

St. Mary's Glacier Water and
Sanitation District

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2017



RECEIVED

Office of the State Auditor

July 31, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
St. Mary's Glacier Water and Sanitation District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the St. Mary's Glacier Water and Sanitation District (the "District"), as of and for the year ended December 31, 2017, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the St. Mary's Glacier Water and Sanitation District, as of December 31, 2017, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management's Discussion and Analysis

The Board of Directors has opted not to present the Management's Discussion and Analysis information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this omitted information.

Supplementary Information

Our audit was conducted with the purpose of forming an opinion on the financial statements of the St. Mary's Glacier Water and Sanitation District taken as a whole. The supplementary information on pages 25 and 26 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 of the District and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marc James & Associates PC

Highlands Ranch, CO
July 23, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

St. Mary's Glacier Water and Sanitation District

STATEMENT OF NET POSITION

December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 750	\$ 55,406	\$ 56,156
User accounts receivable, net of allowance for doubtful accounts	-	45,388	45,388
Property taxes receivable	28,750	-	28,750
Other receivables	128	1,075	1,203
Prepaid expenses and deposits	-	5,237	5,237
Total current assets	29,628	107,106	136,734
NON-CURRENT ASSETS			
Capital assets, net of accumulated depreciation	-	2,343,210	2,343,210
Total assets	29,628	2,450,316	2,479,944
LIABILITIES			
CURRENT LIABILITIES			
Loans payable - current portion	-	22,393	22,393
Accounts payable	-	70,037	70,037
Prepaid user accounts	-	7,764	7,764
Other accrued liabilities	-	3,529	3,529
Total current liabilities	-	103,723	103,723
NON-CURRENT LIABILITIES			
Loans payable, less current portion	-	59,998	59,998
Total liabilities	-	163,721	163,721
DEFERRED INFLOWS OF RESOURCES			
Property taxes	28,750	-	28,750
NET POSITION			
Net investment in capital assets	-	2,260,819	2,260,819
Restricted for emergencies	815	-	815
Unrestricted	63	25,776	25,839
Total net position	\$ 878	\$ 2,286,595	\$ 2,287,473

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

STATEMENT OF ACTIVITIES

For the Year ended December 31, 2017

	Governmental Activities	Business-Type Activities	Total
OPERATING REVENUE			
User fees and surcharges	\$ -	\$ 491,000	\$ 491,000
Availability of service fees	-	24,997	24,997
System development fees	-	52,500	52,500
Overage usage	-	3,986	3,986
Liens, late fees and interest from users	-	18,345	18,345
Other	-	2,538	2,538
Total operating revenue	-	593,366	593,366
OPERATING EXPENSES			
Operating	-	296,897	296,897
General and administration	31,170	210,689	241,859
Non-capitalized capital expenditures	-	95,447	95,447
Other	-	19,684	19,684
Depreciation	-	139,304	139,304
Total operating expenses	31,170	762,021	793,191
OPERATING LOSS	(31,170)	(168,655)	(199,825)
NON-OPERATING REVENUES (EXPENSES)			
Property taxes	26,680	-	26,680
Specific ownership taxes	1,366	-	1,366
Grants	-	20,000	20,000
Interest expense	-	(5,292)	(5,292)
Net non-operating revenue	28,046	14,708	42,754
OTHER SOURCES AND USES			
Transfer	4,002	(4,002)	-
CHANGE IN NET POSITION	878	(157,949)	(157,071)
NET POSITION - beginning	-	2,444,544	2,444,544
NET POSITION - ending	\$ 878	\$ 2,286,595	\$ 2,287,473

The accompanying notes are an integral part of this financial statement

FUND FINANCIAL STATEMENTS

St. Mary's Glacier Water and Sanitation District

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND

December 31, 2017

ASSETS

Cash and cash equivalents	\$ 750
Property taxes receivable	28,750
Other receivables	<u>128</u>
Total assets	<u>\$ 29,628</u>

DEFERRED INFLOWS OF RESOURCES

Property taxes	\$ 28,750
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FUND BALANCE

Restricted for emergencies	815
Unrestricted	<u>63</u>
Total fund balance	<u>878</u>
Total deferred inflows and fund balance	<u>\$ 29,628</u>

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND - GENERAL FUND

For the Year ended December 31, 2017

REVENUES	
Property taxes	\$ 26,680
Specific ownership taxes	<u>1,366</u>
Total revenues	28,046
EXPENDITURES	
General and adminsitration	<u>31,170</u>
EXPENDITURES IN EXCESS OF REVENUES	(3,124)
OTHER SOURCE	
Transfer in	<u>4,002</u>
CHANGE IN FUND BALANCE	878
FUND BALANCE - beginning	<u>-</u>
FUND BALANCE - ending	<u><u>\$ 878</u></u>

