

Estes Park Sanitation District
Table of Contents

Management Discussion and Analysis	Page i-iii
Basic Financial Statement	
Auditor's Opinion	1-2
Statement of Net Position	3
Statement of Revenues, Expenses, and Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 12
Supplemental Information	
Schedule of Comparative Expenses	
Treatment Expenses	13
Collection Expenses	14
Administrative Expenses	15
Schedule of Budgetary Comparison	
Revenues, Expenses, and Other Budgeted Items	16
Collection Expenses	17
Treatment Expenses	18
Administrative Expenses	19

Estes Park Sanitation District
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2018

As management of the Estes Park Sanitation District, we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

Overview of Annual Financial Report

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

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

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

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

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

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

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

Estes Park Sanitation District
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2018

Financial Highlights

In addition to operational and administrative expenses, our annual budget process attempts to address the District's short-term and long-term capital needs. Operational revenues annually provide for many improvements associated with short-term goals. But long term capital improvements require a process of setting aside revenue through reserves and possible financing. We will continue to set aside reserves to help us minimize our financing needs.

- The District treated 192.780 million gallons of wastewater in 2018, a decrease of approximately 9.65% from 2017. While the District takes pride in infiltration reduction, it still exists. Precipitation in the Estes Valley was approximately 46 % less than the previous year.
- Commercial billable flow was flat in relation to 2017. There were no rate increases in rates for commercial and residential customers in 2018.
- Total System Investment Fee (SIF) revenue was \$206,502. This was an increase of 42.38% from 2017. Most of the revenue was derived from new construction vacation rentals.
- A main replacement and extension through our local business corridor was completed. The project was very expensive on a per foot basis. In addition, 800 feet of sewer main was extended into areas that were previously served by long private service lines.
- Engineering and related bids were awarded to replace the District's biosolids centrifuge with a new screw press. The centrifuge was nearly 20 years old. There is hope that the new press will require less staff time and save on electrical costs. Electrical rates have continued to rise at an annual rate of approximately 6.0 %. They are a large part of the District's budget.
- Total assets at year-end were \$9.601 million. Assets net of liabilities equaled \$5.704 million.
- Operating revenues increased .14% or \$2,134 to \$1,508,917.
- Operating expenses without depreciation were under budget by \$906 which is .07% under the budgeted expenses.
- The District had a net operating loss of \$5,706.

Capital Asset and Debt Administration

As of December 31, 2018 the District's investment in capital assets was \$7,024,395 (net of accumulated depreciation). This investment in capital assets includes land and easements, an administrative office, wastewater treatment facility and improvements, collection system, maintenance and office equipment.

Major capital assets constructed and/ or purchased during 2018 included the following:

Estes Park Sanitation District
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2018

- The District extended a section of sewer main through the local business corridor. The extension was very expensive on a linear foot basis but will enable commercial activity in that area to grow in the future.
- Engineering costs were incurred to enable the District to improve treatment operations going forward. The improvements have an additional goal of lower operational costs and increasing manpower productivity.

Future Events that will financially Impact the District

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

Other challenges the District faces are:

- Financing was required to construct our headworks and DAF project. User fee rates must be sufficient to pay operational costs, debt service and enable funds to be set aside for more capital improvements in the future.
- BOD growth among the District's commercial customers is increasing. Treating BOD is costly. This growth is being monitored closely and may become part of our rate structure in the future.
- The rapidly rising costs associated with infrastructure replacement.
- Maintaining and replacing staff. Housing costs have created a difficult situation for the hiring of employees. As our work force ages, replacing them with qualified personnel who can find affordable housing is a concern.
- Nutrient removal in our effluent is being closely studied. Much of the District's resources will be channeled towards this very challenging requirement.

