

**Kremmling Sanitation District  
Kremmling, Colorado**

**Financial Statements**

**December 31, 2018 and 2017**

**Kremmling Sanitation District  
Financial Statements  
December 31, 2018 and 2017**

**Table of Contents**

|   | <b>Page(s)</b> |
|---|----------------|
| <b>INDEPENDENT AUDITOR'S REPORT</b>   | A1 – A2        |
| <b>Management's Discussion and Analysis</b>   | B1 – B5        |
| <b>Financial Statements:</b>  |                |
| Statement of Net Position   | C1             |
| Statement of Revenues, Expenses, and Changes in Net Position  | C2             |
| Statement of Cash Flows   | C3             |
| <b>Notes to the Financial Statements</b>  | D1 – D11       |
| <b>Supplementary Information:</b>   |                |
| Schedule of Revenues and Expenditures – Budget (Non-GAAP Basis)<br>and Actual with Reconciliation to GAAP Basis | E1             |



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

CHAPEL SQUARE, BLDG C  
245 CHAPEL PLACE, SUITE 300  
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM  
MAIN OFFICE: (970) 845-8800  
FACSIMILE: (970) 845-8108  
E-MAIL: MCMAHAN@MCMAHANCPA.COM

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Kremmling Sanitation District  
Kremmling, Colorado**

We have audited the accompanying financial statements of Kremmling Sanitation District (the "District"), as of and for the years ended December 31, 2018 and 2017, as listed in the table of contents, and the related notes to the financial statements.

### ***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***

Our responsibility is to express opinions 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 of 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, 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kremmling Sanitation District as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Member: American Institute of Certified Public Accountants*

PAUL J. BACKES, CPA, CGMA  
MICHAEL N. JENKINS, CA, CPA, CGMA  
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800  
ASPEN: (970) 544-3996  
FRISCO: (970) 668-3481

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
Kremmling Sanitation District  
Kremmling, Colorado**

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B 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 Management's Discussion and Analysis in Section B 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison in section E is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information in section E is the responsibility of management 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 the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in section E is fairly stated in all material aspects in relation to the financial statements as a whole.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
July 30, 2019**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Kremmling Sanitation District Management's Discussion and Analysis December 31, 2018 and 2017**

We, the financial managers of Kremmling Sanitation District (the "District"), offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal years ended December 31, 2018 and 2017.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

**Financial Statements:** The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets and liabilities (both short-term and long-term), 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 District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position shows how the government's net position changed during the years presented. 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 are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned revenue that will be received in subsequent years).

The Statement of Cash Flows shows the District's sources of cash inflows and outflows for the years presented. Cash flows are categorized among operating, non-capital financing, capital and related financing and investing activities, and unlike items reported in the Statement of Revenues, Expenses and Changes in Fund Net Position, these amounts are reported on the cash basis of accounting.

The business-type activity of the District relates to sanitation services. There are currently no governmental-type activities occurring at the District.

The District's basic financial statements can be found in Section C of this report.

**Proprietary Fund:** The District maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report business-type activities. The District uses an enterprise fund to account for its sanitation services.

**Notes to the Financial Statements:** The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in Section D of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also contains certain supplementary information. The Schedule of Revenues and Expenditures - Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis provides a detailed comparison of the District's actual revenues and expenditures to budgeted amounts. As the District's budget was adopted in a manner that is not consistent with Generally Accepted Accounting Principles ("GAAP"), this statement is presented on a non-GAAP basis with a reconciliation to GAAP basis. This supplementary information can be found in Section E of this report.

## Overview of the Financial Statements (continued)

**Financial Analysis of the District:** The following table shows the District's assets, liabilities and net position at the end of 2018 and 2017:

### Kremmling Sanitation District - Net Position

|                                      | <u>2018</u>         | <u>2017</u>      |
|--------------------------------------|---------------------|------------------|
| <b>Assets:</b>                       |                     |                  |
| Current and other assets             | \$ 637,204          | 545,058          |
| Capital assets                       | 4,008,401           | 4,116,592        |
| <b>Total Assets</b>                  | <u>4,645,605</u>    | <u>4,661,650</u> |
| <b>Liabilities:</b>                  |                     |                  |
| Current liabilities                  | 74,349              | 123,177          |
| Long - term liabilities              | 366,286             | 418,180          |
| <b>Total Liabilities</b>             | <u>440,635</u>      | <u>541,357</u>   |
| <b>Deferred Inflows of Resources</b> | <u>30,835</u>       | <u>30,971</u>    |
| <b>Net Position:</b>                 |                     |                  |
| Net investment in capital assets     | 3,599,021           | 3,656,430        |
| Restricted                           | 100,416             | 91,795           |
| Unrestricted                         | 474,698             | 341,097          |
| <b>Total Net Position</b>            | <u>\$ 4,174,135</u> | <u>4,089,322</u> |

In 2018, the District's total assets decreased by \$16,045; this was largely the result of a decrease in capital assets. The net decrease in capital assets between 2018 and 2017 is comprised of \$171,742 of additions (the majority of which was related to ongoing construction of plant improvements and buildings) less depreciation expense of \$279,933. Amounts due from other governments decreased by \$10,338 due to collection of receivables, with cash increasing by \$102,620.

