

June 20, 2017

Director of Local Government Audits  
Office of State Auditor  
1525 Sherman St., 7<sup>th</sup> Floor  
Denver, CO 80203-1700

osa.lg@state.co.us

RE: 2017 Financial Audit

Dear Director of Local Government Audits,

Attached is a copy of the 2017 Financial Audit for the Estes Park Sanitation District.

Thank you and if you have any questions, please feel free to call me at my office (970) 586-2866.

Sincerely,



James Duell  
District Manager



**RECEIVED**

Office of the State Auditor

June 21, 2018

Estes Park Sanitation District  
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Estes Park Sanitation District  
MANAGEMENT DISCUSSION AND ANALYSIS  
December 31, 2017

As management of the Estes Park Sanitation District, we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

**Overview of Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance.

The financial statements include a statement of net position; a statement of revenues, expenses, and net position; a statement of cash flows; and notes to the financial statements.

The *Statement of Net Position* presents the financial position of the District on a full accrual historical cost basis. The statement of net position provides information about the nature and amount of resources and obligations at year-end.

The *Statement of Revenues, Expenses, and Net Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the District's recovery of its costs.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

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.

The *Supplementary Information* includes the schedules of expenses and schedules of budgetary comparison provide the detail of District expenses and the comparison of budget items for the year with actual.

Estes Park Sanitation District  
MANAGEMENT DISCUSSION AND ANALYSIS  
December 31, 2017

**Financial Highlights**

In addition to operational and administrative expenses, our annual budget process attempts to address the District's short-term and long-term capital needs. Operational revenues annually provide for many improvements associated with short-term goals. But long term capital improvements require a process of setting aside revenue through reserves and possible financing. We will continue to set aside reserves to help us minimize our financing needs. In 2017 the District sold a parcel of property on Devils Gulch Road. The parcel was previously used for land application of biosolids from 1990 to 2000. The proceeds of this sale will be used for future capital requirements.

- The District treated 213.366 million gallons of wastewater in 2017, an increase of approximately 18% from 2016. As part of our new headworks project a new influent meter is now in place. The new meter reads higher than the previous meter and this is being monitored.
- Commercial billable flow was down 5.1% from 2016. User fee rates for commercial and residential customers increased 6% in 2017.
- Total System Investment Fee (SIF) revenue was \$145,034. This was a decrease of 19.58% from 2016. However this was still a strong year for tap fee revenue. Vacation homes rental properties represented approximately 50% of the total tap fee rental.
- The second half of a main replacement through the local business corridor was completed. The replacement was very expensive on a per foot basis. This replacement will enable the District to extend a main line into an area previously unserved during 2018.
- A small parcel of land was purchased to store raw materials. Availability of this type of land has grown scarce in the Estes Valley while our requirements for material storage have grown.
- Total assets at year-end were \$9.441 million. Assets net of liabilities equaled \$5.395 million.
- Operating revenues increased 5.71% or \$81,361 to \$1,506,783.
- Operating expenses without depreciation were under budget by \$80,828 which is 6.57% under the budgeted expenses.
- The District had net operating income of \$28,847.

**Capital Asset and Debt Administration**

As of December 31, 2017 the District's investment in capital assets was \$7,064,161 (net of accumulated depreciation). This investment in capital assets includes land and easements, an administrative office, wastewater treatment facility and improvements, collection system, maintenance equipment and construction in progress.

Estes Park Sanitation District  
MANAGEMENT DISCUSSION AND ANALYSIS  
December 31, 2017

Major capital assets constructed and/ or purchased during 2017 included the following:

- The District replaced a section of sewer main through the local business corridor. This replacement was very expensive on a linear foot basis but the replacement was considered a necessity. In addition a small parcel of property was purchased to enable the District to store raw materials. Materials for future line replacements and emergencies will now be possible.

**Future Events that will financially Impact the District**

The impacts of climate change may have the potential to disrupt our revenue streams and increase capital and operating expenses. The Estes Valley has experienced fires and flooding recently. Increased drought could alter historical stream flows which may create tighter effluent restrictions. Nationwide the utility industry is beginning to see large challenges from this possibility.

