

HERMOSA SANITATION DISTRICT

FINANCIAL STATEMENTS

December 31, 2016



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CLARK, WHITE, & ASSOCIATES, INC.

Karla K. Clark, CPA

Frankie White, CPA

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hermosa Sanitation District
Durango, Colorado

We have audited the accompanying financial statements of the business-type activities and the major fund of Hermosa Sanitation District as of and for the year ended December 31, 2016, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure 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 and the major fund of Hermosa Sanitation District as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through v 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 Hermosa Sanitation District's basic financial statements. The Budgetary Comparison Schedule on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Clark, White & Associates, Inc.

Clark, White & Associates, Inc.
Certified Public Accountants
Durango, Colorado
July 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Hermosa Sanitation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2016.

This discussion and analysis is intended to be an easily readable analysis of the Hermosa Sanitation District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

Besides this Management's Discussion and Analysis (MD&A), the report consists of financial statements, the notes to the financial statements, and other supplementary information. Hermosa Sanitation District is a proprietary fund entity whose primary function is to collect and treat wastewater. Operating revenues and expenses relate to the core function of operating the district and its facilities; non-operating revenues and expenses reflect investment earnings and losses, as well as tap fees collected during the year. The financial statements of Hermosa Sanitation District consist of three primary statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position reflects the cumulative financial condition of the District at December 31, 2016. Net position reflects the sum total of earnings and contributions to the District over its lifetime, net of any losses incurred.

The Statement of Revenues, Expenses and Changes in Net Position shows the change in financial condition from operations and other activities during the calendar year ended December 31, 2016.

The Statement of Cash Flows reports cash activities of the District for the year resulting from operating activities, capital and related financing activities, and investing activities.

This MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior year. Significant changes from the prior year are explained following the charts.

Financial Statements

Statement of Net Position

Following is a condensed comparative summary of the District's Statement of Net Position at December 31:

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Current assets	\$3,116,448	\$2,799,721	\$316,727
Non-current assets	244,533	285,402	(40,869)
Capital assets, net	1,014,592	1,075,814	(61,222)
Other assets, net	<u>1,183</u>	<u>1,383</u>	<u>(200)</u>
Total assets	<u>4,376,756</u>	<u>4,162,320</u>	<u>214,436</u>
Current liabilities	<u>22,277</u>	<u>22,974</u>	<u>(697)</u>
Net position: Invested in capital assets, net of related debt	1,014,592	1,075,814	(61,222)
Unrestricted net position	<u>3,339,887</u>	<u>3,063,532</u>	<u>276,355</u>
Total net position	<u>\$4,354,479</u>	<u>\$4,139,346</u>	<u>\$215,133</u>

During the year ended December 31, 2016, there was an increase in current assets mainly due to an increase in cash and investments. Non-current assets decreased as the result of payments received on notes receivable. Capital assets decrease of \$61,222 was the result of the net of purchasing \$22,160 of new assets, and depreciation expense for the year of \$83,382.

Statement of Revenues, Expenses, and Changes in Net Position

Following is a condensed comparative summary of the District's statement of Revenues, Expenses, and Changes in Net position at December 31:

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Operating revenues	\$557,820	\$421,158	136,662
Operating expenses	<u>481,618</u>	<u>568,274</u>	<u>(86,656)</u>
Operating income (loss)	<u>76,202</u>	<u>(147,116)</u>	<u>223,318</u>
Non-operating revenues (expenses)	<u>26,431</u>	<u>7,656</u>	<u>18,775</u>
Income before capital contributions	<u>102,633</u>	<u>(139,460)</u>	<u>242,093</u>
Capital contributions	<u>112,500</u>	<u>105,000</u>	<u>7,500</u>
Change in net position	215,133	(34,460)	249,593
Net position - beginning	<u>4,139,346</u>	<u>4,173,806</u>	<u>(34,460)</u>
Net position- ending	<u>\$4,354,479</u>	<u>\$4,139,346</u>	<u>\$215,133</u>

Operating revenue increased in 2016 due to an increase in the monthly service fee and also additional taps being put on line. Operating expenses decreased in 2016 mainly due to the District not performing the maintenance of sludge removal, which has a cost of about \$75,000. The lagoons did not indicate that there was enough sludge build up to perform this task. Sludge removal is scheduled for October of 2017.