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

STATEMENT OF REVENUES AND EXPENSES
BUDGET TO ACTUAL - GOVERNMENTAL FUND - GENERAL FUND

For the Year ended December 31, 2017

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUES				
Property taxes and other taxes	\$ -	\$ 27,613	\$ 28,046	\$ 433
Other	-	75	-	(75)
Total revenues	-	27,688	28,046	358
EXPENDITURES				
OPERATIONS				
Accounting and audit	-	-	11,240	11,240
Insurance	-	15,700	-	(15,700)
Legal	-	11,188	15,931	4,743
Office supplies and miscellaneous	-	-	3,199	3,199
Treasurer fees	-	800	800	-
Total expenditures	-	27,688	31,170	3,482
EXCESS OF EXPENDITURES OVER REVENUES	\$ -	\$ -	\$ (3,124)	\$ (3,124)
OTHER SOURCES				
Transfer in	-	-	4,002	4,002
CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 878	\$ 878

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

STATEMENT OF NET POSITION - PROPRIETARY FUND -
WATER AND SANITATION ENTERPRISE FUND

December 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 55,406
User accounts receivable, net of allowance for doubtful accounts	45,388
Other receivables	1,075
Prepaid expenses and deposits	<u>5,237</u>
Total current assets	107,106

NON-CURRENT ASSETS

Capital assets, net of accumulated depreciation	<u>2,343,210</u>
Total assets	2,450,316

LIABILITIES

CURRENT LIABILITIES

Loans payable - current portion	22,393
Accounts payable	70,037
Prepaid user accounts	7,764
Other accrued liabilities	<u>3,529</u>
Total current liabilities	103,723

NON-CURRENT LIABILITIES

Loans payable, less current portion	<u>59,998</u>
Total liabilities	163,721

NET POSITION

Net investment in capital assets	2,260,819
Unrestricted	<u>25,776</u>
Total net position	<u>\$ 2,286,595</u>

St. Mary's Glacier Water and Sanitation District

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND - WATER AND SANITATION ENTERPRISE FUND

For the Year ended December 31, 2017

OPERATING REVENUE	
User fees and surcharges	\$ 491,000
Availability of service fees	24,997
System development fees	52,500
Overage usage	3,986
Liens, late fees and interest from users	18,345
Other	<u>2,538</u>
Total operating revenue	593,366
OPERATING EXPENSES	
Operating	296,897
General and administration	210,689
Non-capitalized capital expenditures	95,447
Other	19,684
Depreciation	<u>139,304</u>
Total operating expenses	<u>762,021</u>
OPERATING LOSS	(168,655)
NON-OPERATING REVENUES (EXPENSES)	
Grants	20,000
Interest expense	<u>(5,292)</u>
Net non-operating revenue	<u>14,708</u>
OTHER USES	
Transfer out	<u>(4,002)</u>
CHANGE IN NET POSITION	(157,949)
NET POSITION - beginning	<u>2,444,544</u>
NET POSITION - ending	<u><u>\$ 2,286,595</u></u>

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - WATER AND SANITATION ENTERPRISE FUND

For the Year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 627,223
Payments to suppliers	(531,612)
Payments to employees	(47,991)
Net cash provided by operating activities	47,620
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Grants	20,000
Net cash provided by non-capital financing activities	20,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(17,585)
Capital lease payments	(12,630)
Principal payments on loans payable	(21,326)
Interest payments on loans payable	(4,937)
Net cash used by capital and related financing activities	(56,478)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,142
CASH AND CASH EQUIVALENTS - beginning	44,619
CASH AND CASH EQUIVALENTS - ending	\$ 55,761
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (168,655)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	139,304
Allowance for doubtful accounts	54,000
Changes in assets and liabilities	
Accounts receivable	(20,143)
Prepaid expenses	19,381
Accounts payable	24,960
Other accrued liabilities	(1,227)
Net cash provided by operating activities	\$ 47,620

The accompanying notes are an integral part of this financial statement

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of St. Mary's Glacier Water and Sanitation District (the "District") conform to the accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was established under State of Colorado statutes as a quasi-municipal corporation and is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Clear Creek County, Colorado.

The District's primary function is to provide water and sanitary sewer services to the residents of the District. The majority of the District's operations and administrative functions are provided through contract service arrangements.

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

2. Measurement Focus, Financial Accounting Framework and Presentation

Business-Type Activities

The accounting policies of the District's business-type activities conform to generally accepted accounting principles as applicable to governmental units accounted for as an enterprise fund. The enterprise fund is used for the business-type activities since the District's water and sanitation operations are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District's business-type financial statements are maintained using accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred regardless of when the cash is received and distributed.

