



**SILVERTHORNE/DILLON JOINT SEWER AUTHORITY
SILVERTHORNE, COLORADO
FINANCIAL STATEMENT AS OF
DECEMBER 31, 2017**



RECEIVED

Office of the State Auditor

July 5, 2018

**SILVERTHORNE/DILLON JOINT SEWER AUTHORITY
SILVERTHORNE, CO**

**FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2017**

TABLE OF CONTENTS

Independent Auditors' Report	1
Management Discussion & Analysis	3
Basic Financial Statements	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Net Position.....	8
Statement of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information – Budgetary Comparison Schedule	17



Independent Auditors' Report

Silverthorne/Dillon Joint Sewer Authority
Silverthorne, Colorado

We have audited the accompanying financial statements of the Silverthorne/Dillon Joint Sewer Authority as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Silverthorne/Dillon Joint Sewer Authority, 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Silverthorne/Dillon Joint Sewer Authority as of December 31, 2017, and the changes in financial position and cash flows 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 discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Silverthorne/Dillon Joint Sewer Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Greenwood Village, Colorado
June 5, 2018



SILVERTHORNE/DILLON JOINT SEWER AUTHORITY

MANAGEMENT DISCUSSION & ANALYSIS December 31, 2017

As management of the Silverthorne/Dillon Joint Sewer Authority (JSA), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the JSA for the fiscal year ended December 31, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the JSA exceeded its liabilities at the close of fiscal year 2017 by \$14,419,379 (*net position*). Of this amount, \$7,272,658 (*unrestricted*) may be used to meet ongoing obligations or unforeseen expenses.
- The following changes, as compared to 2016, occurred during 2017: EQR's (Equivalent Residential Units), increased by 95.75 units, user fees increased by \$11,373 (1%) from prior year and operating expenses increased \$79,621 (4%).
- Participant asset management plan fees increased \$31,464 (4%) from prior year and interest revenue increased \$26,205 (92%).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the JSA's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves:

The ***statement of net position*** presents information on all the JSA's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the JSA is improving or deteriorating.

The ***statement of revenues, expenses and changes in net position*** presents information showing how the JSA's net position changed during the most recent fiscal 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 related cash flows*. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future periods.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 -17 of this report.

Net Position – As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the JSA, assets exceeded liabilities by \$14.4 million at the close of fiscal year 2017.

Net position of the JSA at December 31, was:

	NET POSITION	
	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 7,399,695	\$ 6,579,782
Capital Assets	<u>7,146,721</u>	<u>7,543,062</u>
Total Assets	14,546,416	14,122,844
Liabilities	<u>127,037</u>	<u>123,759</u>
Net Position:		
Net Investment in Capital		
Assets	7,146,721	7,543,062
Unrestricted	<u>7,272,658</u>	<u>6,456,023</u>
Total Net Position	<u>\$ 14,419,379</u>	<u>\$ 13,999,085</u>

Of the JSA's net position, 50%, reflects its investment in capital assets (e.g. treatment plant, lines, machinery, etc.), less any related accumulated depreciation. The net investment in capital assets is net of any debt outstanding on the capital assets. It should be noted that the JSA has no debt, long term or current, on any capital assets. The JSA uses these capital assets to provide services to participants; consequently, these assets are not available for future spending. Unrestricted net position may be used to meet the JSA's ongoing obligations to participants and creditors.

Of the \$7,399,695 current and other assets, \$7,343,809 is cash and investments. This reflects the strong cash balances that the JSA has maintained in 2017.

Changes in Net Position – The JSA's net position increased by \$420,294 in 2017.

