

BUENA VISTA SANITATION DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS SPECIALISTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Buena Vista Sanitation District

Buena Vista, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Buena Vista Sanitation District ("District") as of and for the years ended December 31, 2017 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Buena Vista Sanitation District as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The management's discussion and analysis information on pages 3 through 9 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
June 15, 2018

**BUENA VISTA SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

AUDIT ASSURANCE

The unqualified opinion of our independent external auditors, BiggsKofford, is included in this report.

This section will present management's discussion and analysis of the District's financial condition and projects for the year ended December 31, 2017. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

Management feels that the District's financial position is strong. The District has made the semi-annual debt service payments in a timely manner, and was in compliance with all debt covenants required by its loan agreement. The following are key financial highlights:

- For 2017, the District collected \$260,350 in tap fees.
- Excluding the Colorado Department of Corrections, sewer charges for 2017 increased by \$18,874 over 2016.
- In 2017, the District treated 235 million gallons of wastewater.
- In 2017, 875,000 gallons of septage were treated.
- There were no permit violations during 2017.
- There were variations between actual results and budgeted amounts as compared on the budgetary basis (modified cash). There was a favorable budget variance of \$371,920 for operating revenues and \$733,782 for operating expenses. Contract services and engineering were under budget by \$600,392 and \$22,198, respectively, due to moving projects to 2018. Utilities, laboratory and maintenance were under budget by \$54,899. Legal were under budgeted by \$37,862, the District anticipated legal cost for the Grove case but was settled.
- Total assets at year end were \$10,263,904 and total liabilities at year end were \$88,584. Of the total net position, \$4,678,824 was unrestricted and available to support short term operations.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information about the District's use of accounting methods. These statements offer short-term and long-term financial information about its activities.

**BUENA VISTA SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

REQUIRED FINANCIAL STATEMENTS (CONTINUED)

The Statement of Revenues, Expenses and Changes in Net Position for the District reports all of the current year's revenues and expenses. This statement measures the success of the District's operations over the previous year, and may determine whether the District has successfully recovered all its costs through its sewage disposal rates and other fees. The District's rates are based on a cost of service rate study that was conducted in 2016.

The District's Statement of Net Position includes all of the District's assets and liabilities. It also provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities).

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and the change in cash during the year.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

SUMMARY OF ORGANIZATION AND BUSINESS

The Buena Vista Sanitation District is a public body organized and created by taxpaying electors of the District on March 17, 1953. The purpose of the District is to provide a complete sanitary sewer system for the District and the inhabitants thereof. In the organization petition to the Chaffee County District Court, the description of improvements to be constructed and installed was: "Sewer mains and laterals, with necessary appurtenances and incidentals to provide a complete sanitary sewer system for said District, including a sewage disposal or treatment plant." The boundaries of the District were to be identical to those of the Town of Buena Vista. However, over the years, the boundaries have changed due to numerous inclusions into the District, which were not included in annexation to the Town.

The District is governed by five directors who are members of the District, and are elected by electors of the District. These are four year terms.

**BUENA VISTA SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

SUMMARY OF ORGANIZATION AND BUSINESS (CONTINUED)

The District and the Colorado Department of Corrections, ("CDOC"), signed a service agreement in which the District would build a sewage treatment plant on land leased from CDOC, and the CDOC would have reserved treatment capacity and share in the annual operating costs of the plant in proportion to its actual use as measured by the volume of sewage it contributed. In May of 2000, the District moved into the new treatment plant facilities and the former lagoons were drained. The District's infrastructure assets consist of approximately 32 miles of sewer main lines. The collection system, consisting of mains, is owned and maintained by the District.

In July of 2001, a service agreement with CDOC was signed and CDOC then came on line with the District's treatment facility. However, in the fall of 2003, it protested its bill which had increased due to high loadings. CDOC and the District were involved in case number 12CV3205 in El Paso County District Court and following mediation at the Judicial Arbitrator Group reached an agreement to settle the case in 2016.

The District sets a mill levy every year and the members of the District are taxed accordingly. The taxes collected constitute a small portion of the District's total revenues (approximately 5.5%). The primary income for the District comes from monthly sewer charges which are set at a flat rate, septage charges, CDOC charges and sewer tap fees.

Over the years, inclusion of property has occurred sporadically. However, beginning in 2002, approximately 75 properties from the Ivy League Subdivision requested and were granted inclusion into the Buena Vista Sanitation District. Through inclusion, their monthly sewer charges were lowered by \$17, and tap fees were reduced by \$1,350. Several other newly formed subdivisions have subsequently requested and were granted inclusion into the District.