Other challenges the District faces are:

- Financing was required to construct our new headworks building. Annual payments of \$257,080 will be required going forward and may affect future borrowing capabilities.
- The rapidly rising costs associated with infrastructure replacement.
- Maintaining and replacing staff. Housing costs have created a difficult situation for the hiring of employees.
- Nutrient removal in our effluent is being closely studied. Much of the Districts resources will be channeled towards this very challenging requirement.

**Contacting the District's Financial Management**

The financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

James Duell, District Manager  
Estes Park Sanitation District  
PO Box 722  
Estes Park, CO 80517

The physical address of the office is 1201 Graves Avenue. The office phone number is (970) 586-2866.

Carl Henderson, CPA P.C.  
Certified Public Accountant  
a Professional Corporation  
Box 4515  
Estes Park, CO 80517  
970 586-5008

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Estes Park Sanitation District  
Estes Park, CO 80517

I have audited the accompanying financial statements of Estes Park 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**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Estes Park Sanitation District as of December 31, 2017, and the 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 and budgetary comparison information on pages i-iii and 16-19 are 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. I also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Estes Park Sanitation District basic financial statements for the year ended December 31, 2016, which are presented with the accompanying financial statements, of which I expressed an unmodified opinion. That audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Estes Park Sanitation District basic financial statements as a whole. These financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Management Discussion and Analysis and Supplemental Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Management Discussion and Analysis and Supplemental Information are the responsibility of management and were derived from and relate 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 my opinion, the Management Discussion and Analysis and Supplemental Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Management Discussion and Analysis and Supplemental Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

*Cara Henderson, CPA P.C.*

Estes Park, CO  
May 18, 2018

Estes Park Sanitation District  
Statement of Net Position  
December 31, 2017 and 2016

	<b>Assets</b>	<u>2017</u>	<u>2016</u>
<b>Current</b>			
Cash		\$ 47,863	\$ 86,137
Investments		2,098,526	1,387,143
Accounts receivable, user fees		203,717	221,270
Accounts receivable, other		-	47
Notes receivable		-	1,612
Inventories		<u>27,177</u>	<u>26,488</u>
Total current assets		2,377,283	1,722,697
<b>Utility Plant in Service</b>			
Total assets		<u>7,064,152</u>	<u>7,248,897</u>
		<u>\$ 9,441,435</u>	<u>\$ 8,971,594</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current portion of long term liabilities		\$ 178,790	\$ 175,267
Accounts payable		14,045	39,488
Accrued expenses payable		<u>72,796</u>	<u>72,187</u>
Total current liabilities		<u>265,631</u>	<u>286,942</u>
<b>Long Term Liabilities</b>			
Revenue note payable		3,958,968	4,134,235
Amount shown currently		<u>(178,790)</u>	<u>(175,267)</u>
		3,780,178	3,958,968
Total liabilities		<u>4,045,809</u>	<u>4,245,910</u>
<b>Net Position</b>			
Investment in capital assets		3,105,184	3,114,662
Unrestricted, designated		1,365,866	1,192,576
Unrestricted, undesignated		<u>924,576</u>	<u>418,446</u>
Total net position		<u>5,395,626</u>	<u>4,725,684</u>
Total liabilities and net position		<u>\$ 9,441,435</u>	<u>\$ 8,971,594</u>

