

WEST GLENWOOD SPRINGS SANITATION DISTRICT

Financial Statements
And
Independent Auditor's Report
For the Year Ended December 31, 2017

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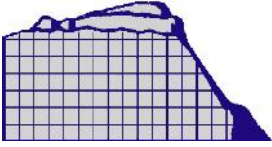
Office of the State Auditor

July 18, 2018

WEST GLENWOOD SPRINGS SANITATION DISTRICT

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Paul D. Miller CPA, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Glenwood Springs Sanitation District
Glenwood Springs, Colorado

I have audited the accompanying financial statements of the business-type activities of West Glenwood Springs 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 my audit. I conducted my 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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 my 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 us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Glenwood Springs Sanitation District's financial statements taken as a whole. The budgetary comparison information on page 17 is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Paul D. Miller, CPA, LLC

Grand Junction, CO
March 2, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS
WEST GLENWOOD SPRINGS SANITATION DISTRICT
FISCAL YEAR 2017**

The management of West Glenwood Springs Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2017.

Financial Highlights

-) The District has 116.075 Standby and 1,435.0778 full Taps.
-) Service fees increased to \$100 per quarter effective April 1, 2017, from \$96 per quarter.
-) Total revenue increased \$121,768 from the prior year.
-) Operating expense increased \$4,640 from the prior year.
-) General and Administrative expense increased \$19,958 from the prior year.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements, presented on pages 6-8 are comprised of Financial Statements and pages 9-14, Notes to Financial Statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements of the District are presented as a special purpose government engaged only in business type activities – providing sewer utility service to District residents.

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference being reported in Net Position. Changes in the Net Position may be used to indicate whether the financial position of the District is improving or deteriorating.

The Statement of Revenue, Expenses, and Changes in Net Position present information that reflects how the District's Net Position changed during the past year. All changes in the 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. Consequently, revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows reports the District's cash flows from operating, capital, and related financing activities, and investing activities.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 9-14 of this report.

The Supplemental Information contained in this report on page 15, provides a schedule of revenues, expenses, and a comparison of budget and actual information showing the variance between the two.

Statement of Net Position

Some notable changes on the Statement of Net Position include Cash on hand and in banks increased from fiscal year ending 2016 by \$175,142, receivables decreased by \$161,587, and net Capital Assets decreased by \$109,212, and accounts payable/other accrued liabilities decreased by \$79,421.

| | 2017 | 2016 |
|------------------------------|-------------|--------------|
| Current Assets: | | |
| Cash & cash equivalents | \$1,193,893 | \$ 989,507 |
| Accounts receivable | 19,314 | 12,809 |
| Property taxes receivable | 39,020 | 37,861 |
| Prepaid expenses | 23,700 | 24,515 |
| Total Current Assets | 1,275,927 | 1,064,692 |
| Noncurrent Assets | 4,359,046 | 4,364,788 |
| Total Assets | 5,634,973 | 5,429,480 |
| Current Liabilities: | | |
| Accounts payable | - | 825 |
| Other accrued expenses | 26,354 | 25,870 |
| Prepaid service fees | 16,092 | 12,798 |
| Total Current Liabilities | 42,446 | 39,493 |
| Deferred inflow of resources | 39,020 | 37,861 |
| Net Position: | | |
| Invested in Capital Assets | 4,359,045 | 4,364,788 |
| Labor Restriction | 16,279 | 29,168 |
| Unrestricted | 1,178,183 | 958,170 |
| Net Position | \$5,553,507 | \$ 5,352,126 |

Review of Revenue

| | 2017 | 2016 |
|-------------------------|------------|------------|
| Operating Revenue | | |
| Sanitation Service Fees | \$ 590,977 | \$ 575,538 |
| Taxes | 41,576 | 39,519 |
| Total operating Revenue | 632,553 | 615,057 |
| Non-Operating Revenue | | |
| Investment Income | 10,040 | 5,290 |
| Miscellaneous Income | 176,051 | 175,349 |
| Contributed Capital | | |
| Plant Investment Fees | 145,020 | 46,200 |
| Total Revenue | \$ 963,664 | \$ 841,896 |

Interest rates were up a little in 2017. The District had an increase in Lab fees of \$1,464; Tap fee revenues increased \$98,820 and property taxes increased by \$2,097 in 2017.