In 2002, the District entered into an intergovernmental agreement with Chaffee County to allow persons in the unincorporated area known as Johnson Village to tap into the District main. Chaffee County formed an improvement district and constructed a collection system for Johnson Village which then discharged into the Buena Vista Sanitation sewer main. The rates for Johnson Village differ from the normal rates charged to members of the District (Johnson Village is not in the District boundaries).

BUENA VISTA SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017

SUMMARY OF ORGANIZATION AND BUSINESS (CONTINUED)

In 2014, the District found it necessary to increase the user fees for the District's customers in order to support the ongoing operation of the wastewater treatment plant and maintaining of the collection system, including replacements and improvements (capital projects) that will allow the District to comply with new discharge regulations that have been mandated by the Colorado Department of Health. The wastewater user charges for the residential and commercial customers of the District are \$39.00 per month per EQR, effective November 1, 2014. The wastewater user charges for the residential and commercial customers of Johnson Village Division of the Chaffee County Sewer Enterprise to be effective on November 1, 2014 are \$34.00 per month/per active EQR and \$20.17 per month/per inactive EQR. Of the \$34.00, Chaffee County receives \$11.42, and the Buena Vista Sanitation District receives \$22.58. Of the \$20.17, Chaffee County receives \$11.42 and the District receives \$8.75. Quarterly payments are made to the County for its share of these fees.

Condensed Statements of Net Position

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|---------------------|
| Current and other assets | \$ 4,802,926 | \$ 3,697,612 |
| General property taxes receivable | 110,007 | 102,624 |
| Capital assets | 5,350,971 | 5,534,161 |
| Total assets | \$ 10,263,904 | \$ 9,334,397 |
| Debt outstanding | - | 283,285 |
| Other liabilities | 88,584 | 121,719 |
| Total liabilities | 88,584 | 405,004 |
| Deferred inflows of resources | 110,007 | 102,624 |
| Invested in capital assets, net of related debt | 5,350,971 | 5,250,876 |
| Restricted for note payable requirements | - | 273,083 |
| Restricted for emergency reserves | 35,518 | 38,306 |
| Unrestricted | 4,678,824 | 3,264,504 |
| Total net position | 10,065,313 | 8,826,769 |
| | \$ 10,263,904 | \$ 9,334,397 |

**BUENA VISTA SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

SUMMARY OF ORGANIZATION AND BUSINESS (CONTINUED)

Condensed Statements of Revenues, Expenses and Changes in Net Position

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|----------------------|---------------------|
| Operating revenues | \$ 2,040,516 | \$ 1,694,592 |
| Non-operating revenues | 390,983 | 265,522 |
| Total revenues | 2,431,499 | 1,960,114 |
| Operating expenses | 442,362 | 583,170 |
| Depreciation expense | 183,190 | 184,583 |
| Other administrative expense | 558,440 | 509,161 |
| Non-operating expense | 8,963 | 35,502 |
| Total expenses | 1,192,955 | 1,312,416 |
| Change in net position | 1,238,544 | 647,698 |
| Beginning net position | 8,826,769 | 8,179,071 |
| Ending net position | \$ 10,065,313 | \$ 8,826,769 |

OTHER SELECTED INFORMATION

The Buena Vista Sanitation District employs five full time employees.

The current monthly rate for a single family home (1.0 EQR) is \$39.00, in District. All other rates are based on the 1.0 EQR. Only those accounts in Johnson Village differ from those within the District.

Tap fees are calculated differently starting January 1, 2016. The District shall make reference to the Plumbing Code used by Chaffee County and/or the Town of Buena Vista for governing the design, construction and operation of plumbing fixtures and facilities connected to the District's system. The Drainage Fixture Unit (DFU) value assigned to any wastewater fixture type by the 2009 Plumbing Code shall be used to assign an EQR value. The District shall consider an EQR equal to 18 DFUs. The tabulated DFU value for a fixture or group of fixtures shall be divided by a value of 18 DFUs per EQR, rounded to the nearest 0.05, to give an EQR value upon which plant investment fees or tap fees shall be based.

**BUENA VISTA SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

OTHER SELECTED INFORMATION (CONTINUED)

The tap fee for connection to the Buena Vista Sanitation District system shall be four thousand one hundred dollars, (\$4,100) per EQR. Out of District connections tap fees shall be six thousand one hundred fifty dollars (\$6,150) per EQR. Tap fees must be paid at the time application is made for the permit. Tapping must occur within six months of applying. Tap fees shall be due at the time the permit is issued.

