>	<u>\$ 3,617,575</u>

LONG-TERM DEBT

As of December 31, 2017, the District had \$2,043,820 in outstanding debt principal (including \$1,886,864 in principal due in more than one year and \$156,956 in principal due in one year (included in total current liabilities)). This amount represents both a loan from National Rural Water Association (NRWA) with a balance of \$100,000 and a construction loan from the Colorado Water Resources Power Development Authority (CWRPDA) with a balance of \$1,943,820.

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

REVENUES AND EXPENSES

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

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

	<u>2017</u>	<u>2016</u> <u>Unaudited</u>	<u>Change</u>
Operating revenue	\$ 188,687	\$ 188,474	\$ 213
Non-operating revenue	1,355,429	218,190	1,137,239
Total revenues	<u>1,544,116</u>	<u>406,664</u>	<u>1,137,452</u>
Sources of supply	157,736	122,478	35,258
General & administrative expense	72,545	133,440	(60,895)
Depreciation expense	26,430	35,262	(8,832)
Non-operating expense	4,864	-	4,864
Total expenses	<u>261,575</u>	<u>291,180</u>	<u>(29,605)</u>
Capital contributions	<u>159,842</u>	<u>250</u>	<u>159,592</u>
Change in net position	1,442,383	115,734	1,326,649
Beginning net position	<u>1,047,450</u>	<u>931,716</u>	<u>115,734</u>
Ending net position	<u>\$ 2,489,833</u>	<u>\$ 1,047,450</u>	<u>\$ 1,442,383</u>

Revenue for services increased by \$213. Non-operating revenue increased by \$1,137,239 largely due to receipt of grant income related to the Water Treatment Plant project.

BUDGETARY HIGHLIGHTS

Condensed Schedule of Revenues, Expenses, and Changes in Budget to Actual

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>Change</u>
Revenues	\$ 2,794,874	\$ 3,500,091	\$ 705,217
Expenses	<u>2,756,863</u>	<u>3,884,155</u>	<u>\$(1,127,292)</u>
Revenues Less Expenditures	<u>38,011</u>	<u>(384,064)</u>	<u>(422,075)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors adopted the 2018 Budget on December 7, 2017. The District's strategy is to continue to provide sanitation services at reasonable cost to the property owners and residents while seeking to increase reserves for capital expenditures.

In the 2018 budget, the adopted charge for the flat sewer usage rate was raised from \$47.38/EQR to \$54.49/EQR. This is an increase of approximately 15%.

REQUESTS FOR INFORMATION

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

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

Basic Financial Statements

Central Clear Creek Sanitation District
Statement of Net Position
December 31, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 304,046
Investments	198,020
Receivables:	
Customers	4,654
Other	373
Prepaid expense	4,570
Property taxes receivable	97,658
Total Current Assets	609,321

Capital Assets

Capital assets, not being depreciated	3,980,288
Capital assets, being depreciated (net of accumulated depreciation)	512,380
Total Capital Assets	4,492,668
Total Assets	\$5,101,989

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

Current Liabilities

Accounts payable	\$ 302,615
Retainage payable	164,823
Accrued interest payable	3,240
Current maturities of long-term debt	156,956
Total Current Liabilities	627,634

Noncurrent Liabilities

Long-term liabilities, net of current maturities	1,886,864
Total Noncurrent Liabilities	1,886,864

Deferred Inflows of Resources

Deferred property tax	97,658
Total Deferred Inflows of Resources	97,658

Net Position

Net investment in capital assets	2,448,848
Restricted for emergencies—TABOR	7,701
Unrestricted	33,284
Total Net Position	2,489,833
Total Liabilities, Noncurrent Liabilities,	
Deferred Inflows of Resources and Net Position	\$5,101,989

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

Central Clear Creek Sanitation District
Statement of Revenue, Expenditures, and Changes in Net Position
December 31, 2017

Operating Revenues	
Sewer user fees	\$ 188,687
Total Operating Revenue	188,687
Operating Expenses	
Sources of supply, dumping, treatment and distribution	157,736
General administrative	72,545
Depreciation	26,430
Total Operating Expenses	256,711
Gross Income from Sewer Operations	
Operating Income (Loss)	(68,024)
Non-operating Revenues (Expenses)	
Grant income	1,246,528
Property tax current	98,884
Specific ownership tax	5,027
Interest and penalties	2,751
Net investment income	2,239
Loan interest	(4,864)
Total Non-operating Revenues (Expenses)	1,350,565
Income Before Capital Contributions	1,282,541
Capital Contributions	
Tap fees received	7,500
Contributed income	152,342
Total Capital Contributions	159,842
Change in Net Position	1,442,383
Net Position—Beginning of Year	1,047,450
Net Position—End of Year	\$ 2,489,833