Capital contributions consist of tap fees, which increased by \$7,500 due to more sewer taps being sold in 2016 than in 2015.

Budgetary Highlights

The budgetary comparison schedule for the District is included in other supplementary information.

Economic Factors and Next Year's Budget

The District has scheduled maintenance of sludge removal and also has budgeted about \$50,000 to upgrade the collection and lagoon system to make processing more efficient and to help eliminate odors. The District has also budgeted to improve their billing and computer systems. The District is currently in negotiations to purchase additional land to accommodate future plan expansion.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's Office Manager, Trudy O'Brien, P.O. Box 2217, Durango, CO 81302.

HERMOSA SANITATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

ASSETS

Current assets		
Cash and cash equivalents		\$2,447,121
Investments		638,324
Prepaid expenses		18,569
Accounts receivable, net		12,434
	Total Current Assets	<u>3,116,448</u>
Non-current assets		
Notes receivable - tap fees		112,129
Notes receivable - construction costs		132,404
	Total Non-Current Assets	<u>244,533</u>
Capital assets, net		<u>1,014,592</u>
Other assets, net		<u>1,183</u>
	Total Assets	<u>4,376,756</u>

LIABILITIES

Current liabilities		
Accounts payable		22,277
	Total Liabilities	<u>22,277</u>

NET POSITION

Net Investment in capital assets		1,014,592
Unrestricted		3,339,887
	Total Net Position	<u><u>\$4,354,479</u></u>

**HERMOSA SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
Year Ended December 31, 2016**

OPERATING REVENUES		
Charges for services		\$555,783
Late charges		<u>2,037</u>
	Total Operating Revenues	<u>557,820</u>
OPERATING EXPENSES		
Collection and treatment		
Personnel services		178,708
Chemical testing		9,266
Fuel and power		39,602
Operating supplies		17,911
Maintenance		15,346
Engineering		13,901
Insurance		28,852
Depreciation		83,382
Amortization		200
General and administrative		
Telephone		3,813
Board of directors		6,500
Office supplies		8,392
Audit		7,750
Accounting		54,315
Legal		9,590
Other costs		<u>4,090</u>
	Total Operating Expenses	<u>481,618</u>
	Operating Income (Loss)	<u>76,202</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings		26,270
Unrealized loss on investments		(191)
Realized loss on investments		(92)
Miscellaneous income		444
Tap fees		<u>112,500</u>
	Total Non-Operating Revenues (Expenses)	<u>138,931</u>
Change in Net Position		215,133
Net Position - Beginning		<u>4,139,346</u>
Net Position- Ending		<u><u>\$4,354,479</u></u>

See accompanying notes to financial statements

**HERMOSA SANITATION DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$558,495
Cash paid to suppliers	(227,867)
Cash paid to employees	(178,708)
	<u>151,920</u>
Net Cash Flows from Operating Activities	<u>151,920</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(22,160)
Miscellaneous income	444
Cash received on notes receivable	40,869
Tap fees	112,500
	<u>131,653</u>
Net Cash Flows from Capital and Related Financing Activities	<u>131,653</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investments purchased	(429,000)
Investment earnings	23,364
	<u>(405,636)</u>
Net Cash Flows from Investing Activities	<u>(405,636)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (122,063)

CASH AND CASH EQUIVALENTS

BEGINNING OF YEAR	<u>2,569,184</u>
END OF YEAR	<u><u>\$2,447,121</u></u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH FLOWS FROM OPERATING ACTIVITIES**

Operating income (loss)	\$76,202
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:	
Depreciation	83,382
Amortization	200
(Increase) Decrease in Assets	
Accounts receivable	675
Prepaid expenses	(7,841)
Increase (Decrease) in Liabilities	
Accounts payable	(698)
	<u>(698)</u>
Net Cash Flows From Operating Activities	<u><u>\$151,920</u></u>

See accompanying notes to financial statements

HERMOSA SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. **DEFINITION OF REPORTING ENTITY**

The Hermosa Sanitation District (the District) operates under the statutes governing special districts of the State of Colorado. The District was formed in 1982 for the purpose of providing sanitation services for the Hermosa area, north of Durango, Colorado. The District has its own governing board which is elected by residents within the District boundaries.

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

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of Hermosa Sanitation District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The more significant accounting policies of the District are described as follows:

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets. Unbilled sewer system utility service receivables are recorded at year end. Penalties and interest, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received.