Monthly service charges: The user charges will be based on eighteen (18) DFUs to be equal to one (1) EQR. The minimum monthly charge will be equal to one EQR. More than eighteen (18) DFUs the user charge will be 1 EQR plus percentage.

GENERAL TRENDS AND SIGNIFICANT EVENTS

As stated earlier, numerous subdivisions are being developed every year. If they are not within the District boundaries, inclusion must be requested and, if approved, such subdivisions become members of the District. This is a savings for them on both tap fees and monthly rates. Out-of-District rates are one and a half times the in-District rates. In 2002, a subdivision approximately five miles west of town asked to extend the District's sewer main and for inclusion into the District. Both requests were granted and the main was extended to that area at their expense. However, the District did enter into an agreement with the developer that anyone wishing to tap onto that line would pay a double tap fee and half of that would go back to the developer.

FINANCIAL CONDITION

The District's financial condition remained strong at year-end with adequate liquid assets and a reasonable level of unrestricted net position. The current financial condition, staff capabilities, operating plans and upgrade plans to meet future wastewater quality requirements are well balanced and under control.

RESULTS OF OPERATIONS

Operating revenues: the District's primary revenues from operations are as follows: sewer charges to in- and out-of-District customers; sewer charges to the Johnson Village Improvement District; Septage receiving; and the Department of Corrections monthly charges.

Expenses: Total operating expenses for 2017 were \$1,183,992.

**BUENA VISTA SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

DEBT

At year end, the District has paid off the long-term debt (for the new treatment plant). The loan originated at 3.4 million dollars in 1998. The 2017 payment was \$293,958, paid in semi-annual payments, February 1st and August 1st.

FINAL COMMENTS

The year 2017 continued a trend of strong financial performance by the District. This strength will be needed in the coming years for future expansion of the plant as this little area in the Arkansas Valley continues to grow with ever increasing development of homes and businesses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our electors, customers, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Buena Vista Sanitation District's Financial Manager, Jana Green at PO Box 3069, Buena Vista, Colorado 81211.

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BASIC FINANCIAL STATEMENTS

BUENA VISTA SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

| <u>ASSETS</u> | <u>2017</u> | <u>2016</u> |
|--|----------------------|---------------------|
| Current assets: | | |
| Cash and equivalents | \$ 3,477,664 | \$ 2,188,258 |
| Cash and equivalents - restricted | 35,518 | 311,390 |
| Investments: | | |
| Certificates of deposits | 1,021,140 | 1,017,325 |
| Accounts receivable | 268,604 | 180,639 |
| General property taxes receivable | 110,007 | 102,624 |
| <u>Total current assets</u> | <u>4,912,933</u> | <u>3,800,236</u> |
| Capital assets: | | |
| Building | 1,813,100 | 1,813,100 |
| Sewage treatment facilities | 5,685,142 | 5,685,142 |
| Biosolid treatment beds | 151,449 | 151,449 |
| Sewer collection and transmission system | 1,032,697 | 1,032,697 |
| General equipment | 897,334 | 897,334 |
| Transportation equipment | 67,455 | 67,455 |
| | 9,647,177 | 9,647,177 |
| Accumulated depreciation | (4,324,462) | (4,141,272) |
| Total depreciable assets | 5,322,715 | 5,505,905 |
| Land | 28,256 | 28,256 |
| <u>Total capital assets</u> | <u>5,350,971</u> | <u>5,534,161</u> |
| | | |
| Total assets | <u>\$ 10,263,904</u> | <u>\$ 9,334,397</u> |

The accompanying notes and independent auditor's report
should be read with these financial statements.

BUENA VISTA SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

| <u>LIABILITIES</u> | <u>2017</u> | <u>2016</u> |
|--|--------------------------|-------------------------|
| Current liabilities: | | |
| <u>Accounts payable</u> | \$ 51,380 | \$ 95,021 |
| <u>Accrued liabilities</u> | 23,756 | 21,828 |
| <u>Prebilled charges</u> | 13,448 | - |
| Current liabilities payable from restricted assets: | | |
| <u>Current maturities of note payable</u> | - | 283,285 |
| <u>Accrued interest payable</u> | - | 4,870 |
| <u>Total current liabilities</u> | <u>88,584</u> | <u>405,004</u> |
| <u>Total liabilities</u> | <u>88,584</u> | <u>405,004</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| <u>Deferred revenues</u> | <u>110,007</u> | <u>102,624</u> |
| <u>NET POSITION</u> | | |
| <u>Invested in capital assets, net of related debt</u> | 5,350,971 | 5,250,876 |
| <u>Restricted for note payable requirements</u> | - | 273,083 |
| <u>Restricted for emergency reserves</u> | 35,518 | 38,306 |
| <u>Unrestricted</u> | <u>4,678,824</u> | <u>3,264,504</u> |
| <u>Total net position</u> | <u>10,065,313</u> | <u>8,826,769</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 10,263,904</u> | <u>\$ 9,334,397</u> |

The accompanying notes and independent auditor's report
should be read with these financial statements.