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

Central Clear Creek Sanitation District
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities:	
Receipts from customers	\$ 187,046
Cash paid to suppliers for goods and services	<u>(92,118)</u>
Net Cash Provided by Operating Activities	<u>94,928</u>
Cash Flows from Non-capital Financing Activities:	
Grant income	862,787
Property and specific ownership tax	103,911
Tap fees received	7,500
Interest and penalties	<u>2,751</u>
Net Cash From Non-capital Financing Activities	<u>976,949</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(3,326,840)
Long-term debt proceeds	2,332,216
Debt principal paid	(4,655)
Interest paid	<u>(1,624)</u>
Net Cash From Capital and Related Financing Activities	<u>(1,000,903)</u>
Cash Flows from Investing Activities:	
Interest income received	<u>2,239</u>
Net Cash From Investing Activities	<u>2,239</u>
Net Change in Cash and Cash Equivalents	73,213
Cash and Cash Equivalents—beginning of year	<u>428,853</u>
Cash and Cash Equivalents—end of year	<u><u>\$ 502,066</u></u>

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

Central Clear Creek Sanitation District
Statements of Cash Flows (continued)
For the Year Ended December 31, 2017

Reconciliation of Net Operating Income to	
Net Cash From Operating Activities:	
Operating income (loss)	\$ <u>(68,024)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	26,430
Changes in assets and liabilities:	
Change in accounts receivable—	
Sewer	(1,641)
Change in prepaid expense	(4,570)
Change in accounts payable	<u>142,733</u>
Total Adjustments	<u>162,952</u>
Net Cash From Operating Activities	\$ <u>94,928</u>
 Non-cash transactions	
Contributed assets	<u>\$ 152,342</u>

The accompanying notes are an integral part of these statements.

Central Clear Creek Sanitation District

Notes to Basic Financial Statements

December 31, 2017

1. Organization

Organization

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

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

2. Significant Accounting Policies

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

Financial Reporting Entity

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

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

Fund Accounting

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

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

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

Basis of Accounting

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

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

Property, Plant and Equipment

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

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

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

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

Budget and Budgetary Accounting

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

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

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

2017 actual expenditures exceeded budgeted appropriation, which may be a violation of state statutes.

Operations

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

Tap Fees and Contributions

Tap fees are recorded as revenue when received.

Contributions

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

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2017 are recorded as prepaid items.

Central Clear Creek Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are determined to be fully collectible as shown at December 31, 2017; therefore, an allowance for doubtful accounts is not recorded in the financial statements.

Deferred Inflows Of Resources

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and therefore will not be recognized as an inflow of resources until then. The District has unearned property tax revenue. These items are reported as deferred inflows on the statement of net position.

Long-Term Debt

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

Net Position

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

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

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

Management Estimates

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

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2017

3. Cash Deposits and Investments

Property Taxes

The District collects property tax from property owners within the district based on assessed values at December 31 of the prior year. Property owners are to pay these assessments either in full by April 30th or in halves by February 28/29th and June 15th. These taxes are collected by Clear Creek County and remitted to the district on the 10th day of the month following collection. Tax revenues remitted to the District for 2017 totaled \$98,884.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

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

December 31, 2017	<u>Book</u>	<u>Bank</u>
Undeposited funds	\$ 163	\$ -
Cash in checking	<u>303,883</u>	<u>310,889</u>
Total cash and cash equivalents	<u><u>\$ 304,046</u></u>	<u><u>\$ 310,889</u></u>

The District's cash deposits and investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes deposits not covered by depository insurance and uncollateralized. Category 2 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The District had no Category 3 deposits in 2017.

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2017

3. Cash Deposits and Investments (continued)

Insured deposits	\$ 250,000
Category 1	163
Category 2	<u>53,883</u>
Total cash and cash equivalents	<u><u>\$ 304,046</u></u>

Investments

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

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

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

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

Local Government Investment Pools – As of December 31, 2017 the District had \$198,020 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAM by Standard and

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2017

3. Cash, Cash Equivalents and Investments (continued)

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

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

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

At December 31, 2017, cash deposits and investment, are classified on the statement of net position as follows:

Cash and Cash Equivalents	\$ 304,046
Investments	<u>198,020</u>
Total	<u>\$ 502,066</u>

4. Property, Plant and Equipment

In accordance with the policy established by the Board of Directors, the District capitalizes items with a useful life greater than one year. An analysis of the changes in property and equipment for the year ended December 31, 2017 follows:

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2017

4. Property, Plant and Equipment (continued)

	Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017
	(unaudited)			
Capital assets, not being depreciated:				
Land and land rights	\$ 16,990	\$ -	\$ -	\$ 16,990
Construction in progress	471,285	3,492,013	-	3,963,298
Total capital assets, not being depreciated	<u>488,275</u>	<u>3,492,013</u>	<u>-</u>	<u>3,980,288</u>
Capital assets, being depreciated:				
Buildings and improvements	695,426	-	-	695,426
Improvements other than buildings	557,136	152,342	-	709,478
Machinery and equipment	107,920	-	-	107,920
Total capital assets, being depreciated	<u>1,360,482</u>	<u>152,342</u>	<u>-</u>	<u>1,512,824</u>
Less accumulated depreciation:				
Buildings and improvements	(541,685)	(9,806)	-	(551,491)
Improvements other than buildings	(371,757)	(13,333)	-	(385,090)
Machinery and equipment	(60,572)	(3,291)	-	(63,863)
Total accumulated depreciation	<u>(974,014)</u>	<u>(26,430)</u>	<u>-</u>	<u>(1,000,444)</u>
Total capital assets being depreciated, net	<u>386,468</u>	<u>125,912</u>	<u>-</u>	<u>512,380</u>
Total capital assets, net	<u>874,743</u>	<u>3,617,925</u>	<u>-</u>	<u>4,492,668</u>

5. Long-Term Debt

The following schedule provides an analysis of long-term debt for the year ended December 31, 2017:

	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Due Within One Year
	(unaudited)				
CWRPDA Water Pollution Control	\$ -	\$ 2,332,216	\$ (388,396)	\$ 1,943,820	56,956
National Rural Water Association	100,000	-	-	100,000	100,000
	<u>\$ 100,000</u>	<u>\$ 2,332,216</u>	<u>\$ (388,396)</u>	<u>\$ 2,043,820</u>	<u>\$ 156,956</u>

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2017

5. Long-Term Debt (continued)

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

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

On January 5, 2017, the State Revolving Fund ("SRF") Committee reviewed the Capitalization Grant funds for principal forgiveness and determined the District would be awarded a total of \$551,525 in principal forgiveness. Therefore, the loan balance as of January 5, 2017 was \$1,948,475. A principal payment of \$4,655 was made during 2017 bringing the loan balance to \$1,943,820 at December 31, 2017.

2. National Rural Water Association (NRWA) Promissory Note

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

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2017

5. Long-Term Debt (continued)

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

	Principal	Interest	Total
2018	156,956	19,296	176,252
2019	57,527	18,725	76,252
2020	58,103	18,149	76,252
2021	58,686	17,566	76,252
2022	59,274	16,978	76,252
2023-2027	305,405	75,857	381,262
2028-2032	321,022	60,236	381,258
2033-2037	337,440	43,818	381,258
2038-2042	354,697	26,562	381,259
2043-2046	334,710	8,423	343,133
	\$ 2,043,820	\$ 305,610	\$ 2,349,430

6. Risk Management

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

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

7. Tax Spending and Debt Limitation

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. Enterprises, defined by TABOR as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in

Central Clear Creek Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2017

7. Tax Spending and Debt Limitation (continued)

grants from all state and local governments combined, are excluded from the provisions of TABOR. TABOR establishes 1992 as the initial base for spending and revenue limits. Future spending and revenue limits can be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending (excluding bonded debt service). Excess funds within the spending and revenue limits can be reserved for general use and, when spent in subsequent years, are not subject to the spending limits mentioned above. The District's TABOR reserve at December 31, 2017 is \$7,838.

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

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

Required Supplementary Information

Central Clear Creek Sanitation District
Statement of Revenue, Expenditures and Changes in Funds Available
Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>2017 Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue			
Operating revenues:			
Sewer user fees	189,000	188,687	(313)
Late fees	1,530	5,027	3,497
Tap fees	-	7,500	7,500
Non-operating revenues:			
General property tax	96,824	98,884	2,060
Treasurer fees	2,995	-	(2,995)
Specific ownership tax	4,000	2,751	(1,249)
Interest on investments	525	2,239	1,714
Grant proceeds	1,000,000	1,246,528	246,528
Loan proceeds	1,500,000	1,948,475	448,475
Total Revenue	<u>\$ 2,794,874</u>	<u>\$ 3,500,091</u>	<u>\$ 705,217</u>
Expenditures:			
Sewage treatment expenses	168,413	156,887	11,526
Collection and transmission expenses	49,873	849	49,024
General and administrative expenses	143,513	72,545	70,968
Capital outlay	2,212,460	3,644,355	(1,431,895)
Debt service:			
Interest	26,750	4,864	21,886
Principal	155,854	4,655	151,199
Total Expenditures	<u>\$ 2,756,863</u>	<u>\$ 3,884,155</u>	<u>\$ (1,127,292)</u>
Change in net position (budgetary basis)	<u>\$ 38,011</u>	<u>\$ (384,064)</u>	<u>\$ (422,075)</u>
Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP):			
Contributed income		152,342	
Depreciation		(26,430)	
Loan proceeds		(1,948,475)	
Loan principal payment		4,655	
Capital outlay		<u>3,644,355</u>	
Change in net position (GAAP basis)		<u>1,442,383</u>	
Net position, beginning of year		<u>1,047,450</u>	
Net position, end of year		<u>\$ 2,489,833</u>	