Review of Expenses

| | 2017 | 2016 |
|--------------------------|-----------|------------|
| Expenses | | |
| Operating Expenses | \$441,590 | \$ 436,950 |
| General & Administrative | 125,640 | 105,682 |
| Depreciation | 195,053 | 190,293 |
| Total Operating Expenses | 762,283 | 732,925 |
| Total Expenses | \$762,283 | \$ 732,925 |

Operating Expenses from 2016 to 2017 increased by \$4,640. This was mainly due to increases in wages. General and Administrative Expenses increased by \$19,958. This was mainly due to a decrease in legal fees and repairs and maintenance.

Budgetary Highlights

The District prepares its budget using the accrual basis of accounting by fund to differentiate between general operating activities and the bond expansion activities. State statutes require this budgetary accounting.

Actual revenue of the District was more than the budgeted revenue as a result of an increase in lab fees and other revenue.

Actual expenditures of the District were less than the budgeted expenses due to efficiencies in operations.

Capital Assets Activity

The activity related to capital assets during 2017 is as follows:

| | Balance January 1, 2017 | Transfers Additions | Transfers Deletions | Balance December 31, 2017 |
|-------------------------|-------------------------------|------------------------|------------------------|---------------------------------|
| Plant | \$5,080,465 | \$106,885 | \$ - | \$5,187,350 |
| System Lines | 878,606 | 30,716 | - | 909,322 |
| Equipment | 298,394 | 65,210 | - | 363,604 |
| Total | 6,257,465 | 202,811 | - | 6,460,276 |
| Less Accum. Deprec. | (2,101,793) | (195,053) | - | (2,296,846) |
| Net Depreciable Assets | 4,155,672 | 7,758 | - | 4,163,430 |
| Land | 189,926 | - | - | 189,926 |
| Construction in Process | 19,190 | - | (13,500) | 5,690 |
| Net | \$4,364,788 | \$ 7,758 | \$(13,500) | \$4,359,046 |

The 2017 activity relating to capital assets reflects new equipment and the replacement and upgrade to system lines.

Economic Factors and Next Year's Budgets and Rates

The District expects to increase its current customer base due to the anticipated new users with 100+ additional taps (EQR).

The real estate market is picking up. A developer has received approval from the City of Glenwood Springs to construct a 116-unit apartment complex on Hwy. 6, where the old Terra Vista Motel was located. Construction on the complex is anticipated to in the summer of 2018. The District continues to review its commercial users to verify that they have the correct EQR values.

The District plans to continue decreasing its plant expenses by land applying its sludge instead of dumping it in the County landfill.

With the installation of the new belt press in late 2016, the District has been able to reduce sludge-processing costs by eliminating certain chemicals.

Request for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to West Glenwood Springs Sanitation District, % Kelly Mullane, District Administrator, (970) 618-5147, 51 Riverine Road, Glenwood Springs, Colorado, 81601.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
Statement of Net Position
December 31, 2017

ASSETS

| | | |
|---------------------------|------------------|-------------------------|
| Current Assets | | |
| Cash on hand and in banks | \$ 1,193,893 | |
| Cash with County | 235 | |
| Accounts receivable | 19,079 | |
| Property taxes receivable | 39,020 | |
| Prepaid expense | <u>23,700</u> | |
| Total Current Assets | | \$ 1,275,927 |
| Noncurrent Assets | | |
| Capital assets | <u>4,359,046</u> | |
| Total Noncurrent Assets | | <u>4,359,046</u> |
| Total Assets | | <u><u>5,634,973</u></u> |