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

Estes Park Sanitation District  
Statement of Revenues, Expenses and Net Position  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
User fee income	\$ 1,397,209	\$ 1,326,211
FOG non-compliance fees	26,667	22,570
Lift station fees	7,860	7,860
Account maintenance fee	45,225	45,050
Miscellaneous income	29,822	23,731
	<u>1,506,783</u>	<u>1,425,422</u>
 <b>Expenses</b>		
Treatment	773,790	638,184
Collection	369,004	345,418
Administration	335,151	252,885
Total operating expenses	<u>1,477,945</u>	<u>1,236,487</u>
<b>Net operating income (loss) before other income</b>	<u>28,838</u>	<u>188,935</u>
 <b>Other income</b>		
Contributions in aid of construction	-	438,620
Interest income	13,869	4,807
Gain (loss) sale of assets	482,201	600
System development fees	145,034	180,340
Total other income	<u>641,104</u>	<u>624,367</u>
<b>Increase (decrease) in net position</b>	669,942	813,302
Net position, beginning	<u>4,725,684</u>	<u>3,912,382</u>
Net position, ending	<u>\$ 5,395,626</u>	<u>\$ 4,725,684</u>

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

Estes Park Sanitation District  
Statement of Cash Flows  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 1,525,995	\$ 1,381,414
Payments to suppliers	(466,901)	(785,553)
Payments to employees	<u>(705,357)</u>	<u>(682,290)</u>
Net cash provided by operating activities	<u>353,737</u>	<u>(86,429)</u>
<b>Cash Flow From Noncapital Financing Activities</b>		
Net cash provided by financing activities	<u>-</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Amount receivable from revenue note payable	-	612,409
Additions to fixed assets (net)	(146,465)	(4,503,001)
Revenue note payable increase (decrease)	(175,267)	3,404,475
Contributions in aid of construction	-	438,620
Gain (loss) sale of assets	482,201	600
System development fees received	<u>145,034</u>	<u>180,340</u>
Net cash used for capital and related financing activities	<u>305,503</u>	<u>133,443</u>
<b>Cash Flows From Investing Activities</b>		
Decrease (Increase) of investments	(711,383)	(5,786)
Interest income received	<u>13,869</u>	<u>4,807</u>
Net cash provided by (used for) investing activities	<u>(697,514)</u>	<u>(979)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(38,274)	46,035
<b>Cash and cash equivalents:</b>		
Beginning of year	<u>86,137</u>	<u>40,102</u>
End of year	<u>\$ 47,863</u>	<u>\$ 86,137</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 28,838	\$ 188,935
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	331,210	226,525
Change in assets and liabilities:		
Receivables	19,212	(43,302)
Prepaid expenses	-	-
Inventory	(689)	(47)
Accounts payable	(25,443)	(471,802)
Accrued expenses payable	<u>609</u>	<u>13,262</u>
Net cash provided by operating activities	<u>\$ 353,737</u>	<u>\$ (86,429)</u>

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

Estes Park Sanitation District  
Notes to Financial Statements

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Estes Park Sanitation District have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial principles. The more significant of the District's accounting policies are described below.

**Form of Organization**

Estes Park Sanitation District is an independent governmental entity organized in April 1940, under the provisions of the Colorado Revised Statutes. The District's Board of Directors is elected by residents of the District and has the responsibilities for designation of management, operational decisions, and budget matters. The District is fully responsible for its financial matters and is not financially interdependent with another governmental unit. Revenues are derived by service charges determined by the Board. The District exists for the benefit of its residents and activities of the District are generally available to the residents of the District.

**Financial Reporting Entity**

All the foregoing criteria indicate that Estes Park Sanitation District is a separate and distinct unit of government even though it operates within the boundaries of Larimer County and the Town of Estes Park, Colorado. There are no component units that should be included in these financial statements.

**Basis of Accounting**

The accounting policies of the District conform to generally accepted accounting principles as applicable to enterprise funds. The following is a summary of the significant policies:

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus used.

The Estes Park Sanitation District follows the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Enterprise funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included in the balance sheet. The reported fund equity (total net position) is segregated into amounts investment in capital assets and unrestricted net position components. The operating statement presents increases (revenue) and decreases (expenses) in total net position.

**Budgets and Budgetary Accounting**

Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year. Prior to September the Department Heads submit their budgets to the Budget Officer, who is designated as the person responsible for the budget. Prior to October 15th, the District Manager submits the budgets to the District Board. Prior to December 15th the District Board after reviewing the budgets adopts the budget with a certified copy sent to the Division of Local Government

Estes Park Sanitation District  
Notes to Financial Statements

prior to January 30th, and passes a resolution making the appropriation for the ensuing fiscal year.