Supplementary Information

Central Clear Creek Sanitation District
Five-Year Summary of Assessed Valuation,
Mill Levy, and Property Taxes Collected
For the Year Ended December 31, 2017

<u>Year Ended</u> <u>December 31,</u>	<u>Prior Year</u> <u>Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills</u> <u>Levied</u>	<u>Total Property Taxes</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2013	\$ 4,541,150	8.082	\$ 36,699	\$ 35,946	97.95%
2014	4,684,440	8.295	38,857	37,195	95.72%
2015	4,663,520	46.516	216,930	211,675	97.58%
2016	5,002,520	31.440	157,033	96,644	61.54%
2017	4,988,960	20.008	99,819	98,884	99.06%
Estimated for the year					
ending 12/31/2018	\$ 5,234,140	18.658	\$ 97,658		

Note

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

Central Clear Creek Sanitation District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency/Pass-through Entity/Cluster/Program	CFDA Number	Grant or Identifying Number	Amount
<i>U.S. Environmental Protection Agency</i>			
Pass Through: Colorado Resources Power Development Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>\$ 2,412,001</u>
<i>Total U.S. Environmental Protection Agency</i>			<u>2,412,001</u>
<i>Bureau of Land Management</i>			
Pass-Through: Colorado Department of Local Affairs			
Energy Impact Mineral Assistance Fund	15.227		<u>\$ 767,040</u>
<i>Total Bureau of Land Management</i>			<u>767,040</u>
Total Expenditures of Federal Awards			<u>\$ 3,179,041</u>

Central Clear Creek Sanitation District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Notes to the Schedule

1. This schedule includes the federal awards activity of Central Clear Creek Sanitation District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of *the Uniform Guidance*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Central Clear Creek Sanitation District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.
3. Of the federal expenditures presented in this schedule, the Agency provided no federal awards to sub-recipients.



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Central Clear Creek Sanitation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Central Clear Creek Sanitation District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Central Clear Creek Sanitation District's basic financial statements, and have issued our report thereon dated September 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Clear Creek Sanitation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Clear Creek Sanitation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Clear Creek Sanitation District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Clear Creek Sanitation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of



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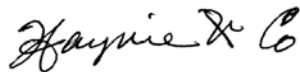
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financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Haynie & Co". The signature is written in a cursive, flowing style.

Littleton, Colorado

September 25, 2018



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Central Clear Creek Sanitation District

Report on Compliance for Each Major Federal Program

We have audited Central Clear Creek Sanitation District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Central Clear Creek Sanitation District's major federal programs for the year ended December 31, 2017. Central Clear Creek Sanitation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central Clear Creek Sanitation District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Clear Creek Sanitation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Central Clear Creek Sanitation District's compliance.

Opinion on Each Major Federal Program

In our opinion, Central Clear Creek Sanitation District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.



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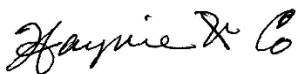
Report on Internal Control over Compliance

Management of Central Clear Creek Sanitation District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Central Clear Creek Sanitation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Clear Creek Sanitation District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Littleton, CO
September 25, 2018

Central Clear Creek Sanitation District Supplemental Information

Schedule of Findings and Questioned Costs for the Year Ended December 31, 2017

1. Summary of Auditor's Results

Type of report issued on the financial statements:	Unmodified
Material weaknesses in financial reporting internal control noted:	None
Significant deficiency(s) identified that are not considered to be material weaknesses in financial reporting:	None
Material noncompliance noted:	None
Material weaknesses in internal control over major programs:	None
Significant deficiency(s) identified that are not considered to be material weaknesses over major programs:	None
Type of report issued on compliance for major programs:	Unmodified
Audit findings required to be reported:	None
The following programs are considered to be major:	
BLM – Distribution to State and Local Governments – Energy & Mineral Impact Assistance Fund — CFDA 15.227	
Colorado Water Resources and Power Development Authority Capitalization Grants for Clean Water State Revolving Funds — CFDA 66.458	
Dollar threshold used to distinguish Type A and Type B programs:	\$750,000
Risk type qualification:	Not low-risk

2. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

None

3. Findings and questioned costs for Federal Awards

None

4. Summary Schedule of Prior Audit Findings

None