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BUENA VISTA SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|-----------------------------|----------------------------|
| <u>OPERATING REVENUES</u> | | |
| Charges for services | \$ 2,040,154 | \$ 1,694,244 |
| Miscellaneous | 362 | 348 |
| Total operating revenues | <u>2,040,516</u> | <u>1,694,592</u> |
| <u>OPERATING EXPENSES</u> | | |
| Collection and treatment | 442,362 | 583,170 |
| Salaries, wages and related costs | 324,157 | 277,111 |
| Administrative | 234,283 | 232,050 |
| Depreciation and amortization | 183,190 | 184,583 |
| Total operating expenses | <u>1,183,992</u> | <u>1,276,914</u> |
| Operating income | <u>856,524</u> | <u>417,678</u> |
| <u>NON-OPERATING REVENUES AND (EXPENSES)</u> | | |
| Property tax revenues | 119,519 | 112,101 |
| Interest income | 11,114 | 9,716 |
| Bond administrative | - | (23,378) |
| County Treasurer fees | (3,160) | (3,028) |
| Interest expense | (5,803) | (9,096) |
| Net non-operating revenues | <u>121,670</u> | <u>86,315</u> |
| Income before contributions | 978,194 | 503,993 |
| Capital contributions (tap fees) | <u>260,350</u> | <u>143,705</u> |
| Change in net position | 1,238,544 | 647,698 |
| Net position, beginning of year | <u>8,826,769</u> | <u>8,179,071</u> |
| Net position, end of year | <u><u>\$ 10,065,313</u></u> | <u><u>\$ 8,826,769</u></u> |

The accompanying notes and independent auditor's report
should be read with these financial statements.

BUENA VISTA SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Cash received from customers/operations | \$ 1,952,551 | \$ 1,702,303 |
| Cash payments to suppliers for goods and services | (719,536) | (872,199) |
| Payments for employees for services | (314,402) | (277,902) |
| Net cash provided by operating activities | <u>918,613</u> | <u>552,202</u> |
| <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u> | | |
| Property taxes, net of fees | <u>116,360</u> | <u>109,073</u> |
| Net cash provided by non-capital financing activities | <u>116,360</u> | <u>109,073</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | |
| Tap fees received | 260,350 | 143,706 |
| Principal payments on note payable | (283,285) | (261,905) |
| Interest and administration costs paid on revenue bonds | (5,803) | (32,474) |
| Net cash used in capital and related financing activities | <u>(28,738)</u> | <u>(150,673)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Maturities (purchases) of certificates of deposit, net | (3,815) | 300,551 |
| Interest income | 11,114 | 9,716 |
| Net cash provided by investing activities | <u>7,299</u> | <u>310,267</u> |
| Net increase in cash and equivalents | <u>1,013,534</u> | <u>820,869</u> |
| Cash and equivalents, beginning of year | <u>2,499,648</u> | <u>1,678,779</u> |
| Cash and equivalents, end of year | <u>\$ 3,513,182</u> | <u>\$ 2,499,648</u> |

The accompanying notes and independent auditor's report
should be read with these financial statements.

BUENA VISTA SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| <u>RECONCILIATION OF OPERATING INCOME TO</u> | | |
| <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | | |
| Operating income | \$ 856,524 | \$ 417,678 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 183,190 | 184,583 |
| Changes in assets and liabilities related to operations: | | |
| Accounts receivable | (87,965) | (37,946) |
| Accounts payable | (43,642) | 41,773 |
| Accrued liabilities | 1,928 | (52,524) |
| Prebilled charges | 13,448 | - |
| Accrued interest | (4,870) | (1,362) |
| Net cash provided by operating activities | <u>\$ 918,613</u> | <u>\$ 552,202</u> |

The accompanying notes and independent auditor's report should be read with these financial statements.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Buena Vista Sanitation District (the "District") was organized in 1953 to provide a complete sanitary sewer system, including a sewage disposal or treatment plant. The District services the town of Buena Vista in Chaffee County, Colorado, and certain portions of properties outside the town, which have been annexed during the years subsequent to organization.