Contacting the District's Financial Management

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Estes Park Sanitation District as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Estes Park Sanitation District as of December 31, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i-iii and 16-19 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an

essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. I also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Estes Park Sanitation District basic financial statements for the year ended December 31, 2017, which are presented with the accompanying financial statements, of which I expressed an unmodified opinion. That audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Estes Park Sanitation District basic financial statements as a whole. These financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Management Discussion and Analysis and Supplemental Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Management Discussion and Analysis and Supplemental Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



Estes Park, CO
May 28, 2019

Estes Park Sanitation District
Statement of Net Position
December 31, 2018 and 2017

	Assets	<u>2018</u>	<u>2017</u>
Current			
Cash		\$ 41,392	\$ 47,863
Investments		2,300,517	2,098,526
Accounts receivable, user fees		214,682	203,717
Inventories		20,117	27,177
Total current assets		<u>2,576,708</u>	<u>2,377,283</u>
Utility Plant in Service		<u>7,024,395</u>	<u>7,064,152</u>
Total assets		<u>\$ 9,601,103</u>	<u>\$ 9,441,435</u>
	Liabilities		
Current Liabilities			
Current portion of long term liabilities		\$ 182,384	\$ 178,790
Accounts payable		38,356	14,045
Accrued expenses payable		78,441	72,796
Total current liabilities		<u>299,181</u>	<u>265,631</u>
Long Term Liabilities			
Revenue note payable		3,780,178	3,958,968
Amount shown currently		<u>(182,384)</u>	<u>(178,790)</u>
Total liabilities		<u>3,597,794</u>	<u>3,780,178</u>
Total liabilities		<u>3,896,975</u>	<u>4,045,809</u>
	Net Position		
Investment in capital assets		3,244,217	3,105,184
Unrestricted, designated		1,576,505	1,365,866
Unrestricted, undesignated		883,406	924,576
Total net position		<u>5,704,128</u>	<u>5,395,626</u>
Total liabilities and net position		<u>\$ 9,601,103</u>	<u>\$ 9,441,435</u>

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

Estes Park Sanitation District
Statement of Revenues, Expenses and Net Position
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue		
User fee income	\$ 1,407,163	\$ 1,397,209
FOG non-compliance fees	24,729	26,667
Lift station fees	7,860	7,860
Account maintenance fee	45,400	45,225
Miscellaneous income	23,765	29,822
	<u>1,508,917</u>	<u>1,506,783</u>
 Expenses		
Treatment	827,448	773,790
Collection	349,426	369,004
Administration	337,749	335,151
Total operating expenses	<u>1,514,623</u>	<u>1,477,945</u>
Net operating income (loss) before other income	<u>(5,706)</u>	<u>28,838</u>
 Other income		
Contributions in aid of construction	68,100	-
Interest income	39,606	13,869
Gain (loss) sale of assets	-	482,201
System development fees	206,502	145,034
Total other income	<u>314,208</u>	<u>641,104</u>
Increase (decrease) in net position	308,502	669,942
Net position, beginning	<u>5,395,626</u>	<u>4,725,684</u>
Net position, ending	<u>\$ 5,704,128</u>	<u>\$ 5,395,626</u>

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

Estes Park Sanitation District
Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 1,497,952	\$ 1,525,995
Payments to suppliers	(412,417)	(466,901)
Payments to employees	(732,201)	(705,357)
Net cash provided by operating activities	<u>353,334</u>	<u>353,737</u>
Cash Flow From Noncapital Financing Activities		
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Additions to fixed assets (net)	(293,232)	(146,465)
Revenue note payable increase (decrease)	(178,790)	(175,267)
Contributions in aid of construction	68,100	-
Gain (loss) sale of assets	-	482,201
System development fees received	<u>206,502</u>	<u>145,034</u>
Net cash used for capital and related financing activities	<u>(197,420)</u>	<u>305,503</u>
Cash Flows From Investing Activities		
Decrease (Increase) of investments	(201,991)	(711,383)
Interest income received	<u>39,606</u>	<u>13,869</u>
Net cash provided by (used for) investing activities	<u>(162,385)</u>	<u>(697,514)</u>
Net increase (decrease) in cash and cash equivalents	<u>(6,471)</u>	<u>(38,274)</u>
Cash and cash equivalents:		
Beginning of year	<u>47,863</u>	<u>86,137</u>
End of year	<u>\$ 41,392</u>	<u>\$ 47,863</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (5,706)	\$ 28,838
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	332,988	331,210
Change in assets and liabilities:		
Receivables	(10,965)	19,212
Prepaid expenses		
Inventory	7,060	(689)
Accounts payable	24,312	(25,443)
Accrued expenses payable	<u>5,645</u>	<u>609</u>
Net cash provided by operating activities	<u>\$ 353,334</u>	<u>\$ 353,737</u>