The Board approves total budget appropriations only. Budgeted amounts within the fund may be transferred as long as total appropriations are not altered. If the total appropriations must be revised, an official amended budget is approved and a resolution making additional appropriations is passed.

The level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis. Budgets are adopted on the accrual basis and the budgetary comparisons shown in these financial statements under supplementary information are shown on that basis.

**Risk Management**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors and omissions, injuries to employees or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Tax, Spending and Debt Limitations**

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 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.

**Assets, Liabilities and Net Position**

**Cash**

All cash, savings accounts and money market accounts are stated at cost and are on deposit with various financial institutions that are entirely federally insured with the Federal Deposit Insurance Corporation (FDIC) with no account exceeding the \$250,000 insurance limit.

The Board authorizes the District to invest in certificates of deposit and U.S. Treasury bills at various financial institutions that are FDIC insured, or repurchase agreements provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds.

Cash and cash equivalents referred to in the Statement of Cash Flows comprise cash on hand, cash in checking accounts, cash in money market accounts and cash temporarily invested in certificates of deposits with maturity within three months from the financial statement dates.

**Investments**

The District investments include certificates of deposit with maturities over three months, U.S. Government obligations and investments held in Colotrust (Prime). Colotrust (Prime) is an investment vehicle that pools funds from various Colorado governmental entities for investment purposes. Investments are presented at estimated fair market value.

Estes Park Sanitation District  
Notes to Financial Statements

**Inventories**

Inventories are valued at original cost on the first-in first-out (FIFO) method and consist of pipe and laboratory supplies.

**Utility Plant in Service**

All fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value at the date donated.

**Investment in Deferred Compensation Plan**

The District offers a deferred compensation plan created in accordance with IRC Sec. 457. The plan is available to all employees who work 35 hours per week after completing one year of employment with the District. The deferred compensation is not available to employees until termination, retirement or death.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are managed and held by a third party for the benefit of the employee

**Compensated Absences**

Vacation and sick leave accumulated by an employee are recorded as a liability and current operating expense of the District at the employee's current rate of pay.

**Pension Plan**

The Social Security System covers district employees. The District does not have a policy nor does it provide for any pension benefits for its employees and therefore has no liability for pension benefits.

**Revenue Notes Payable**

The District has negotiated a direct loan with the Colorado Water Resources and Power Development Authority (CWRPDA) in the total amount of \$3,250,000. This loan is for a term of 20 years with an interest rate of 2%. The CWRPDA Board also approved \$377,270 of principal forgiveness on this loan.

The District also negotiated a second note with the Colorado Water Resources and Power Development Authority (CWRPDA) in the total amount of \$1,273,470. This loan is for a term of 20 years with an interest rate of 2%.

These funds financed the construction of a new headworks facility to include odor control capabilities and equipment to meet new heavy metal requirements effective September 2016.

**Net Position - Designated**

The District records designated net position to indicate that a portion of the net position is Board designated for a specific future use. The Board has designated specific amounts for plant and equipment replacement or expansion.

**Revenues and Expenses**

**Operating and Non-operating Revenues**

Operating revenues are defined as those revenues that represent the ongoing operations of the District as follows: user fees, permit fees, petitions for inclusion/exclusion, dump fees, water

Estes Park Sanitation District  
Notes to Financial Statements

testing and miscellaneous income. Non-operating revenues include contributions in aid of construction, system development fees, interest income and proceeds from the sale of assets.

**Depreciation**

Depreciation of exhaustible fixed assets used by enterprise funds is charged as an expense against its operation over the assets' estimated useful lives. Accumulated depreciation is reported on the enterprise fund balance sheet. Depreciation has been provided over the estimated useful lives on the straight-line basis. Useful lives by type of asset are as follows:

Buildings	20 years
Plant	40 years
Sewer Lines	60 years
Equipment	5-10 years

**Note 2 - Stewardship, Compliance and Accountability**

Estes Park Sanitation District has complied with legal and contractual provisions in the preparation of these financial statements and expenditures have not exceeded appropriated budgetary amounts for the fund.