LIABILITIES

| | | |
|---|---------------|----------------------------|
| Current Liabilities | | |
| Accounts payable | - | |
| Other accrued liabilities | 26,354 | |
| Prepaid fees | <u>16,092</u> | |
| Total Current Liabilities | | 42,446 |
| Total Liabilities | | <u><u>42,446</u></u> |
| Deferred Inflow of Resources | | |
| Property taxes | | <u>39,020</u> |
| Net Position | | |
| Invested in capital assets, net of related debt | | 4,359,046 |
| Restricted for TABOR Emergency | | 16,279 |
| Unrestricted | | <u>1,178,182</u> |
| Total Net Position | | <u><u>\$ 5,553,507</u></u> |

The notes to the financial statement are an integral part of this statement.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
Statement of Revenue , Expenses and Changes in Net Position
For the year ended December 31, 2017

| | |
|--|--------------|
| Revenues | |
| Sanitation service charges | \$ 590,977 |
| General property taxes | 38,594 |
| Specific ownership tax | 2,982 |
| Total Revenues | 632,553 |
| Expenses | |
| General and Administrative | 125,640 |
| Depreciation | 195,053 |
| Operating Expenses | 441,590 |
| Total Expenses | 762,283 |
| Income (Loss) From Operations | (129,730) |
| Other Income (Expense) | |
| Interest income | 10,040 |
| Miscellaneous income | 111,536 |
| Lab income | 64,515 |
| Total Other Income (Expense) | 186,091 |
| Net Income (Loss) Before Contributions | 56,361 |
| Capital contributions | 145,020 |
| Total Net Position, Beginning | 5,352,126 |
| Total Net Position, Ending | \$ 5,553,507 |

The notes to these financial statements are an integral part of this statement.

WEST GLENWOOD SPRINGS SANITATION DISTRICT

Statement of Cash Flows

For the year ended December 31, 2017

Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities:

| | |
|---|---------------|
| Cash received from customers | \$ 593,844 |
| Property taxes | 41,498 |
| Cash payments to ,or on behalf of employees | (272,945) |
| Cash payments to suppliers | (299,811) |
| Net cash provided by operating activities | <u>62,586</u> |

Cash Flows From Non-Capital Financing Activities:

| | |
|--|----------------|
| Lab fees | 64,515 |
| Other non-operating revenue | 111,536 |
| Net Cash Flows From Non-Capital Financing Activities | <u>176,051</u> |

| | |
|--|-----------------|
| Acquisition of capital assets | (189,311) |
| Plant investment fees collected | 145,020 |
| Net cash provided (used) by capital and related financing activities | <u>(44,291)</u> |

Cash flows from investing activities:

| | |
|--|----------------|
| Interest income | <u>10,040</u> |
| Net cash provided (used) by investing activities | <u>10,040</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>204,386</u> |

| | |
|--|---------------------|
| Cash and cash equivalents, beginning of year | <u>989,507</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,193,893</u> |

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

| | |
|--|---------------------|
| Net Income (Loss) | <u>\$ (129,730)</u> |
| Adjustment to reconcile operating income (loss) to net cash provided by operating activities: | |
| Depreciation | 195,053 |
| Change in assets and liabilities | |
| (Increase) decrease in accounts receivable | (6,427) |
| (Increase) decrease in receivable from County treasurer | (78) |
| (Increase) decrease in prepaid expense | 814 |
| Increase (decrease) in accounts payable | (825) |
| Increase (decrease) in accrued expenses | 484 |
| Increase (decrease) in prepaid fees | <u>3,295</u> |
| Total Adjustments | <u>192,316</u> |
| Net cash Provided (Used) by operating activities | <u>\$ 62,586</u> |

The notes to these financial statements are an integral part of this statement.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

Note A – Financial Reporting Entity

The West Glenwood Sanitation District (the District) was organized pursuant to provisions set forth the Colorado Special District Act. The governing body of the district consists of a five member Board of Directors which is elected by the registered voters with in the District. The purpose of the District is to provide wastewater treatment services to the West Glenwood area. The Board is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. The reporting entity consists of (a) the primary government; i.e. the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization governing body and is either able to impose its will on that organization or there is potential for the organization provide specific financial benefits to, or impose specific financial burden on, the district. Consideration is also given to other organizations that are fiscally dependent; i.e. unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also include in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not included any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all Districts operations.