	CHANGES IN NET POSITION	
	<u>2017</u>	<u>2016</u>
Operating Revenues:		
User Fees	\$ 1,630,956	\$ 1,619,583
Miscellaneous & Grants	<u>74,427</u>	<u>67,968</u>
Total Revenues	<u>1,705,383</u>	<u>1,687,551</u>
Operating Expenses:		
Salaries & Benefits	594,828	542,535
Administrative Fees	148,269	147,235
Professional Fees	22,232	14,959
Supplies & Services	630,299	597,441
Depreciation	<u>705,937</u>	<u>719,774</u>
Total Expenses	<u>2,101,565</u>	<u>2,021,944</u>
Nonoperating Revenues:		
Participant Capital Fees	761,832	730,368
Interest Revenue	<u>54,644</u>	<u>28,439</u>
Total Nonoperating Revenues:	<u>816,476</u>	<u>758,807</u>
Increase in Net Position	<u>\$ 420,294</u>	<u>\$ 424,414</u>

Operating Revenues Analysis:

- User fees remained constant at \$42.60/EQR/quarter in 2017.
- AMP fees increased from \$16.14/EQR/quarter in 2016 to \$16.83/EQR/quarter in 2017.
- Connected EQR's increased to 8,751.70 in the fourth quarter of 2017 from 8,655.95 in the fourth quarter of 2016.
- Operating revenues increased in 2017 due to increased EQR's and the sale of scrap metal.

Operating Expenses Analysis:

- Salaries and benefits increased due to the addition of a new employee.
- Professional fees increased due to an increase in legal and engineering fees.
- Supplies and Services increased due to an increase in permit fees, collection services and miscellaneous equipment.

BUDGETARY HIGHLIGHTS

Over the course of the year, the JSA had one budget revision for carry forward projects from 2017. The \$492,846 carry forward was for cleaning the East Bank lines, rehab of Clarifier #3, MCC#7 replacement and a Grit Classifier. Also included is the Digester Wetlands earthwork, pavement and a new security gate.

Differences between the original budget and the final amended budget were more than prior years due to the 2016 carry forwards. Actual expenditures were \$1,392,434 below final budget amounts and resources available for appropriation were \$113,778 more than the final budgeted amount. Therefore, net changes in fund balance produced \$1,506,212 more than the final budget anticipated.

CAPITAL ASSETS

The JSA's investment in capital assets as of December 31, 2017 amounts to \$7,146,721 (net of accumulated depreciation). This investment in capital assets includes treatment plant, lines, office furniture and equipment, vehicles, machinery and equipment, other improvements, projects in progress and land. The total net decrease in the JSA's investment in capital assets for the current fiscal year was \$396,341 due to the addition of capital assets of \$309,596 less net depreciation of \$664,263 and deletions of \$41,674.

Major capital assets events during the current fiscal year included the following:

- \$68,048 for a grit classifier
- \$78,685 for MCC#7 replacement
- \$47,228 to rebuild the centrifuge
- \$34,200 for a new biosolids tractor

The table below provides a summary of total capital assets at December 31:

	CAPITAL ASSETS AT YEAR- END	
	(net of depreciation)	
	<u>2017</u>	<u>2016</u>
Land	\$ 57,957	\$ 57,957
Projects in Progress	24,590	11,049
Treatment Plant	4,309,599	4,640,174
Lines	493,216	530,348
Vehicles	32,490	-
Furniture & Equipment	4,085	10,340
Machinery & Equipment	1,938,391	1,988,324
Other Improvements	<u>286,393</u>	<u>304,870</u>
Total	<u>\$ 7,146,721</u>	<u>\$ 7,543,062</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- Participant’s user fees increase to \$43.80/EQR/quarter, a 2.8% increase.
- Participant’s capital (AMP) fees will increase to \$17.55/EQR/quarter, a 5% increase.
- \$1.5M in capital projects to include a new digester, process equipment and a vehicle..
- \$110,000 for pumps and VFD’s to be replaced as needed.

The JSA’s discharge permit was reissued and expires in July of 2020. The renewed permit was modified in 2017 to include nutrient limits, effective June 1, 2017.

The JSA is in a strong financial position. The JSA is under the management of the Town of Silverthorne, and as such, reserves are at levels required in the Town’s financial policies (equal to six months of operations expenditures). While this strong financial position is reassuring; the fact remains that annual operation expenditures must be paid for from revenues earned during this same period, not from reserves.