**Note 3 - Detail Notes on Accounts**

**Cash/Investments**

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 held in trust 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 the aggregate uninsured deposits.

Investments are stated at fair market value as required by the Governmental Accounting Standards Board Statement 31.

The CPDPA requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, US government securities, mortgages and deeds of trust.

Credit risk – The District’s investment policy authorizes the District to invest in bonds or other interest bearing obligations of the United States of America or its agencies thereof, certificates of deposit and local investment pools.

Interest Rate Risk – The District’s investment policy limits all federal securities to maturities of 5 years or less from the date of purchase.

At December 31, 2017 and 2016, the District owned the following investments:

	<u>2017</u>	<u>2016</u>
Certificates of Deposit and money markets	\$ 98,527	\$ 221,832
Colotrust (Prime)	1,999,999	1,165,311
Totals	<u>\$2,098,526</u>	<u>\$1,387,143</u>

Estes Park Sanitation District  
Notes to Financial Statements

The Colotrust (Prime) investments shown above are rated AAAM by Standards & Poor's. The weighted average annualized yield of these investments is .779%.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a deposit policy that allows investments only in U.S. instrumentalities or deposits insured by federal depository insurance. The District's bank accounts at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks in the name of the District under provisions of the Colorado Public Deposit Protection Act (CPDPA).

The District had invested \$1,999,999 in Colotrust (Prime), an investment vehicle established by local government entities in Colorado to pool surplus funds for investment purposes. Colotrust (Prime) operates similarly to a money market fund and each share is equal in value to \$1.00.

The designated custodial bank of Colotrust (Prime) provides safekeeping and depository services in connection with the direct investment and withdrawal functions of Colotrust (Prime). All securities owned by Colotrust (Prime) are held by the Federal Reserve Bank in the account maintained by the custodial bank.

Investments in Colotrust (Prime) consist of U. S. Treasury bills, notes and note strips and repurchase agreements collateralized by U. S. Treasury notes. The final maturity of any and all securities purchased by Colotrust (Prime) may not exceed one year. Colotrust (Prime) is rated AAAM by Standards & Poor's. The investment policy of Colotrust (Prime) does not include investing in derivatives.

**Utility Plant in Service**

A summary of changes in Utility Plant in Service follows:

	Balance January <u>1, 2017</u>	<u>Additions</u>	<u>Transfers</u>	Balance December <u>31, 2017</u>
Land & easements	\$ 109,753	\$ 108,430	\$ 109,753	\$ 108,430
Buildings & improvements	115,892			115,892
Plant	8,124,113	9,488		8,133,601
Collection system	2,015,701	108,342		2,124,043
Equipment	<u>392,031</u>	<u>25,911</u>		<u>417,942</u>
	10,757,490	252,171	109,753	10,899,908
Accumulated depreciation	<u>(3,508,593)</u>	<u>(331,210)</u>	<u>(4,047)</u>	<u>(3,508,593)</u>
Net Utility Plant	<u>\$7,248,897</u>	<u>\$ (79,039)</u>	<u>\$105,706</u>	<u>\$7,064,152</u>

Estes Park Sanitation District  
Notes to Financial Statements

	Balance January <u>1, 2016</u>	<u>Additions</u>	<u>Transfers</u>	Balance December <u>31, 2016</u>
Land & easements	\$ 109,753	\$	\$	\$ 109,753
Buildings & improvements	115,892			115,892
Plant	2,519,467	28,376		2,547,843
Headworks		5,576,270		5,576,270
Collection system	1,863,193	152,508		2,015,701
Equipment	<u>372,076</u>	<u>19,955</u>		<u>392,031</u>
	4,980,381	5,777,109		10,757,490
Construction in progress	1,274,108	4,330,538	(5,604,646)	
Transfers		(5,604,646)	5,604,646	
Accumulated depreciation	<u>(3,282,068)</u>	<u>( 226,525)</u>		<u>(3,508,593)</u>
Net Utility Plant	<u>\$2,972,421</u>	<u>\$4,276,476</u>	<u>\$</u>	<u>\$7,248,897</u>

Assets that are fully depreciated but still in use amount to \$1,704,346 and \$1,652,084 for 2017 and 2016 respectively.