Note B – Summary of Significant Accounting Policies

1. Basis of Presentation – Fund Accounting

The operations of the District are accounted for as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

2. Basis of Accounting

The District uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Operating revenues (usually received within 60 days after end of year) and expenses generally result from providing services in connection with the District's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

Note B – Summary of Significant Accounting Policies -continued

The District has adopted the provisions of Statement No. 34 of the Governmental Accounting Standards Board *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement established standards for external financial reporting for all state and local governmental entities, which includes a statement of Net Position, a statement of activities and changes in Net Position, and a statement of cash flows.

It requires the classification of Net Position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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

Restricted – This consists of constraints placed on net asset use through external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

2. Basis of Accounting – continued

Unrestricted – Consists of Net Position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

3. Capital Assets

Capital assets, which include property, plant, and equipment recorded by the District are at cost or, if cost is not available, estimated fair market value at the time of capitalization. The District uses the straight-line method of depreciation over the estimated useful life of the asset. The District has set \$500 as a capitalization policy.

| | |
|------------------------|-------------|
| Plant and system lines | 25-50 years |
| Equipment | 5-7 years |

Repairs and maintenance costs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on disposition of property and equipment are included in non-operating income.

4. Budgetary Basis of Accounting

The annual budget is prepared and approved by the Board of Directors in accordance with the State of Colorado Financial Management Manual. The budget is submitted to Garfield County and the District adopts an appropriation resolution for the next fiscal year before December 31. The Board of Directors may amend the appropriation resolution at any time during the year if warranted by circumstances.

The budget basis of accounting differs from the generally accepted accounting principles (GAAP) basis in that contributed capital (plant investment fees) is included as revenue, outlays for debt retirement and acquisition of fixed assets are included as expenses.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

Note B – Summary of Significant Accounting Policies –Continued

5. Use of Estimates

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

6. Compensated Absences

The District allows employees to carryover accrued Personal Time off (PTO) over from year to year up to a maximum of 240 hours. Employees will be, upon termination of employment paid their unused PTO. The accrual for the year 2017 is \$9,384.

7. Revenue Recognition

The District distinguishes operating revenue and expenses from non-operating items. Operating revenue and expense result from providing services in connection with the ongoing operations of the District. All revenue and expense not meeting this definition are reported as non-operating revenue and expense.

8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. To cover these losses the District is insured through the Colorado Special Districts Property and Liability Pool. This "Pool" is made up of Special Districts within the State of Colorado. The coverage, management feels is adequate to cover the needs of the District. The District also maintains its workers compensation insurance through the Colorado Special District Property and Liability Pool.

9. Customer Accounts Receivable

The District considers customers accounts receivable to be fully collectible. The District is empowered to place a lien on real property in the case of nonpayment. Accordingly, no allowance for doubtful accounts is required.

10. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

11. Subsequent Events

Management has reviewed subsequent events through the date of the audit report.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2017

Note B – Summary of Significant Accounting Policies –Continued

12. Accrued Liabilities and Long-term Obligations

In general, payables and accrued liabilities are paid in a timely manner and in full from current financial resources and are reported as current obligations for the fund. Long-term bond obligations are accrued as a long-term liability on the financial statements.

13. Restricted Assets/Reservation of Net Position

Assets are reported as restricted when limitation on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Reservations of net position arise from certain Board designations of net position, as well as the aforementioned constraints. It is the District’s policy to use restricted funds first, for expenditures which both restricted and unrestricted funds are available.

Note C - Deposits and 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 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.