The governing body consists of a five member board of directors elected by the residents of the District.

The District grants credit to its customers, all of whom are local residents and businesses. The basic operations of the District are financed by sewage treatment revenues and property taxes levied and collected by Chaffee County, Colorado ("County").

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.

Financial reporting entity

The District's policy is to include in the financial statements all funds, enterprises, account groups, departments, agencies, boards, commissions, and other material component units for which the District is considered to be financially accountable.

The District is considered a special independent district by Colorado revised statutes and as such, is not to be included with any other governmental authority. Accordingly, the District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Basis of accounting

The accounts of the District are organized on the basis of an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise.

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting (continued)

The District's records are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liabilities are incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP") requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported balances of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

Operating revenues and expenses

The District distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services 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 services provided. Operating expenses include the cost of service, administrative expenses, depreciation and amortization. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Budgets and budgetary accounting

Budgetary comparison schedules are provided as supplemental information as required by the Colorado Revised Statutes. There were no changes to the original budget during the year ended December 31, 2017.

The District is required by state law to adopt an annual budget. The budget is prepared on a cash basis. The supplemental information on pages 31 to 34 compares the budgeted activity to the actual activity and reconciles such to the actual revenues earned and expenses incurred as shown in the financial statements.

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and budgetary accounting (continued)

Once a budget is approved, it can be amended in accordance with state provisions only by approval of a majority of the members of the board of directors. A copy of the adopted resolution must be filed with the State Division of Local Governments.

The District's budget establishes control over the following categories of expenditures: general operating, capital outlay, contingency, general fund reserve and emergency fund reserve. Unexpended budgeted amounts lapse at year-end. Contributions of sewer lines are not reflected as a budgetary revenue item or expenditure as they do not generate or require the use of funds available.

Cash and equivalents

For purposes of the statements of cash flows, the District considers cash deposits and all highly liquid investments (including restricted assets) with initial maturities of three months or less to be cash and equivalents.

Accounts receivable

Accounts receivable of the District consist of sewage collection service charges receivable including amounts due from the Department of Corrections. Accounts receivable are stated at the amount the District expects to collect. The District maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the District's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. As of December 31, 2017 and 2016, accounts receivable are considered fully collectible and no allowance for doubtful accounts has been recorded.

Accounts receivable include \$20,419 and \$15,260, respectively of certified accounts for the years ended December 31, 2017 and 2016. Certified accounts are past-due customer accounts for sewer service charges, which have been turned over to the Chaffee County Treasurer for collection. These certified accounts are considered to be fully collectible.

With the exception of certified balances, accounts receivable are unsecured.

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at estimated fair value and are classified as current or non-current based on their maturity dates.

Property taxes

The District has recorded annual property taxes assessed in the current year, to be collected in the following year, as receivable at December 31 of the current year offset by a deferred revenues account. The amounts of assessments receivable and deferred revenues as of December 31, 2017 and 2016 were \$110,007 and \$102,624, respectively. The County handles the levying and the collecting of the taxes. The taxes are levied on December 15 of each year and are due January 1 of the following year. For purposes of collections, taxpayers can pay half of the tax liability in February with the remaining half due in July, or the entire amount may be paid in April. If the taxes remain unpaid, the County may file liens beginning in October of each year. Assessed taxes are anticipated to be fully collected within one year.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenues in the year they are levied and measurable. The deferred property tax revenues are recorded as revenues in the year they are available or collected.

Capital assets

It is the District's policy to capitalize items that cost more than \$500 and have useful lives in excess of one year. Capital assets are recorded at cost except for those assets that have been contributed which are stated at estimated fair value at the date of contribution or at the developer's cost. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

| | |
|--|---------------|
| Building | 40 years |
| Sewage treatment facilities | 34 years |
| Biosolid treatment beds | 34 years |
| Sewer collection and transmission system | 33 - 50 years |
| Equipment | 5 - 10 years |

Maintenance and repairs are charged to expense as incurred. Major improvements are capitalized and depreciated or amortized. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in change in net position.

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets (continued)

Costs of certain engineering, feasibility, environmental and other studies are capitalized until the related projects become operational. When projects become operational, the related costs are included in property and equipment and depreciated over the estimated useful lives of the assets.

Interest expense incurred during the planning and construction period of major construction projects is capitalized and depreciated over the estimated useful lives of the related assets. For the years ended December 31, 2017 and 2016, no interest was capitalized.

Deferred inflows of resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenues from one source, property taxes. This amount is deferred and recognized as an inflow of resources in the year the property taxes are levied and budgeted for.