The District's total liabilities and deferred inflows of resources at the end of the past fiscal year were \$100,858 lower than at the end of the preceding year. Non-current liabilities, which are comprised of long-term capital loans and accrued vacation pay, decreased \$51,894 due to scheduled loan principal repayments. Current liabilities, which consist primarily of trade, construction, and retainage, were lower by \$48,828 due to payment of retainage-related liabilities. Deferred inflows of resources, which consist of unavailable property tax revenue, are lower by \$136 at December 31, 2018.

Traditionally, the largest portion of any special district's net position is its investment in capital assets used to deliver or provide services to its constituents and other users. The District's investment in capital assets accounted for approximately 86% of its total net position at the end of 2018. This portion of the District's net position is not available for future spending. Of the remaining \$575,114 of net position at December 31, 2018, \$100,416 has been restricted for an operations and maintenance reserve for the wastewater system, as required by CWRPDA loan covenants. The remaining net position balance of \$474,698 may be used to meet the District's ongoing costs of operations.

At the end of the 2018 fiscal year, the District is able to report positive balances in all three categories of net position. Overall, the District's net position increased \$84,813 during 2018 and increased \$274,819 during 2017. These changes are further analyzed on the following pages.

**Overview of the Financial Statements (continued)**

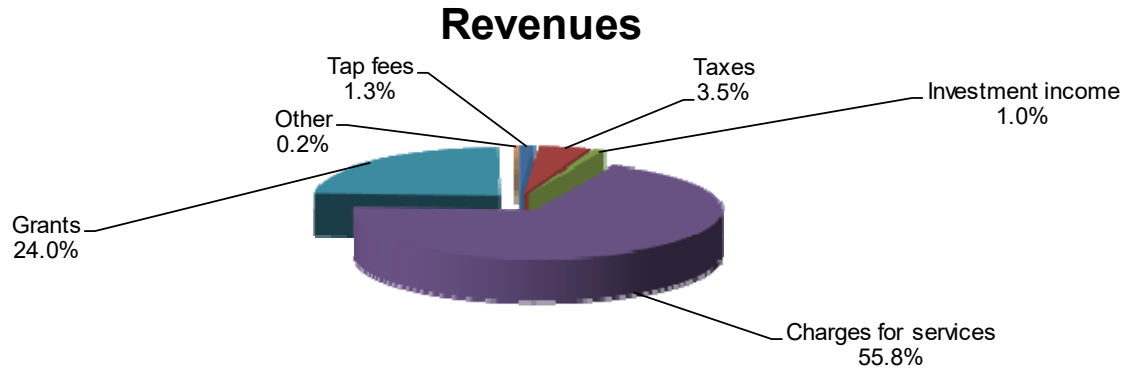
**Financial Analysis of the District (continued):** The following table summarizes information from the District's Statement of Revenues, Expenses and Changes in Fund Net Position:

**Kremmling Sanitation District - Change in Net Position**

|   | <u>2018</u>         | <u>2017</u>      |
|---|---------------------|------------------|
| <b>Revenues:</b>                        |                     |                  |
| Program revenues:                       |                     |                  |
| Charges for services                    | \$ 516,783          | 497,838          |
| General revenues:                       |                     |                  |
| Property taxes                          | 30,997              | 29,002           |
| Specific ownership taxes                | 2,204               | 2,043            |
| Grants                                  | 179,831             | 349,188          |
| Investment income                       | 7,256               | 2,666            |
| Other revenues                          | 1,325               | 2,093            |
| Tap fees                                | 10,000              | 10,000           |
| <b>Total Revenues</b>                   | <u>748,396</u>      | <u>892,830</u>   |
| <b>Expenses:</b>                        |                     |                  |
| Administration                          | 51,523              | 53,133           |
| Sewage collection and treatment         | 595,141             | 546,318          |
| Treasurer's fees                        | 1,550               | 1,450            |
| Interest expense                        | 15,369              | 17,110           |
| <b>Total Expenses</b>                   | <u>663,583</u>      | <u>618,011</u>   |
| <b>Change in Net Position</b>           | 84,813              | 274,819          |
| <b>Net Position - Beginning of Year</b> | <u>4,089,322</u>    | <u>3,814,503</u> |
| <b>Net Position - End of Year</b>       | <u>\$ 4,174,135</u> | <u>4,089,322</u> |