The District also has invested \$880,671 in the Colorado Government Liquid Asset Trust Plus (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool Surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Detailed information for these Investments in COLOTRUST Plus can be obtained from that entity. COLOTRUST PLUS carries a credit rating of AAAM from Standard & Poor’s, an AAR/V1+ from Fitch Ratings, and an Aaa designation from Moody’s. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. The Federal Reserve Bank in the account maintained for the custodial bank holds substantially all securities owned by COLOTRUST. The custodian’s internal records identify the investments are owned by COLOTRUST. *This Investment is measured at Net Asset Value.*

Cash and investments carrying amount value is as follows:

| | | |
|------------------------------|----|-----------|
| Uninsured: | | |
| Cash on hand | \$ | 100 |
| Insured: | | |
| Cash in checking | | 313,122 |
| Investments | | |
| COLOTRUST Operating | | 590,332 |
| COLOTRUST (Capital) | | 290,339 |
| Total Investments | | 880,671 |
| Cash and Cash Equivalents | \$ | 1,193,893 |

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

Note C - Deposits and Investments-continued

It is the policy of the District to invest public funds in a manner, which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the District, and conform to all federal, state, and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control. 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 U.S. government agency securities, including securities issued by FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), FHLMC (Federal Home Loan Mortgage Corporation), the Federal Farm Credit Bank, the Federal Land

Bank, the Export-Import Bank, and by the Tennessee Valley Authority, and certain international agency securities, including the World Bank.

- . General obligation and revenue bonds of U.S. local government entities, the District of Columbia, the territorial possessions of the U.S. rated in the highest two rating categories by two or more of the nationally recognized rating agencies.
- . Bankers' acceptances of certain banks
- . Certain securities lending agreements
- . Commercial paper
- . Written repurchase agreements collateralized by certain authorized securities.
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools
- . The investing local government's own securities including certificates of participation and lease obligations.

Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, Are included in the notes below.

The concentration of credit risk, or risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified.

WEST GLENWOOD SPRINGS SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2017

Note C - Deposits and Investments-continued

The District's policy places no limit on the amount the District may invest in any one issuer; however, the district maintains general guidelines for investments to ensure proper diversification by security type and institution.

All investments are issued or explicitly guaranteed by securities of the U.S. government or insured by the Public Depository Protection Act and therefore are not subject to concentration of credit risk

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board. As of December 31, 2017, the District had no investments that were subject to interest rate risk as described above.

The District was not subject to foreign currency risk at December 31, 2017.

Note D – Capital Assets

Below are the changes in the Capital assets during 2017.

| | Balance January 1, 2017 | Transfers Additions | Transfers Deletions | Balance December 31, 2017 |
|-------------------------|-------------------------------|------------------------|------------------------|---------------------------------|
| Plant | \$ 5,080,465 | \$ 106,885 | \$ - | \$ 5,187,350 |
| System Lines | 878,606 | 30,716 | - | 909,322 |
| Equipment | 298,394 | 65,210 | - | 363,604 |
| Total | 6,257,465 | 202,811 | - | 6,460,276 |
| Less Accumulated | | | | |
| Depreciation | (2,101,793) | (195,053) | - | (2,296,846) |
| Net depreciable assets | 4,155,672 | 7,758 | - | 4,163,430 |
| Land | 189,926 | - | - | 189,926 |
| Construction in process | 19,190 | - | (13,500) | 5,690 |
| Net | <u>\$ 4,364,788</u> | <u>\$ 7,758</u> | <u>\$ (13,500)</u> | <u>\$ 4,359,046</u> |

Note E – Capital Contributions

Capital Contributions consisted of the following for 2017:

| | |
|----------|-------------------|
| Tap fees | <u>\$ 145,020</u> |
|----------|-------------------|

WEST GLENWOOD SPRINGS SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

Note F – Retirement Plan

The District maintains a tax sheltered annuity program (TSA) for its full-time employees. The plan allows the employee to contribute a percent of their wages. The District will match the employees' contribution up to a maximum of 7.65%. The amounts contributed to the TSA Plan meets the Internal Revenue Service limitation. The contribution made by the District to the plan for 2017 was \$20,168 on covered wages of \$263,634.