Net position

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

2. CASH AND INVESTMENTS

Cash and equivalents and investments consist of the following as of December 31, 2017 and 2016:

| | 2017 | 2016 |
|-------------------------------------|---------------------|---------------------|
| Cash and equivalents - unrestricted | \$ 3,477,664 | \$ 2,188,258 |
| Cash and equivalents - restricted | 35,518 | 311,390 |
| Certificates of deposit | 1,021,140 | 1,017,325 |
| | \$ 4,534,322 | \$ 3,516,973 |

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. CASH AND INVESTMENTS (CONTINUED)

Deposits with financial institutions

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 determined by 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 aggregate uninsured deposits.

The state commissioners for banks 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.

At December 31, 2017, the District had cash deposits with a bank balance of \$3,532,912 and a carrying balance of \$3,513,082. At December 31, 2016, the District had cash deposits with a bank balance of \$2,507,351 and a carrying balance of \$2,499,648.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to certificates of deposits, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

The Colorado Revised Statutes limit investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

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

- 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
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Fair value measurement and application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District invests in certificates of deposit which are recorded at fair value and measured using Level 1 inputs.

As of December 31, 2017, the District had the following investments:

| Investments | Maturity | Fair Value |
|-------------------------|------------------|-------------------|
| Certificates of deposit | Less than 1 year | \$ 1,021,140 |

Operating reserve

The District has restricted cash of \$35,518 and \$311,390 as of December 31, 2017 and 2016, respectively related to debt and emergency reserve requirements.

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

3. CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

| | <u>Balance at January 1, 2017</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance at December 31, 2017</u> |
|---|---|---------------------|------------------|---|
| Non-depreciable assets: | | | | |
| Land | \$ 28,256 | \$ - | \$ - | \$ 28,256 |
| Depreciable assets: | | | | |
| Building | 1,813,100 | - | - | 1,813,100 |
| Sewage treatment facilities | 5,685,142 | - | - | 5,685,142 |
| Sewer collection and transmission system | 1,032,697 | - | - | 1,032,697 |
| General equipment | 897,334 | - | - | 897,334 |
| Transportation equipment | 67,455 | - | - | 67,455 |
| Bio solid treatment beds | 151,449 | - | - | 151,449 |
| Totals assets being depreciated | <u>9,647,177</u> | <u>-</u> | <u>-</u> | <u>9,647,177</u> |
| Less accumulated depreciation: | | | | |
| Building | (432,628) | (45,328) | - | (477,956) |
| Sewage treatment facilities | (1,886,217) | (114,457) | - | (2,000,674) |
| Sewer collection and transmission system | (815,792) | (15,641) | - | (831,433) |
| General equipment | (883,501) | (3,310) | - | (886,811) |
| Transportation equipment | (67,455) | - | - | (67,455) |
| Bio solid treatment beds | (55,679) | (4,454) | - | (60,133) |
| Total accumulated depreciation | <u>(4,141,272)</u> | <u>(183,190)</u> | <u>-</u> | <u>(4,324,462)</u> |
| Total capital assets, net | <u>\$ 5,534,161</u> | <u>\$ (183,190)</u> | <u>\$ -</u> | <u>\$ 5,350,971</u> |

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. NOTE PAYABLE

In 1997, electors of the District approved a ballot issue authorizing an increase in debt of an amount no greater than \$3,900,000. The proceeds were to be utilized for the costs of constructing, improving, and modifying the District's sewer treatment plant to comply with the Colorado Department of Health Standards.

Long-term debt as of December 31, 2017 consists of a note payable to the Colorado Water Resources and Power Development Authority ("Authority") in semi-annual installments of principal, interest and service fees totaling \$146,979; at a gross interest rate of 5.125% per annum; maturing August 1, 2017; and secured by District revenues, including property taxes.

The following is an analysis of the changes in the District's long-term debt for the year ended December 31, 2017:

| | Balance 01/01/17 | Additions | Repayments | Balance 12/31/17 |
|---------------------|---------------------|-----------|--------------|---------------------|
| 1997 Authority loan | \$ 283,285 | \$ - | \$ (283,285) | \$ - |

5. NET POSITION

The basic financial statements utilize a net position presentation. Net position is categorized as invested in capital assets, net of related debt; restricted; and unrestricted. Net invested in capital assets, net of related debt reflect the portion of net position that are associated with non-liquid, capital assets, less outstanding capital asset related debt. As of December 31, 2017 and 2016, the District had an investment in capital assets, net of related debt calculated as follows:

| | 2017 | 2016 |
|---|--------------|--------------|
| Capital assets, net of accumulated depreciation | \$ 5,350,971 | \$ 5,534,161 |
| Note payable | - | (283,285) |
| | \$ 5,350,971 | \$ 5,250,876 |