**Revenue Notes Payable**

The District has two notes outstanding with the Colorado Water Resources & Power Development Authority. Note W14F340 is dated November 14, 2014 and is due May 1, 2036. The original amount of the note was \$2,872,730 payable at 2% interest with payments of \$89,013 each May 1<sup>st</sup> and November 1<sup>st</sup>. Note W15F361 is dated November 23, 2015 and is due May 1, 2036. The original amount of the note was \$1,273,470 payable at 2% interest with payments of \$39,527 each May 1<sup>st</sup> and November 1<sup>st</sup>. Both notes are collateralized by the sewer revenue of the District.

A summary of changes in Revenue Notes Payable follows:

	Balance January <u>1, 2017</u>	Note <u>Reduction</u>	Balance December <u>31, 2017</u>
Revenue note W14F340	\$2,862,936	\$121,372	\$2,741,564
Revenue note W15F361	<u>1,271,299</u>	<u>53,896</u>	<u>1,217,404</u>
	<u>\$4,134,235</u>	<u>\$175,267</u>	<u>\$3,958,968</u>

	Balance January <u>1, 2016</u>	Note <u>Reduction</u>	Balance December <u>31, 2016</u>
Revenue note W14F340	\$2,872,730	\$9,794	\$2,862,936
Revenue note W15F361	<u>1,273,470</u>	<u>2,171</u>	<u>1,271,299</u>
	<u>\$4,146,200</u>	<u>\$11,965</u>	<u>\$4,134,235</u>

The principal and interest due on each note is as follows:

Estes Park Sanitation District  
Notes to Financial Statements

<u>Year</u>	<u>Principal</u>		<u>Interest</u>	
	<u>W14F340</u>	<u>W15F361</u>	<u>W14F340</u>	<u>W15F361</u>
2018	\$ 123,811	\$ 54,979	\$54,215	\$24,075
2019	126,300	56,084	51,727	22,969
2020	128,838	57,211	49,188	21,842
2021	131,428	58,361	46,598	20,692
2022	134,070	59,534	43,957	19,519
2022-2036	<u>2,097,117</u>	<u>931,235</u>	<u>608,581</u>	<u>270,243</u>
	<u>\$2,741,564</u>	<u>\$1,217,404</u>	<u>\$854,266</u>	<u>\$379,340</u>

**Net Position**

Net position is presented reflecting the portion of the net position invested in fixed assets and the remainder divided between designated and undesignated as follow:

	<u>2017</u>	<u>2016</u>
Investment in capital assets	\$ <u>3,105,184</u>	\$ <u>3,114,662</u>
Designated:		
Vehicle/equipment reserve	50,984	50,984
Plant reserve	1,118,984	970,788
Lines reserve	175,000	150,000
Employee compensated absences	<u>20,898</u>	<u>20,804</u>
	<u>1,365,866</u>	<u>1,192,576</u>
Undesignated	<u>924,576</u>	<u>418,446</u>
	<u>\$5,395,626</u>	<u>\$4,725,684</u>

Estes Park Sanitation District  
Schedule of Treatment Expenses  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Payroll</b>		
Salaries	206,287	\$ 199,606
Payroll taxes	17,603	14,898
Employee benefits	49,972	43,234
Employee clothing	1,932	1,538
Workmen's compensation	4,610	4,964
	<u>280,404</u>	<u>264,240</u>
<b>Other</b>		
Biosolids application	24,306	21,480
Chemicals	45,197	56,679
Education & training	1,813	433
Heat	6,042	5,386
Lab tests & supplies	17,141	15,351
Maintenance	29,965	38,453
Miscellaneous	2,103	313
Power	105,223	71,834
Telephone	1,921	1,888
Vehicle	2,166	2,075
Water	2,434	3,011
Depreciation	255,075	157,041
	<u>493,386</u>	<u>373,944</u>
Total treatment expenses	<u>\$ 773,790</u>	<u>\$ 638,184</u>