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

Estes Park Sanitation District
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Form of Organization

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

Financial Reporting Entity

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

Basis of Accounting

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

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

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

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

Budgets and Budgetary Accounting

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

Estes Park Sanitation District
Notes to Financial Statements

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

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

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

Risk Management

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

Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

Assets, Liabilities and Net Position

Cash

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

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

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

Investments

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

Estes Park Sanitation District
Notes to Financial Statements

Inventories

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

Utility Plant in Service

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

Investment in Deferred Compensation Plan

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

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

Compensated Absences

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

Pension Plan

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

Revenue Notes Payable

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

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

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

Net Position - Designated

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

Revenues and Expenses

Operating and Non-operating Revenues

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

Estes Park Sanitation District
Notes to Financial Statements

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

Depreciation

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

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

Note 2 - Stewardship, Compliance and Accountability

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

Note 3 - Detail Notes on Accounts

Cash/Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool held in trust for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

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

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

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

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

At December 31, 2018 and 2017, the District owned the following investments:

	<u>2018</u>	<u>2017</u>
Certificates of Deposit and money markets	\$ 41,392	\$ 98,527
Colotrust (Prime)	<u>2,300,517</u>	<u>1,999,999</u>
Total	<u>\$2,341,909</u>	<u>\$2,098,526</u>

Estes Park Sanitation District
Notes to Financial Statements

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

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

The District had invested \$2,300,517 in Colotrust (Prime), an investment vehicle established by local government entities in Colorado to pool surplus funds for investment purposes. Colotrust (Prime) operates similarly to a money market fund and each share is equal in value to \$1.00.

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

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

Utility Plant in Service

A summary of changes in Utility Plant in Service follows:

	Balance January <u>1, 2018</u>	<u>Additions</u>	<u>Transfers</u>	Balance December <u>31, 2018</u>
Land & easements	\$ 108,430	\$	\$	\$ 108,430
Buildings & improvements	115,892			115,892
Plant	8,133,601	106,607		8,240,208
Collection system	2,124,043	117,778		2,241,821
Equipment	<u>417,942</u>	<u>68,836</u>		<u>476,778</u>
	10,899,908	293,221		11,193,129
Accumulated depreciation	<u>(3,835,756)</u>	<u>(332,988)</u>		<u>(4,168,734)</u>
Net Utility Plant	<u>\$7,064,152</u>	<u>\$ (39,767)</u>	<u>\$</u>	<u>\$7,024,395</u>

Estes Park Sanitation District
Notes to Financial Statements

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

Assets that are fully depreciated but still in use amount to \$1,743,935 for 2017 and 2016 respectively.

Revenue Notes Payable

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

A summary of changes in Revenue Notes Payable follows:

	Balance January <u>1, 2018</u>	Note <u>Reduction</u>	Balance December <u>31, 2018</u>
Revenue note W14F340	\$2,741,564	\$123,811	\$2,617,753
Revenue note W15F361	<u>1,217,404</u>	<u>54,979</u>	<u>1,162,425</u>
	<u>\$3,958,968</u>	<u>\$178,790</u>	<u>\$3,780,178</u>

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

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

<u>Year</u>	<u>Principal</u>		<u>Interest</u>	
	<u>W14F340</u>	<u>W15F361</u>	<u>W14F340</u>	<u>W15F361</u>
2019	\$ 126,300	\$ 56,084	\$ 51,727	\$ 22,969
2020	128,838	57,211	49,188	21,842
2021	131,428	58,361	46,598	20,692
2022	134,070	59,534	43,957	19,519
2023	136,765	60,731	41,262	18,323
2024-2036	<u>1,960,353</u>	<u>870,504</u>	<u>264,979</u>	<u>117,665</u>
	<u>\$2,617,753</u>	<u>\$1,162,425</u>	<u>\$497,711</u>	<u>\$221,010</u>