All these factors were considered in preparing the JSA’s budget for the 2018 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the JSA’s finances for all those with an interest in the JSA’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, PO Box 1309, Silverthorne, Colorado 80498.

SILVERTHORNE/DILLON JOINT SEWER AUTHORITY
SILVERTHORNE, COLORADO

STATEMENT OF NET POSITION

December 31, 2017

ASSETS

Current Assets		
Cash and Investments	\$	7,343,809
Accounts Receivable		15,459
Prepaid Expenses		<u>40,427</u>
Total Current Assets		<u>7,399,695</u>
Capital Assets		
Non-Depreciable Assets		82,547
Depreciable Assets, Net		<u>7,064,174</u>
Total Capital Assets		<u>7,146,721</u>
Total Assets		<u>14,546,416</u>

LIABILITIES

Current Liabilities		
Accounts Payable		56,720
Accrued Liabilities		20,762
Compensated Absences		<u>41,314</u>
Total Current Liabilities		<u>118,796</u>
Noncurrent Liabilities		
Compensated Absences		<u>8,241</u>
Total Liabilities		<u>127,037</u>

NET POSITION

Net Investment in Capital Assets		7,146,721
Unrestricted		<u>7,272,658</u>
Total Net Position	\$	<u><u>14,419,379</u></u>

The accompanying notes are an integral
part of the financial statements.

**SILVERTHORNE/DILLON JOINT SEWER AUTHORITY
SILVERTHORNE, COLORADO**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION**

Year Ended December 31, 2017

OPERATING REVENUES

User Fees	\$ 1,630,956
Miscellaneous	<u>74,427</u>
Total Operating Revenues	<u>1,705,383</u>

OPERATING EXPENSES

Salaries & Benefits	594,828
Administrative Fees	148,269
Professional Fees	22,232
Supplies & Services	630,299
Depreciation	<u>705,937</u>
Total Operating Expenses	<u>2,101,565</u>
Net Operating (Loss)	(396,182)

NONOPERATING REVENUES

Interest Revenue	<u>54,644</u>
Net (Loss) Before Capital Contributions	(341,538)

CAPITAL CONTRIBUTIONS

Participant Asset Management Plan Fees	<u>761,832</u>
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CHANGE IN NET POSITION 420,294

NET POSITION - Beginning of Year 13,999,085

NET POSITION - End of Year \$ 14,419,379

The accompanying notes are an integral
part of the financial statements.

SILVERTHORNE/DILLON JOINT SEWER AUTHORITY
SILVERTHORNE, COLORADO

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Users	\$	1,704,784
Cash Paid to Suppliers		(801,118)
Cash Paid to Employees		(593,382)
		310,284
Net Cash Provided By Operating Activities		310,284

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets		(309,596)
Participant Asset Management Plan Fees		761,832
		452,236
Net Cash Provided By (Used for) Capital and Related Financing Activities		452,236

CASH FLOWS FROM NONOPERATING ACTIVITIES

Interest Received on Investments		54,644
		54,644

**NET INCREASE IN CASH AND
CASH EQUIVALENTS**

817,164

Cash and Cash Equivalents, Beginning of Year

6,526,645

Cash and Cash Equivalents, End of Year

\$ 7,343,809

**RECONCILIATION OF NET OPERATING (LOSS) TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income/(Loss)	\$	(396,182)
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Adjustments to Reconcile Net Operating (Loss) to Net Cash

Provided by Operating Activities:

Depreciation		705,937
(Increase) Decrease in Accounts Receivable		(599)
(Increase) Decrease in Prepaid Expenses		(2,150)
Increase (Decrease) in Accounts Payable		140
Increase (Decrease) in Accrued Liabilities		1,692
Increase (Decrease) in Compensated Absences		1,446
		706,466

Total Adjustments

706,466

Net Cash Provided By Operating Activities

\$ 310,284

The accompanying notes are an integral
part of the financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Silverthorne/Dillon Joint Sewer Authority (the JSA) have been prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant policies:

1. Financial Reporting Entity

The JSA is a joint venture, which provides wastewater treatment facilities for the central basin of Summit County, Colorado. The joint venture participants are the Towns of Silverthorne and Dillon. The JSA has participation contracts with Dillon Valley Metropolitan District, Buffalo Mountain Metropolitan District and the Mesa Cortina Metropolitan District. The JSA is accountable to the entities mentioned here. It has no authority over or significant influences upon those entities, nor is it financially dependent upon any one of the entities.