The District distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing business of providing water and wastewater services. The District's primary business-type activities operating revenues are for charges to customers for sales of water and sewer service. Operating expenses include the cost of sales and service, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2. *Measurement Focus and Financial Accounting Framework - continued*

Governmental Activities

Effective January 1, 2017, the District's Board of Directors approved the establishment of a separate fund to account for the District's governmental activities. On January 1, 2017, a transfer was made of the assets, liabilities and net position to establish the separate fund.

The governmental activities financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

For 2017, the District has one Governmental Fund:

- *General Fund* – The General Fund is the general operating fund of the District. It is used to account for all of the financial resources not accounted for and reported in another fund,

Additionally, the District has one proprietary fund:

- *Water and Sanitation Enterprise Fund* - The Water and Sanitation Enterprise Fund is used to account for those operations financed and operated in a manner similar to a private business or where the Board of Directors has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, demand deposits and money market accounts.

4. *User Fees and User Fees Receivable*

The District extends credit to property owners within the District for water usage, sanitary sewer services and other user fees. User fees receivables are reviewed by District management on a monthly basis. It is the District's policy to certify past due user fees receivables annually with the Clear Creek County Treasurer for collection. In addition, the District may file a lien upon or foreclose on the owner's property for past due user accounts receivables.

However, due to the uncertainty in the District's ability to fully collect the specific delinquent user accounts receivable, an allowance for doubtful user accounts receivable was established as of December 31, 2017 in the amount of \$54,000. In the event of subsequent collections of the delinquent user accounts receivable or additional delinquencies, the allowance for doubtful user accounts receivable will be adjusted accordingly.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

5. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, user fees receivable, accounts payable and deferred inflows of resources. The District estimates that the fair value of these financial instruments as of December 31, 2017 does not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

6. *Capital Assets*

The District records capital assets, within the business-type activities, as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are stated at cost except for any capital assets that are contributed, which are stated at fair value when contributed.

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

Infrastructure - water system	20-35 years
Infrastructure - waste water system	45 years
Office and field equipment	3-10 years

7. *Property Taxes Receivable*

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Clear Creek County bills and collects the property taxes on behalf of the District and remits the collections, less the County Treasurer's fees, to the District on a monthly basis. As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property will be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes.

As of December 31, the District has reflected the levied property taxes as a receivable and the related deferred inflow of resources.

8. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates. The District has estimated the useful lives of its depreciable capital assets and the allowance for doubtful user accounts receivable.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

9. *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial 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. As discussed, the District has one item that qualifies for reporting in this category; deferred property taxes are recognized as an inflow of resources in the period that the amounts become available.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis. An annual appropriated budget is adopted. All annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado Revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

On or before October 15, the District's Manager submits a proposed budget for the subsequent fiscal year to the District's Board of Directors. The budget sets forth all proposed expenditures for administration, operations, maintenance, debt service, and capital projects for the budget year; all anticipated revenues for the budget year; estimated beginning and ending fund balances; actual figures for the prior fiscal year and projected figures through the end of the current year; and a written budget message describing the important features of the budget.

Following receipt of the proposed budget, the District publishes notice of the hearing at which the adoption of the proposed budget will be considered, a statement that the proposed budget is available for inspection, and that any interested elector may file objections to the proposed budget prior to its adoption. The budget hearing is held at a regular or special Board of Directors' meeting.

Following the budget hearing, the Board of Directors adopts the budget and makes appropriations for the budget year. The District also certifies a mill levy for collection in the budget year. Because the District certifies a mill levy, the adoption of the budget, appropriations and certification of the mill levy must occur on or before December 15. Expenditures in excess of the amounts appropriated for a Fund or transfer of moneys between Funds must be approved by the Board of Directors in the same manner as the adoption of the budget.

The Board of Directors amended the District's 2017 original budget to reflect the establishment of the separate fund for the District's business-type activities.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions 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 uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits. The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2017, all of the District's funds were held in eligible public depositories.