Estes Park Sanitation District
Notes to Financial Statements

Net Position

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

	<u>2018</u>	<u>2017</u>
Investment in capital assets	\$3,244,217	\$3,114,662
Designated:		
Vehicle/equipment reserve	70,984	50,984
Plant reserve	1,325,596	1,118,984
Lines reserve	158,714	175,000
Employee compensated absences	<u>21,211</u>	<u>20,898</u>
	<u>1,576,505</u>	<u>1,365,866</u>
Undesignated	<u>883,406</u>	<u>924,576</u>
	<u>\$5,704,128</u>	<u>\$5,395,626</u>

Estes Park Sanitation District
Schedule of Treatment Expenses
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Payroll		
Salaries	231,585	206,287
Payroll taxes	19,587	17,603
Employee benefits	58,405	49,972
Employee clothing	1,540	1,932
Workmen's compensation	3,300	4,610
	<u>314,417</u>	<u>280,404</u>
Other		
Biosolids application	35,068	24,306
Chemicals	39,076	45,197
Education & training	770	1,813
Heat	5,052	6,042
Lab tests & supplies	17,950	17,141
Maintenance	37,669	29,965
Miscellaneous	1,677	2,103
Power	110,044	105,223
Telephone	2,158	1,921
Vehicle	2,234	2,166
Water	2,533	2,434
Depreciation	258,800	255,075
	<u>513,031</u>	<u>493,386</u>
Total treatment expenses	<u>\$ 827,448</u>	<u>\$ 773,790</u>

Estes Park Sanitation District
Schedule of Collection Expenses
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Payroll		
Salaries	\$ 172,206	\$ 183,351
Payroll taxes	14,776	15,646
Employee benefits	44,060	44,416
Employee clothing	1,320	1,371
Workmen's compensation	2,919	4,825
	<u>235,281</u>	<u>249,609</u>
Other		
Education & training	4,187	3,337
Equipment maintenance	15,735	14,149
Miscellaneous	-	462
Repairs and maintenance	21,710	25,002
Telephone	1,958	1,953
Vehicle	1,954	2,895
Depreciation	68,601	71,597
	<u>114,145</u>	<u>119,395</u>
Total collection expenses	<u>\$ 349,426</u>	<u>\$ 369,004</u>

Estes Park Sanitation District
Schedule of Administrative Expenses
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Payroll		
Salaries	\$ 131,976	\$ 128,162
Directors salaries	4,425	4,500
Payroll taxes	11,160	10,751
Employee benefits	34,815	31,725
Workmen's compensation	127	206
	<u>182,503</u>	<u>175,344</u>
 Occupancy		
Condo fees	900	900
Depreciation	3,570	3,570
Repairs & maintenance	1,114	1,004
	<u>5,584</u>	<u>5,474</u>
 Other		
Bad debts	4,014	-
Bank charges	3,153	3,217
Education	-	30
Election	408	-
Insurance	26,682	26,206
Interest	77,694	81,229
Licenses and taxes	8,140	7,846
Miscellaneous	1,059	1,311
Office supplies	9,457	7,301
Professional fees	13,169	21,959
Publications	99	216
Telephone	2,222	2,189
Vehicle	1,548	1,861
Depreciation	2,017	968
	<u>149,662</u>	<u>154,333</u>
 Total administrative expenses	<u>\$ 337,749</u>	<u>\$ 335,151</u>

Estes Park Sanitation District
Statement of Revenues and Expenses Compared with Budget
(Non-GAAP Budget Basis)
For the Year Ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating revenue			
Operating revenues	\$ 1,397,112	\$ 1,407,163	\$ 10,051
FOG non-compliance fees	24,000	24,729	729
Lift station fees	7,875	7,860	(15)
Account maintenance fee	45,500	45,400	(100)
Miscellaneous income	26,000	23,765	(2,235)
	<u>1,500,487</u>	<u>1,508,917</u>	<u>8,430</u>
Operating expenses			
Treatment	539,087	568,648	(29,561)
Collection	310,702	280,825	29,877
Administration	332,752	332,162	590
Total operating expenses	<u>1,182,541</u>	<u>1,181,635</u>	<u>906</u>
Net operating income (loss)	<u>317,946</u>	<u>327,282</u>	<u>9,336</u>
Nonoperating revenue			
Interest income	20,000	39,606	19,606
System development fees	37,800	206,502	168,702
Total nonoperating income	<u>57,800</u>	<u>246,108</u>	<u>188,308</u>
Excess of income over expenses	375,746	573,390	197,644
Other budgeted items			
Purchase/construction of fixed assets	238,100	225,132	12,968
Principal payment on revenue note	178,790	178,790	-
	<u>416,890</u>	<u>403,922</u>	<u>12,968</u>
Excess of income over expenses including other budgeted items	<u>\$ (41,144)</u>	<u>\$ 169,468</u>	<u>\$ 210,612</u>