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted assets) purchased with a maturity of twelve months or less to be cash equivalents with the exception of the money market account at the brokerage firm, which is used for investment purposes.

**HERMOSA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(Note 2 continued)

Budgets

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 appropriation is at the total expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. For the year ended December 31, 2016, there were no supplemental appropriations.

Capital Assets

Capital assets are defined by the District as assets with an initial individual cost of more than \$3,000. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Capital assets are reported net of accumulated depreciation on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility plant	20 - 40 years
Machinery and equipment	5 - 10 years

Deposits and Investments

Colorado law authorizes the District to invest in obligations of the United States, the State of Colorado, Colorado counties and school districts, repurchase agreements, financial institutions, and local government investment pools. House bill 1056 expanded the list of investments that are legal for local governments.

Deposits are stated at cost which approximates fair value. Investments are stated at fair value. Any differences between the market value and cost of investments are reflected in investment income.

Receivables

Service fees expected to be collected within one year are shown as current assets. Fees which may not be collected within one year and are subject to liens are shown as non-current assets.

Allowance for Uncollectibles

An allowance for uncollectible accounts receivable amounts is setup as determined necessary by the District. For the year ended December 31, 2016, this allowance has a balance of \$3,205.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**HERMOSA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(Note 2 continued)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the Statement of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Net Position

Net position is divided into net investment in capital assets, restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation. As of December 31, 2016, the District does not have any restricted net position.

3. DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's policy requires all deposits to be held in PDPA approved financial institutions. At December 31, 2016, \$1,302,170 of the District's deposits were exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution in accordance with PDPA.

B. Investments

Investments consist of a money market account, U.S. government securities at Morgan Stanley and investments with the Colorado Local Government Liquid Asset Trust (COLOTRUST). Balances in these accounts are as follows:

	Fair Market Value
Investments	
Colotrust	\$531,962
U.S. Government Securities	11,147
Morgan Stanley	<u>95,215</u>
Total Investments	<u><u>\$638,324</u></u>

**HERMOSA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

(Note 3 continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2016, the District’s investments in COLOTRUST were rated AAAM by Standard & Poor’s. They are regulated by the Colorado Division of Securities and the District’s position in the pool is the same as the value of the pool shares. The District’s investments in U.S. Government Securities are not considered to have credit risk and do not require disclosure of the credit quality ratings. The District’s investments in mutual funds are unrated.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s investments in mutual funds are with the fund, not the securities that make up the fund, therefore interest rate risk is not determinable.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The District does not have any investments that are exposed to foreign currency risk.

The District does not have a separate investment policy that addresses these types of risk; however the District’s deposits and investments are made in accordance with Colorado State statute.

4. OTHER ASSETS

Organization costs of the District have been capitalized and are being amortized over a forty year period. Such costs include legal fees, election costs and reimbursements resulting from the formation of the District in 1982.

The unamortized balance of these costs at December 31, 2016 is \$1,383. Amortization expense for the year was \$200.

5. CAPITAL ASSETS

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$41,269	\$0	\$0	\$41,269
Collection and distribution system	2,537,335	22,160		2,559,495
Equipment	151,515			151,515
Vehicles	161,630			161,630
Total	2,891,749	22,160	0	2,913,909
Less accumulated depreciation	<u>1,815,935</u>	<u>83,382</u>		<u>1,899,317</u>
Total	<u>\$1,075,814</u>	<u>(\$61,222)</u>	<u>\$0</u>	<u>\$1,014,592</u>

Depreciation expense was \$83,382 for the year ending December 31, 2016.

**HERMOSA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

6. TAXPAYER'S BILL OF RIGHTS (TABOR)

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District does not have the authority to levy taxes and its sole source of revenue is fees, qualifying the District as an "Enterprise" and therefore exempt from certain provisions of the 1992 amendment. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damages to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Commercial insurance is purchased by the District to cover losses or claims arising from such matters. It is not possible to estimate any losses which would not be covered by the commercial insurance; however, settled claims have not exceeded this commercial coverage in any of the three preceding years.