The Silverthorne Town Council and Dillon Town Council govern the JSA. The Town of Silverthorne retains all responsibilities for the JSA operating and construction funds. The JSA follows the financial policies of the Town of Silverthorne.

The definition of the reporting entity is based primarily on financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for organizations that are fiscally dependent on it.

Based on the above definition, the JSA is not considered a component unit of any other entity. In addition, no other entities are included as component units in the JSA's financial statements.

2. Basis of Accounting

The JSA is accounted for as an Enterprise Fund (Proprietary Fund type). Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where fees are charged to external users for goods or services

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accrual basis of accounting and the economic resources measurement focus are used, whereby revenues are recognized when earned and expenses are recognized when liabilities are incurred regardless of the timing of related cash flows.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Cash & Investments

The JSA pools available funds with the Town of Silverthorne's pooled investments and considers all pooled cash and investments as cash equivalents.

Earnings on pooled investments are recognized when earned and include realized and unrealized gains on investments.

4. Accounts Receivable and Prepaid Expenses

Accounts receivable are rendered from services and recorded in the period in which the transactions are earned. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

5. Capital Assets and Depreciation

Capital assets are reported at historical cost, except for donations which are stated at the acquisition value at the time received. The JSA policy is to capitalize all assets with a cost of \$5,000 or more and an estimated useful life in excess of one year.

Capital assets are depreciated using the straight-line method. Depreciation expense is reflected as an operating expense. Estimated useful lives for asset types are as follows:

<u>Assets</u>	<u>Years</u>
Treatment Plant	10-40
Machinery & Equipment	5-25
Vehicles	5-10
Lines	10-100
Furniture & Equipment	3-25
Other Improvements	5-25

6. Compensated Absences

Employees accrue personal leave time which may be used in place of traditional sick and vacation time. Personal leave accrues to employees based on a sliding scale, and may be carried over to subsequent periods. The JSA personnel policies state that "an employee may not have a balance of more than 560 hours of accrued personal leave time". Upon termination in good standing, employees are compensated for 100% of unused personal time.

Compensation time is earned when a full time employee works over 40 hours in a week. The time is figured at time and one half for each hour worked over 40 hours. The JSA personnel policies state that "an employee may not work over 80 hours of compensation time in a year and they may not accrue more than 80 hours on the records at any time."

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Net Position

In the JSA financial statements, restricted net position is reported when amounts are legally restricted by outside parties for use for a specific purpose.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The budget for the JSA is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that the budgeted expenditures also include capital outlay and exclude depreciation. The Silverthorne Town Council legally adopts JSA budgets. All annual appropriations lapse at the end of the fiscal year.

During the year, the Town Council meets with the JSA to approve policy, identify goals and performance measures. The JSA prepares an annual budget to implement policy and accomplish the goals identified. Each year the Financial Policies are presented to Council in August, the Capital Budget in September and the Operating Budget in October. The Council holds two public hearings prior to the Council's adoption of the Budget Resolution scheduled to be completed on or before the first regular Council meeting in November of each year.

NOTE C – DEPOSITS AND INVESTMENTS

The JSA is required to comply with State statutes for Investments. The JSA follows the Town of Silverthorne's formal investment policy. The investment choices are within the limitations of state laws and include:

- Direct obligations of the US government and certain US agency securities;
- Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions;
- With certain limitations, commercial paper and money market funds regulated by the Securities and Exchange Commission (SEC);
- Local government investment pools.

The JSA had no investments at December 31, 2017.