NOTE D – CAPITAL ASSETS

The changes in the District's capital assets for the year ended December 31, 2017 are as follows:

	Balance December 31, 2016	Additions	Disposals	Balance December 31, 2017
Capital assets				
Not depreciated				
Land	\$ 20,937	\$ -	\$ -	\$ 20,937
Depreciated				
Buildings	8,125	9,067	-	17,192
Infrastructure - water system	2,260,622	-	-	2,260,622
Infrastructure - waste water system	2,535,410	-	-	2,535,410
Office and field equipment	139,416	11,849	(5,000)	146,265
Total capital assets	4,964,510	20,916	(5,000)	4,980,426
Accumulated depreciation				
Buildings	8,125	416	-	8,541
Infrastructure - water system	1,147,098	56,342	-	1,203,440
Infrastructure - waste water system	1,294,831	66,852	-	1,361,683
Office and field equipment	49,526	15,694	(1,668)	63,552
Total accumulated depreciation	2,499,580	139,304	(1,668)	2,637,216
Net capital assets	\$ 2,464,930	\$ (118,388)	\$ (3,332)	\$ 2,343,210

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE E - LOANS PAYABLE

Loan Agreements

1999 Colorado Department of Local Affairs ("DOLA")

In 1999, the District entered into a loan agreement in the amount of \$76,000 with DOLA, the proceeds of which were used to construct a waste water treatment facility. Under the terms of the agreement, principal and interest payments at 5% in the amount of \$6,098 are due annually on September 1 with a final a payment due in 2019.

2001 Colorado Department of Local Affairs

In 2001, the District entered into a loan agreement in the amount of \$254,000 with DOLA, the proceeds of which were used to construct various improvements to the District's water system. Under the terms of the agreement, principal and interest payments at 5% in the amount of \$20,414 are due annually on September 1 with a final a payment due in 2021.

Loan Covenant

Under the terms of both loan agreements, the District is required to provide DOLA with annual audited financial statements by July 31, extendable to September 30, of each subsequent year.

Future Minimum Payments

The future minimum payments under the loan agreements as of December 31, 2017 are as follows:

<u>Year ended December 31, 2017</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 22,393	\$ 4,119	\$ 26,512
2019	22,041	3,000	25,041
2020	18,516	1,898	20,414
2021	<u>19,441</u>	<u>922</u>	<u>20,363</u>
Total	\$ <u>82,391</u>	\$ <u>9,939</u>	\$ <u>92,330</u>

Capital Lease

In 2013, the District entered into a capital lease agreement for a Case Backhoe. The capital lease was paid in full in May 2017.

The change in the District's long-term debt for the year ended December 31, 2017 is as follows:

	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance December 31, 2017</u>	<u>Due within one year</u>
1999 DOLA	\$ 15,337	\$ -	\$ 5,331	\$ 10,006	\$ 5,598
2001 DOLA	88,380	-	15,995	72,385	16,794
Capital Lease	<u>12,630</u>	<u>-</u>	<u>12,630</u>	<u>-</u>	<u>-</u>
	\$ <u>116,347</u>	\$ <u>-</u>	\$ <u>33,956</u>	\$ <u>82,391</u>	\$ <u>22,392</u>

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances, as applicable, are categorized as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact;

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation;

Committed – represents amounts that may only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose, unless the District's Board of Directors remove or change the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance;

Assigned – represents amounts that the District intends to use for specific purposes, as expressed by the District's Board of Directors or a District official delegated the authority to assign such amounts;

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2017, the District's governmental fund balance consisted of the emergency reserve, restricted, as required by State of Colorado Revised Statutes with the balance as unrestricted.

Net Position

Net Position represents the difference between assets plus any deferred outflows, less liabilities and any deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F – FUND BALANCE/NET POSITION - *continued*

Net Position - continued

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the District will use the most restrictive net position first.

NOTE G – COMMITMENTS AND CONTINGENCIES

Vidler Water Agreement

In 1974, the District entered into an agreement with the Vidler Tunnel Water Company to purchase in perpetuity 25 acre feet of water. In 1994, this agreement was renegotiated to provide, among other things, an annual escalation based on the U.S. City Average All Urban Consumers Price Index as published by the U.S. Department of Labor, Bureau of Labor Statistics. For the year ended December 31, 2017, the District paid \$6,072 under this agreement.

Contract Operator Agreement

The District has a contract for services, as defined in the agreement, related to the operation of the District with an independent contractor. Under the terms of the agreement, the independent contractor receives a monthly service fee of \$14,885. Additional services as necessary and approved are to be based upon the estimated number of hours to be incurred and hourly rates as specified in the agreement. The agreement automatically and successively renews each calendar year. The agreement may be terminated by either party by providing notice no less than 30 days prior to the termination date.

Contract Management Agreement

The District has a contract for services, as defined in the agreement, related to the management of the District with an independent contractor. The initial agreement was through December 31, 2018 and the agreement is to automatically renew on January 1 for an additional one-year term, subject to annual budgeting and appropriations by the District unless otherwise terminated by either the contractor or the District. Under the terms of the agreement the annual fee is to be based upon the estimated number of hours to be incurred and hourly rates as specified in the agreement.