Estes Park Sanitation District  
Schedule of Collection Expenses  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Payroll</b>		
Salaries	\$ 183,351	\$ 174,662
Payroll taxes	15,646	16,872
Employee benefits	44,416	48,963
Employee clothing	1,371	1,548
Workmen's compensation	4,825	4,742
	<u>249,609</u>	<u>246,787</u>
<b>Other</b>		
Education & training	3,337	2,949
Equipment maintenance	14,149	11,190
Miscellaneous	462	275
Repairs and maintenance	25,002	15,018
Telephone	1,953	1,922
Vehicle	2,895	1,613
Depreciation	71,597	65,664
	<u>119,395</u>	<u>98,631</u>
Total collection expenses	<u>\$ 369,004</u>	<u>\$ 345,418</u>

Estes Park Sanitation District  
 Schedule of Administrative Expenses  
 For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Payroll</b>		
Salaries	\$ 128,162	\$ 128,989
Directors salaries	4,500	4,500
Payroll taxes	10,751	10,877
Employee benefits	31,725	26,687
Workmen's compensation	206	210
	<u>175,344</u>	<u>171,263</u>
 <b>Occupancy</b>		
Condo fees	900	900
Depreciation	3,570	3,570
Repairs & maintenance	1,004	819
	<u>5,474</u>	<u>5,289</u>
 <b>Other</b>		
Bank charges	3,217	3,520
Education	30	122
Insurance	26,206	20,796
Interest	81,229	19,630
Licenses and taxes	7,846	8,136
Miscellaneous	1,311	1,321
Office supplies	7,301	7,838
Professional fees	21,959	10,565
Publications	216	329
Telephone	2,189	2,025
Vehicle	1,861	1,801
Depreciation	968	250
	<u>154,333</u>	<u>76,333</u>
 <b>Total administrative expenses</b>	 <u>\$ 335,151</u>	 <u>\$ 252,885</u>

Estes Park Sanitation District  
Statement of Revenues and Expenses Compared with Budget  
(Non-GAAP Budget Basis)  
For the Year Ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavor- able)
<b>Operating revenue</b>			
Operating revenues	\$ 1,390,912	\$ 1,397,209	\$ 6,297
FOG non-compliance fees	26,000	26,667	667
Lift station fees	8,000	7,860	(140)
Account maintenance fee	45,500	45,225	(275)
Miscellaneous income	26,000	29,822	3,822
	<u>1,496,412</u>	<u>1,506,783</u>	<u>10,371</u>
<b>Operating expenses</b>			
Treatment	552,940	518,715	34,225
Collection	327,600	297,407	30,193
Administration	346,814	330,613	16,201
Total operating expenses	<u>1,227,354</u>	<u>1,146,735</u>	<u>80,619</u>
<b>Net operating income (loss)</b>	<u>269,058</u>	<u>360,048</u>	<u>90,990</u>
<b>Nonoperating revenue</b>			
Contributions in aid of construction	-	-	-
Interest income	15,000	13,869	(1,131)
Gain (loss) sale of assets	600,000	482,201	(117,799)
System development fees	120,000	145,034	25,034
Total nonoperating income	<u>735,000</u>	<u>641,104</u>	<u>(93,896)</u>
<b>Excess of income over expenses</b>	<u>1,004,058</u>	<u>1,001,152</u>	<u>(2,906)</u>
<b>Other budgeted items</b>			
Purchase/construction of fixed assets	293,000	146,465	146,535
Principal payment on revenue note	175,267	175,267	-
	<u>468,267</u>	<u>321,732</u>	<u>146,535</u>
<b>Excess of income over expenses including other budgeted items</b>	<u>\$ 535,791</u>	<u>\$ 679,420</u>	<u>\$ 143,629</u>