Estes Park Sanitation District
Schedule of Treatment Expenses Compared with Budget
(Non-GAAP Budget Basis)
For the Year Ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Payroll			
Salaries	\$ 212,922	\$ 231,585	\$ (18,663)
Payroll taxes	18,138	19,587	(1,449)
Employee benefits	49,606	58,405	(8,799)
Clothing	1,650	1,540	110
Workmen's compensation	4,250	3,300	950
	<u>286,566</u>	<u>314,417</u>	<u>(27,851)</u>
Other			
Biosolids removal	24,000	35,068	(11,068)
Chemical	46,000	39,076	6,924
Education & training	3,500	770	2,730
Heat	8,500	5,052	3,448
Lab tests & supplies	18,500	17,950	550
Maintenance	32,000	37,669	(5,669)
Miscellaneous	500	1,677	(1,177)
Power	111,217	110,044	1,173
Telephone	2,130	2,158	(28)
Vehicle	3,500	2,234	1,266
Water	2,674	2,533	141
	<u>252,521</u>	<u>254,231</u>	<u>(1,710)</u>
Total treatment expenses	<u>\$ 539,087</u>	<u>\$ 568,648</u>	<u>\$ (29,561)</u>

Estes Park Sanitation District
Schedule of Collection Expenses Compared with Budget
(Non-GAAP Budget Basis)
For the Year Ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Payroll			
Salaries	\$ 192,396	\$ 172,206	\$ 20,190
Payroll taxes	16,384	14,776	1,608
Employee benefits	50,087	44,060	6,027
Clothing	1,650	1,320	330
Workmen's compensation	4,000	2,919	1,081
	<u>264,517</u>	<u>235,281</u>	<u>29,236</u>
Other			
Education & training	8,500	4,187	4,313
Equipment maintenance	12,500	15,735	(3,235)
Miscellaneous	525	-	525
Repairs and maintenance	19,000	21,710	(2,710)
Telephone	2,160	1,958	202
Vehicle	3,500	1,954	1,546
	<u>46,185</u>	<u>45,544</u>	<u>641</u>
Total collection expenses	<u>\$ 310,702</u>	<u>\$ 280,825</u>	<u>\$ 29,877</u>

Estes Park Sanitation District
Schedule of Administrative Expenses Compared with Budget
(Non-GAAP Budget Basis)
For the Year Ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavor- able)
Payroll			
Salaries	\$ 131,513	\$ 131,976	\$ (463)
Directors salaries	4,500	4,425	75
Payroll taxes	11,573	11,160	413
Employee benefits	34,075	34,815	(740)
Workmen's compensation	250	127	123
	<u>181,911</u>	<u>182,503</u>	<u>(592)</u>
Occupancy			
Condo fees	900	900	-
Repairs & maintenance	1,100	1,114	(14)
	<u>2,000</u>	<u>2,014</u>	<u>(14)</u>
Other			
Bad debts	-	4,014	(4,014)
Bank charges	3,250	3,153	97
Education and training	500	-	500
Election	2,500	408	2,092
Insurance	27,500	26,682	818
Interest	78,291	77,694	597
Licenses & taxes	8,750	8,140	610
Miscellaneous	1,500	1,059	441
Office	9,000	9,457	(457)
Professional fees	12,500	13,169	(669)
Publications	500	99	401
Telephone	2,350	2,222	128
Vehicle	2,200	1,548	652
	<u>148,841</u>	<u>147,645</u>	<u>1,196</u>
Total administrative expenses	<u>\$ 332,752</u>	<u>\$ 332,162</u>	<u>\$ 590</u>