8. NOTES RECEIVABLE

In 1997, The Ranch, Whispering Pines, and Pine Acres subdivisions were annexed into the Hermosa Sanitation District. The costs to build the extensions were financed by the District and are to be paid off by those who use the extensions (The Ranch, Whispering Pines, and Pine Acres subdivisions' residents along with any other residents who benefit from these extended service lines). The note receivable of \$132,404 from construction costs is a 20 year loan with 5% interest. On April 10th, 2008, the Board lowered the interest rate to 3%. The note receivable of \$112,129 from tap fees is a 20 year loan with no interest.

9. NET POSITION

The District's net position consists of net investment in capital assets, and unrestricted. At December 31, 2016 the District's net position invested in capital assets was \$1,014,592. Unrestricted net position consist of amounts that are not restricted and do not meet the definition of net investment in capital assets. At December 31, 2016, the District had unrestricted net position of \$3,339,887.

10. RETIREMENT PLAN

The District has a 457b retirement plan for full-time employees. It is a defined contribution plan and is administered by Wachovia Securities. The District contributes 8% of the employee's annual salary to the plan. For the year ending December 31, 2016, the District contributed \$6,265.

**HERMOSA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

11. JOINT VENTURE

The District is a participant in the Colorado Special Districts Property and Liability Pool (The Pool). The Pool is a joint venture between the Special District Association of Colorado and various special districts in Colorado. The Pool provides property and general liability, automobile physical damage and liability, public officials' liability, inland marine, money and security and boiler and machinery coverage to its members. Hermosa Sanitation District has not had losses of a material amount in any of the preceding three years. The District does not know its percentage share of the joint venture.

The Pool has contracted with other third parties to operate, administer and manage the Pool. The Pool is responsible for its own budgets. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members. The Pool issues a publicly available annual financial report that includes financial statements and supplementary information. That report may be obtained by calling the Colorado Special District Association at 303-863-1733 in the Denver metro area and 1-800-886-1733 from outside the metro area. The joint venture summary audited financial information as of December 31, 2016, is as follows:

Admitted Assets	<u>\$52,645,796</u>
Liabilities	\$28,757,242
Surplus	<u>23,888,554</u>
Total Liabilities and Surplus	<u>\$52,645,796</u>
Revenues	\$19,338,769
Expenses	<u>14,100,230</u>
Net Income	<u>\$5,238,539</u>

OTHER SUPPLEMENTARY INFORMATION

**HERMOSA SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$552,834	\$555,783	\$2,949
Late charges	1,500	2,037	537
Total Operating Revenues	<u>554,334</u>	<u>557,820</u>	<u>3,486</u>
OPERATING EXPENSES			
Collection and treatment			
Personnel services	199,496	178,708	20,788
Chemical testing	7,000	9,266	(2,266)
Fuel and power	40,000	39,602	398
Operating supplies	20,900	17,911	2,989
Maintenance	13,500	15,346	(1,846)
Engineering costs	20,000	13,901	6,099
Insurance	24,000	28,852	(4,852)
General and administrative			
Telephone	3,000	3,813	(813)
Board of directors	5,600	6,500	(900)
Office supplies	7,050	8,392	(1,342)
Audit	7,650	7,750	(100)
Accounting	53,815	54,315	(500)
Legal	15,000	9,590	5,410
Other costs	5,865	4,090	1,775
Total Operating Expenses	<u>422,876</u>	<u>398,036</u>	<u>24,840</u>
Operating Income (Loss)	<u>131,458</u>	<u>159,784</u>	<u>28,326</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	14,000	26,270	12,270
Unrealized gain (loss) on investments		(191)	(191)
Realized loss on investments		(92)	(92)
Miscellaneous income		444	444
Capital expenses	(28,000)	(22,160)	5,840
Tap fees and tap reservation fees	60,000	112,500	52,500
Total Non-Operating Revenues (Expenses)	<u>46,000</u>	<u>116,771</u>	<u>70,771</u>
Change in Net Position	177,458	276,555	99,097
Net Position - Beginning	<u>2,628,101</u>	<u>4,139,346</u>	<u>1,511,245</u>
Net Position - Ending (Budgetary Basis)	<u>\$2,805,559</u>	4,415,901	<u>\$1,610,342</u>
Reconciliation of Ending Net Position			
Budgetary Basis to GAAP Basis			
Depreciation		(83,382)	
Amortization		(200)	
Capital outlay		22,160	
Net Position - Ending (GAAP Basis)		<u>\$4,354,479</u>	