NOTE D – CAPITAL ASSETS

	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
Capital assets, not being depreciated:				
Land	\$ 57,957	\$ -	\$ -	\$ 57,957
Projects in Progress	11,049	21,998	(8,457)	24,590
Total capital assets, not being depreciated	69,006	21,998	(8,457)	82,547
Capital assets, being depreciated:				
Treatment Plant	16,338,827	47,849	(2,982)	16,383,694
Lines	1,330,138	-	-	1,330,138
Furniture & Equipment	84,363	-	-	84,363
Vehicles	70,672	34,200	-	104,872
Machinery & Equipment	3,700,199	214,006	(38,692)	3,875,513
Other Improvements	369,538	-	-	369,538
Total capital assets, being depreciated	21,893,737	296,055	(41,674)	22,148,118
Less accumulated depreciation:				
Treatment Plant	(11,698,653)	(378,424)	2,982	(12,074,095)
Lines	(799,790)	(37,132)	-	(836,922)
Furniture & Equipment	(74,023)	(6,255)	-	(80,278)
Vehicles	(70,672)	(1,710)	-	(72,382)
Machinery & Equipment	(1,711,875)	(263,939)	38,692	(1,937,122)
Other Improvements	(64,668)	(18,477)	-	(83,145)
Total accumulated depreciation	(14,419,681)	(705,937)	41,674	(15,083,944)
Total capital assets, being depreciated, net	7,474,056	(409,882)	-	7,064,174
Total capital assets, net	\$ 7,543,062	\$ (387,884)	(8,457)	\$ 7,146,721

NOTE E – NONCURRENT LIABILITES

Following is a summary of changes in compensated absences for the year ended December 31, 2017:

	Balance 12/31/16	Additions	Payments	Balance 12/31/17	Due Within One Year
Compensated Absences	\$48,109	\$1,446	\$ -	\$49,555	\$41,314

NOTE F – PARTICIPATION

The JSA facility will process four million gallons per day (4 MGD) of wastewater.

The percentage of ownership in the current facility, which is based on *capital investment & equity*, is as follows:

Town of Silverthorne	67.17 %
Town of Dillon	13.10
Dillon Valley Metro District	2.71
Buffalo Mountain Metro District	15.88
Mesa Cortina Metro District	.82
JSA – De-watering Facility	.32

The percentage of ownership in the current facility, which is based on *reserved capacity*, is as follows:

Town of Silverthorne	46.11 %
Town of Dillon	21.08
Dillon Valley Metro District	10.38
Buffalo Mountain Metro District	20.04
Mesa Cortina Metro District	2.39

The participants are charged for their proportional share of the operating costs based on the number of EQR's (equivalent residential units) that they have connected to the system. As of December 31, 2017 that participation was as follows:

	<u>EQR's</u>	<u>%</u>
Town of Silverthorne	3,553.83	40.6
Town of Dillon	1,747.38	20.0
Dillon Valley Metro District	1,025.56	11.7
Buffalo Mountain Metro District	2,187.83	25.0
Mesa Cortina Metro District	<u>237.10</u>	<u>2.7</u>
Total	<u>8,751.70</u>	<u>100.0</u>

NOTE G - PENSION PLAN

ICMA Retirement Prototype Money Purchase Plan and Trust (A 401 Qualified Plan)

All full-time employees participate in a Section 401(A) defined contribution money purchase retirement plan. The plan, administered by ICMA Retirement Corporation, requires the JSA to contribute monthly an amount equal to 10.5% of each employee's salary. Each participant is required to contribute 7.5% of earnings for the plan year as a condition of participation in the plan. All amounts contributed are vested immediately.

Contribution requirements of the JSA and the employee are established and may be amended by the managing agency, the Town of Silverthorne. Total contributions by the JSA and the employees for the year ended December 31, 2017 were \$47,188 and \$33,706, respectively.

NOTE H – PARTICIPANT ASSET MANAGEMENT PLAN

Due to the age of the facility the participants determined there was a need to accumulate funds to make necessary improvements and replacements to existing capital assets. JSA members are assessed a capital fee based on the number of EQR's of reserve capacity each member has. Capital fees may cover new assets or maintenance on an existing asset. The following is a summary of the capital replacement reserve:

Capital Replacement Reserve Balance, December 31, 2016	\$ 3,819,276
Participant Asset Management Plan Fees	761,832
Interest Income & Miscellaneous Income	129,071
Capital Replacement Outlays	<u>(309,596)</u>
Capital Replacement Reserve Balance, December 31, 2017	<u>\$ 4,400,583</u>

NOTE I – RISK MANAGEMENT

The JSA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters.