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

5. NET POSITION (CONTINUED)

Restricted net position includes items that are restricted for use either externally by creditors, grantors or contributors, or by laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net positions as of December 31, 2017 and 2016 as follows:

| | | |
|--|------------------|-------------------|
| Restricted for emergency reserves (see Note 10) | <u>\$ 35,518</u> | <u>\$ 38,306</u> |
| Restricted for note payable requirements: | | |
| Restricted cash - operational and maintenance (see Note 4) | <u>\$ -</u> | <u>\$ 273,083</u> |

Unrestricted net position consists of net assets that do not meet the definition of net position invested in capital assets or restricted.

6. CONCENTRATIONS

Accounts receivable

As of December 31, 2017 and 2016, 58% and 42% of accounts receivable were from one customer, respectively.

Revenues

For the years ended December 31, 2017 and 2016, 45% and 35% of operating revenues were from one customer, respectively.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2017 and 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

7. RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property, public officials liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

8. EMPLOYEE BENEFIT PLAN

The District offers a Section 457 Deferred Compensation Plan for which employees are eligible first day of employment. The District contributes 3% of employees' salaries for the calendar year. All contributions made under the plan are fully vested and nonrefundable. The District contributed \$9,432 and \$8,336 to the plan for the years ended December 31, 2017 and 2016, respectively.

9. COMMITMENTS AND INTERGOVERNMENT AGREEMENT

Colorado Department of Corrections

As part of the construction of a new treatment facility, the District entered into an intergovernmental agreement with the Colorado Department of Corrections ("CDOC"). The Buena Vista Correctional Facility abandoned its sewage facility and utilized the services of a new facility. Under the agreement, CDOC leases to the District the land used for the new facility and paid 29.9% of the total cost related to planning, designing and constructing the new facility. The District owns the new facility and is responsible for its operations. The service agreement approved in February of 2001 sets forth the user rates for the services, including a monthly minimum charge. The agreement also provided for a connection fee in 2001, which was recorded as a tap fee.

Johnson Village

In 2002, the District entered into an intergovernmental agreement with the Board of County Commissioners of the County. The County constructed and installed wastewater collection lines in an area known as Johnson Village. The County entered into an agreement with the District for the operations of the system, and for the billing and collection of the District's and County's service fees. The District remits the County's portion of the service fees quarterly to the County. During the years ended December 31, 2017 and 2016, total charges to Johnson Village users were \$51,881 and \$51,516, respectively. As of December 31, 2017 and 2016, \$8,908 were payable to the County for each year.

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

10. TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the Colorado State Constitution, Article X, Section 20, known as the Taxpayer's Bill of Rights ("TABOR") which imposes several limitations on the District, 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 believes it is in compliance with the requirements of the amendment and that the enterprise activity is not subject to the amendment's limitations. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

TABOR provisions require that annual property tax revenue changes be restricted to the same growth rate applicable to the District's general spending. TABOR also requires the local government to reserve 3% of total expenditures for emergencies in 1995 and years thereafter. The definition of an "emergency," under TABOR is restricted to natural events and excludes "economic conditions, revenue shortfalls or District salary and fringe benefit increase."

TABOR requires that any increases in spending over a calculated base must be approved, and revenues received in excess of the defined spending limit are subject to refund unless approved by the voters. Property tax revenues are also subject to limitations under TABOR. The amendment also required the establishment of an emergency reserve based upon defined calculations.

The District has reviewed the existing reserves and determined that a minimum of 3%, or \$35,520 and \$38,306 were restricted at December 31, 2017 and 2016, respectively, to comply with the provisions of TABOR.

On May 7, 1996, an election was held in which the voters in the District approved the authorization of the District to retain and spend all tap fee revenues collected in excess of the spending limits established by TABOR in 1994 and thereafter. This authorization was granted for a period of 40 years.

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See independent auditor's report.