Note G - Tax, Spending, and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation. Accordingly, the possibility exists that the District's interpretation of certain TABOR provisions may subsequently be determined to be incorrect. The ultimate outcome of these matters cannot presently be determined and no provision for any liability for a refund of revenue has been made in the financial statements.

Note H – Intergovernmental Agreement

Beginning in 2017 West Glenwood Springs Sanitation District entered into an agreement whereby they would share the cost of the District administrative services with another sanitation district. The agreement calls for West Glenwood Springs Sanitation District to receive a reimbursement of 1/3 of the salary and benefit package of the District Administrator of West Glenwood Springs Sanitation District. For 2017 that amounted to \$19,574.

SUPPLEMENTARY INFORMATION

WEST GLENWOOD SPRINGS SANITATION DISTRICT
Schedule of Revenue and Expenses - Budget and Actual (Non-GAAP Budgetary Basis)
For the year ended December 31, 2017

| | Actual | Original/Final Budget | Variance Favorable (Unfavorable) |
|----------------------------------|------------------|--------------------------|--|
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund Balance Carried-forward | | | |
| Revenues | | | |
| Sanitation service charges | 590,977 | 593,125 | (2,148) |
| Plant investment fees | 145,020 | 24,000 | 121,020 |
| Interest income | 10,040 | 3,500 | 6,540 |
| Miscellaneous income | 111,536 | 96,500 | 15,036 |
| Lab fee income | 64,515 | 64,250 | 265 |
| General property taxes | 38,594 | 38,634 | (40) |
| Specific ownership tax | 2,982 | 2,100 | 882 |
| Total Revenues | <u>963,664</u> | <u>822,109</u> | <u>141,555</u> |
| Expenses | | | |
| General and Administrative | | | |
| Advertising | 41 | 50 | 9 |
| Auto expense | 3,612 | 5,000 | 1,388 |
| Director's fees | 6,200 | 6,000 | (200) |
| Dues and subscriptions | 2,028 | 3,000 | 972 |
| Employee benefits | 39,552 | 39,500 | (52) |
| Office expense | 7,643 | 13,000 | 5,357 |
| Insurance | 24,140 | 20,000 | (4,140) |
| Legal and accounting | 27,946 | 22,000 | (5,946) |
| Payroll taxes | 5,009 | 6,800 | 1,791 |
| Telephone | 2,695 | 2,900 | 205 |
| Bad debts | 6,000 | - | (6,000) |
| Treasurer's fees | 774 | 773 | (1) |
| Total General and Administrative | <u>125,640</u> | <u>119,023</u> | <u>(6,617)</u> |
| Operating Expenses | | | |
| Wages | 266,522 | 257,000 | (9,522) |
| Utilities | 84,502 | 90,000 | 5,498 |
| Engineering | 750 | 15,000 | 14,250 |
| Equipment rental | - | 500 | 500 |
| Permits | 1,500 | 750 | (750) |
| Land application | 3,354 | 10,500 | 7,146 |
| Repairs and maintenance | 49,261 | 55,000 | 5,739 |
| Seminars | 1,939 | 2,500 | 561 |
| Sludge handling | 12,426 | 20,000 | 7,574 |
| Supplies | 3,627 | 7,000 | 3,373 |
| Lab fees | 17,709 | 17,000 | (709) |
| Total Operating Expenses | <u>441,590</u> | <u>475,250</u> | <u>33,660</u> |
| Total Expenses | <u>567,230</u> | <u>594,273</u> | <u>27,043</u> |
| Capital Outlays | <u>189,311</u> | <u>378,000</u> | <u>188,689</u> |
| | <u>189,311</u> | <u>378,000</u> | <u>188,689</u> |
| REVENUE OVER (UNDER) EXPENSES | 207,123 | <u>\$ (150,164)</u> | <u>\$ 357,287</u> |
| Adjustments to budgetary basis: | | | |
| Add: | | | |
| Capital outlay (capitalized) | 189,311 | | |
| Less: | | | |
| Depreciation | (195,053) | | |
| Plant investment fees | (145,020) | | |
| Net income before Contributions | <u>\$ 56,361</u> | | |