Estes Park Sanitation District  
Schedule of Treatment Expenses Compared with Budget  
(Non-GAAP Budget Basis)  
For the Year Ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor- able)</u>
<b>Payroll</b>			
Salaries	\$ 213,000	\$ 206,287	\$ 6,713
Payroll taxes	17,000	17,603	(603)
Employee benefits	48,500	49,972	(1,472)
Clothing	1,650	1,932	(282)
Workmen's compensation	<u>5,215</u>	<u>4,610</u>	<u>605</u>
	<u>285,365</u>	<u>280,404</u>	<u>4,961</u>
<b>Other</b>			
Biosolids removal	25,000	24,306	694
Chemical	50,000	45,197	4,803
Education & training	3,500	1,813	1,687
Heat	8,000	6,042	1,958
Lab tests & supplies	25,000	17,141	7,859
Maintenance	40,675	29,965	10,710
Miscellaneous	2,000	2,103	(103)
Power	105,000	105,223	(223)
Telephone	2,500	1,921	579
Vehicle	3,500	2,166	1,334
Water	<u>2,400</u>	<u>2,434</u>	<u>(34)</u>
	<u>267,575</u>	<u>238,311</u>	<u>29,264</u>
Total treatment expenses	<u>\$ 552,940</u>	<u>\$ 518,715</u>	<u>\$ 34,225</u>

Estes Park Sanitation District  
Schedule of Collection Expenses Compared with Budget  
(Non-GAAP Budget Basis)  
For the Year Ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavor- able)
<b>Payroll</b>			
Salaries	\$ 193,000	\$ 183,351	\$ 9,649
Payroll taxes	18,000	15,646	2,354
Employee benefits	48,000	44,416	3,584
Clothing	1,650	1,371	279
Workmen's compensation	5,150	4,825	325
	<u>265,800</u>	<u>249,609</u>	<u>16,191</u>
<b>Other</b>			
Education & training	5,500	3,337	2,163
Equipment maintenance	21,000	14,149	6,851
FOG interceptor program	2,500	-	2,500
Miscellaneous	500	462	38
Repairs and maintenance	26,600	25,002	1,598
Telephone	2,200	1,953	247
Vehicle	3,500	2,895	605
	<u>61,800</u>	<u>47,798</u>	<u>14,002</u>
Total collection expenses	<u>\$ 327,600</u>	<u>\$ 297,407</u>	<u>\$ 30,193</u>

Estes Park Sanitation District  
Schedule of Administrative Expenses Compared with Budget  
(Non-GAAP Budget Basis)  
For the Year Ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavor- able)
<b>Payroll</b>			
Salaries	\$ 133,500	\$ 128,162	\$ 5,338
Directors salaries	4,500	4,500	-
Payroll taxes	12,500	10,751	1,749
Employee benefits	32,500	31,725	775
Workmen's compensation	250	206	44
	<u>183,250</u>	<u>175,344</u>	<u>7,906</u>
 <b>Occupancy</b>			
Condo fees	900	900	-
Repairs & maintenance	1,600	1,004	596
	<u>2,500</u>	<u>1,904</u>	<u>596</u>
 <b>Other</b>			
Bank charges	3,500	3,217	283
Education and training	500	30	470
Insurance	27,500	26,206	1,294
Interest	81,814	81,229	585
Licenses & taxes	8,750	7,846	904
Miscellaneous	2,500	1,311	1,189
Office	9,000	7,301	1,699
Professional fees	22,000	21,959	41
Publications	500	216	284
Telephone	2,500	2,189	311
Vehicle	2,500	1,861	639
	<u>161,064</u>	<u>153,365</u>	<u>7,699</u>
 Total administrative expenses	<u>\$ 346,814</u>	<u>\$ 330,613</u>	<u>\$ 16,201</u>