SUPPLEMENTAL INFORMATION

BUENA VISTA SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET COMPARED TO ACTUAL
CASH BASIS
YEAR ENDED DECEMBER 31, 2017

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable) Variance</u> |
|-------------------------------------|--|---------------------|---|
| REVENUES: | | | |
| Sewer revenues | \$ 1,030,000 | \$ 1,055,423 | \$ 25,423 |
| Sewer revenues - Dept. of Corr. | 700,000 | 831,332 | 131,332 |
| Tap connection fees | 60,000 | 260,350 | 200,350 |
| Septage receiving | 60,000 | 70,529 | 10,529 |
| Inspection fees and svc review | 140 | 360 | 220 |
| Property taxes | 105,291 | 103,690 | (1,601) |
| Interest income | 9,000 | 11,108 | 2,108 |
| Specific ownership tax | 11,000 | 14,559 | 3,559 |
| Total revenues | <u>\$ 1,975,431</u> | <u>\$ 2,347,351</u> | <u>\$ 371,920</u> |
| OPERATING EXPENDITURES: | | | |
| Sewage collection and transmission: | | | |
| Contract services | \$ 650,000 | \$ 49,608 | \$ 600,392 |
| Laboratory | 30,000 | 18,180 | 11,820 |
| Maintenance | 45,000 | 28,588 | 16,412 |
| Employee benefits | 38,000 | 37,443 | 557 |
| Salaries | 209,100 | 238,092 | (28,992) |
| Payroll Taxes | 21,000 | 19,808 | 1,192 |
| Pension | 6,300 | 6,270 | 30 |
| Training | 2,500 | 690 | 1,810 |
| Travel | 450 | 600 | (150) |
| Supplies | 25,000 | 17,889 | 7,111 |
| Vehicle | 11,000 | 7,676 | 3,324 |
| Utilities | 310,000 | 283,333 | 26,667 |
| Miscellaneous | 7,000 | 3,577 | 3,423 |

See independent auditor's report.

BUENA VISTA SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET COMPARED TO ACTUAL
CASH BASIS
YEAR ENDED DECEMBER 31, 2017

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable) Variance</u> |
|--------------------------------------|--|---------------------|---|
| Sewage administration: | | | |
| Accounting and auditing | 11,000 | 9,200 | 1,800 |
| Directors fees | 8,000 | 5,900 | 2,100 |
| Discharge permit | 12,000 | 6,894 | 5,106 |
| Dues and publications | 3,500 | 1,792 | 1,708 |
| Engineering | 75,000 | 52,802 | 22,198 |
| Insurance | 38,000 | 32,356 | 5,644 |
| Legal | 50,000 | 12,138 | 37,862 |
| County Treasurer fees | 3,000 | 3,160 | (160) |
| Meeting expense | 1,000 | 45 | 955 |
| Miscellaneous | 1,600 | 1,306 | 294 |
| Office administration: | | | |
| Employee benefits | 16,800 | 14,893 | 1,907 |
| Salaries | 69,000 | 67,979 | 1,021 |
| Payroll taxes | 6,900 | 5,606 | 1,294 |
| Pension | 2,070 | 2,061 | 9 |
| Repair and maintenance | 6,000 | 5,305 | 695 |
| Supplies | 6,100 | 3,562 | 2,538 |
| Postage | 8,900 | 6,743 | 2,157 |
| Travel | 300 | 150 | 150 |
| Telephone | 5,000 | 3,333 | 1,667 |
| Training | 500 | - | 500 |
| Miscellaneous | 5,000 | 4,259 | 741 |
| Total operating expenditures | 1,685,020 | 951,238 | 733,782 |
| Non-operating expenditures: | | | |
| 1997 Authority loan | 293,958 | 293,958 | - |
| Total expenditures | 1,978,978 | 1,245,196 | 733,782 |
| Income (loss) budgetary basis | \$ (3,547) | \$ 1,102,155 | \$ 1,105,702 |

See independent auditor's report.

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BUENA VISTA SANITATION DISTRICT
RECONCILIATION OF AMOUNTS FROM GAAP BASIS TO CASH BASIS
YEAR ENDED DECEMBER 31, 2017

The accompanying Schedule of Revenues and Expenditures - Budget and Actual on pages 31 - 32 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant differences in revenues and expenditures for the year ended December 31, 2017 is presented below.

| | |
|--|---------------------|
| Total revenue per financial statements (operating revenues, non-operating revenues and capital contributions) | \$ 2,431,499 |
| Less: | |
| Revenue accruals and non-cash adjustments at December 31, 2017 | (84,148) |
| Total actual revenue and receipts per the budget | <u>\$ 2,347,351</u> |
| Total expenses and capital expenditures per financial statements | \$ 1,192,955 |
| Add: | |
| Expense and capital expenditure accruals and non-cash adjustments at at December 31, 2017 | 235,431 |
| Less: | |
| Depreciation and amortization expense | (183,190) |
| Total actual expenses and capital expenditures per the budget | <u>\$ 1,245,196</u> |

See independent auditor's report.