The Town of Silverthorne provides health insurance coverage for each employee up to \$65,000 and aggregate losses for all employees up to \$1,000,000, for the year ended December, 31, 2017. The Town purchases commercial insurance for claims in excess of coverage provided by the Town.

For the JSA's short-term disability program, the Town provides coverage equal to the coverage that was provided by the private insurance industry. The coverage has a low risk to the Town. There is no excess coverage insurance for these plans. The short-term disability insurance covers a maximum of 12 weeks of 60% of weekly salary with a maximum of \$1,000 per week.

The JSA participates in this group insurance and makes payments to the Town based on prior claims experience in amounts needed to pay current year claims and to establish a reserve for catastrophic losses. Claims liabilities, including estimated incurred but not reported claims (IBNR), are reported in the Town's financial statements if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The JSA does not believe that JSA IBNR claims can be reasonably estimated. Therefore no liability is reported in the financial statements.

Of the total, the JSA 2017 premiums paid were \$67,407 and claims paid were \$50,511.

The JSA is a member of the Colorado Special Districts Property and Liability Pool (CSD), a member-owned public entity pool created to provide insurance for property, liability and workers compensation coverage for special districts.

The purposes of CSD are to provide members the broadest coverage forms, helping members maintain a culture of training, assisting members with Best Practices and customizing unique coverage for special districts.

The deductible varies from none to \$1,000, based on the type of loss. The JSA had no property/liability claims in 2017. CSD is a separate legal entity and the JSA does not approve budgets nor does it have the ability to significantly affect the operations of the CSD.

NOTE J - TAXPAYER BILL OF RIGHTS

At the November 3, 1992 general election, Colorado voters approved an amendment to the Colorado Constitution commonly known as the Taxpayer's Bill of Rights (the Amendment). The Amendment was effective December 31, 1992, and its provisions limit government taxes, spending, revenues and debt without electoral approval.

The Amendment by its terms applies to local governments but excludes "enterprises" which are defined as a (1) government owned business, (2) authorized to issue its own debt and (3) receives less than 10% of its annual revenue in grants from all state and local governments. The JSA is considered to be an "enterprise" and, therefore, is excluded from the provisions of the Amendment.

**SILVERTHORNE/DILLON JOINT SEWER AUTHORITY
SILVERTHORNE, COLORADO**

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budget Basis</u>	<u>Variance - favorable (unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
User Fees	\$ 1,613,571	\$ 1,613,571	1,630,956	\$ 17,385
Participant Asset Management Plan Fees	741,900	741,900	761,832	19,932
Miscellaneous	45,000	45,000	74,427	29,427
Interest	7,610	7,610	54,644	47,034
Total Revenues	<u>2,408,081</u>	<u>2,408,081</u>	<u>2,521,859</u>	<u>113,778</u>
Expenses				
Salaries & Benefits	640,234	640,234	594,828	45,406
Administrative Fees	150,779	150,779	148,269	2,510
Professional Fees	64,000	64,000	22,232	41,768
Supplies & Services	809,800	823,800	630,299	193,501
Capital Outlay	940,000	1,418,846	309,596	1,109,250
Total Expenses	<u>2,604,813</u>	<u>3,097,659</u>	<u>1,705,224</u>	<u>1,392,435</u>
Change in Net Position, Budgetary Basis	<u>\$ (196,732)</u>	<u>\$ (689,578)</u>	816,635	<u>\$ 1,506,213</u>
Adjustments to GAAP Basis:				
Capital Outlay			309,596	
Depreciation			<u>(705,937)</u>	
Change in Net Position, GAAP Basis			<u>\$ 420,294</u>	

See the accompanying Independent Auditors' Report.