Office and Storage Lease

The District has an informal lease for office and storage space with St. Mary's Glacier Metropolitan District under which they paid St. Mary's Glacier Metropolitan District \$6,031 for 2017.

Grants

Grants awarded to the District may contain clauses providing that the grants and related expenditures are subject to financial reporting, audit and possible subsequent adjustment. As of December 31, 2017, the District believes it has complied with all of the specific requirements and has not received notification of any potential adjustments.

St. Mary's Glacier Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending and debt limitations which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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 calculation of the fiscal year spending limits will require judicial interpretation.

NOTE J – MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District's financial statements and accompanying notes in conformity with US GAAP requires management of the District to evaluate transactions and events subsequent to the Statement of Net Position date involving the District. Management has evaluated the subsequent transactions and events of the District through July 23, 2018, which is the date the financial statements and accompanying notes were available for issuance.

- Effective for the second quarter of 2018, the District increased the quarterly service rate to \$510 from \$400. In addition, the District approved an estimated increase to the quarterly availability of service rate to \$45 from \$15 with an anticipated effective date of January 1, 2019,
- In June 2018, the District was awarded a Design and Engineering Grant in the amount of \$300,000.

SUPPLEMENTARY INFORMATION

St. Mary's Glacier Water and Sanitation District
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP-Budgetary Basis) TO ACTUAL

PROPRIETARY FUND - WATER AND SANITATION ENTERPRISE FUND

For the Year ended December 31, 2017

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUES				
User fees and surcharges	\$ 435,200	\$ 490,600	\$ 491,000	\$ 400
Overage usage	10,000	-	3,986	3,986
System development fees	72,000	190,000	52,500	(137,500)
Availability of service fees	26,940	25,275	24,997	(278)
Property taxes and other taxes	27,764	-	-	-
Liens, late fees and interest from users	25,000	21,237	18,345	(2,892)
Grants	1,250,000	520,000	20,000	(500,000)
Proceeds from issuance of debt	1,000,000	-	-	-
Other	2,000	1,000	5,538	4,538
	<u>2,848,904</u>	<u>1,248,112</u>	<u>616,366</u>	<u>(631,746)</u>
EXPENDITURES				
OPERATIONS				
Accounting and audit	10,100	21,500	2,250	(19,250)
Allowance for doubtful user accounts	-	-	54,000	54,000
Contingency and reserves	69,351	35,503	-	(35,503)
Chemicals	10,000	10,000	9,601	(399)
Insurance	15,000	-	15,775	15,775
Legal	45,000	80,000	70,994	(9,006)
District management fees	48,000	56,400	75,440	19,040
Equipment rental	2,500	2,500	-	(2,500)
Fuel	10,000	10,000	3,505	(6,495)
Rent and storage	10,000	10,000	6,031	(3,969)
Office supplies	9,500	8,200	5,907	(2,293)
General	-	-	19,275	19,275
Water testing and monitoring	5,000	10,203	17,673	7,470
Permits	12,000	12,000	7,856	(4,144)
Repairs and maintenance	30,000	47,000	32,893	(14,107)
Utilities and locates	22,070	21,500	23,426	1,926
Salaries and benefits	70,000	70,000	50,541	(19,459)
System maintenance	112,134	97,860	126,386	28,526
Water assessments	7,000	6,200	6,072	(128)
CAPITAL EXPENDITURES				
Capital expenditures	2,322,000	710,000	116,363	(593,637)
DEBT SERVICE				
Principal	33,976	34,520	33,956	(564)
Interest	5,273	4,726	5,292	566
	<u>2,848,904</u>	<u>1,248,112</u>	<u>683,236</u>	<u>(564,876)</u>
EXPENDITURES IN EXCESS OF REVENUES	-	-	(66,870)	(66,870)
OTHER USES				
Transfer out	-	-	(4,002)	(4,002)
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (70,872)</u>	<u>\$ (70,872)</u>

St. Mary's Glacier Water and Sanitation District

RECONCILIATION TO CHANGE IN NET POSITION (US GAAP Basis)

PROPRIETARY FUND - WATER AND SANITATION ENTERPRISE FUND

For the Year ended December 31, 2017

CHANGE IN NET POSITION	\$ (70,872)
RECONCILIATION TO CHANGE IN NET POSITION - US GAAP BASIS	
Principal payments	33,956
Purchase of capital assets	20,916
Proceeds from sale of assets	(3,000)
Other	355
Depreciation	<u>(139,304)</u>
CHANGE IN NET POSITION - US GAAP BASIS	<u>\$ (157,949)</u>