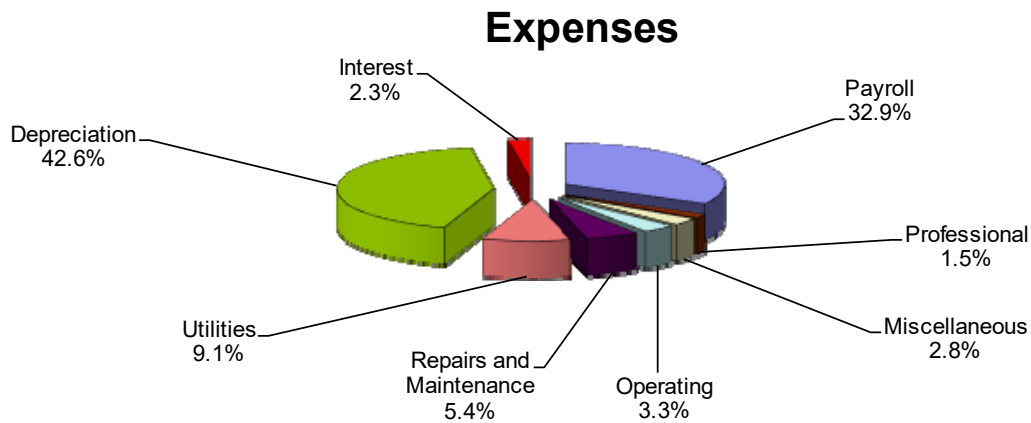
## Overview of the Financial Statements (continued)

**Financial Analysis of the District (continued):** The following chart summarizes the District's revenue sources in 2018:



The District's total revenues decreased by \$144,434 between 2017 and 2018, primarily due to a decrease in grant revenues, which funded now-completed capital projects.

The following chart summarizes the District's expenses, by natural classification, during 2018:



Total expenses for the District increased by \$45,572 between 2017 and 2018 due to increased need for general repairs and maintenance.

## Budget Variances

During 2018, no supplemental appropriations were made to the District's budget. 2018 revenues were \$44,861 higher than budgeted for the year, while actual 2018 expenditures for the District were \$132,350 lower than budget. Significant budget variances were as follows:

| <u>Account</u>                          | <u>Final Budget</u> | <u>Actual Amount</u> | <u>Variance Positive (Negative)</u> | <u>Reason</u>   |
|---|---------------------|----------------------|-------------------------------------|---|
| <b><u>Revenues:</u></b>                 |                     |                      |                                     |   |
| Customer service charges                | \$ 485,600          | 516,783              | 31,183                              | Conservative budgeting.   |
| <b><u>Expenditures:</u></b>             |                     |                      |                                     |   |
| <i>Sewage collection and treatment:</i> |                     |                      |                                     |   |
| Engineering and technical services      | 28,100              | 6,873                | 21,227                              | Budgeted GPS survey costs deferred to future years.                                 |
| Capital outlay                          | 239,735             | 177,862              | 61,873                              | Budget included retainage which was accrued as an actual expense in the prior year. |

## Capital Asset and Debt Administration

**Capital Assets:** The District's net capital assets decreased by \$108,191 in 2018 and increased by \$112,379 in 2017. A detailed classification of the District's capital assets can be found in Note III.B to the 2018 financial statements.

**Long-term Debts:** The District has one outstanding long-term debt obligation at December 31, 2018 for a loan with CWRPDA. Additional information about the District's long-term debt can be found in Note III.C of this report.

## Next Year's Budget and Rates

The District's net position at the end of 2018 was \$4,174,135. The District's 2019 budget anticipates a decrease in net position of \$59,625, with revenues of \$546,030 and expenditures of \$605,655.

## Request for Information

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

Kremmling Sanitation District  
P.O. Box 538  
Kremmling, Colorado 80459

## **FINANCIAL STATEMENTS**

**Kremmling Sanitation District**  
**Statement of Net Position**  
**December 31, 2018 and 2017**

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
| <b>Assets:</b>  |             |             |
| <b>Current assets:</b>                                      |             |             |
| Cash and investments - Unrestricted                         | 558,196     | 455,576     |
| Receivables, net:   |             |             |
| Property taxes  | 30,835      | 30,971      |
| Other governments   | 48,173      | 58,511      |
| <b>Total - Current assets</b>                               | 637,204     | 545,058     |
| <b>Non-current assets:</b>                                  |             |             |
| Capital assets:   |             |             |
| Non-depreciable capital assets                              | 135,282     | 1,832,480   |
| Depreciable capital assets, net of accumulated depreciation | 3,873,119   | 2,284,112   |
| <b>Total - Non-current assets</b>                           | 4,008,401   | 4,116,592   |
| <b>Total Assets</b>   | 4,645,605   | 4,661,650   |
| <br>  |             |             |
| <b>Liabilities:</b>   |             |             |
| <b>Current liabilities:</b>                                 |             |             |
| Trade payables  | 19,386      | 10,628      |
| Retainage   | -           | 59,084      |
| Interest payable  | 2,388       | 2,683       |
| Current portion of long-term debt                           | 52,575      | 50,782      |
| <b>Total - Current liabilities</b>                          | 74,349      | 123,177     |
| <b>Non-current liabilities:</b>                             |             |             |
| Accrued compensated absences - Due in more than one year    | 9,481       | 8,800       |
| Loans payable, net of current portion                       | 356,805     | 409,380     |
| <b>Total - Non-current liabilities</b>                      | 366,286     | 418,180     |
| <b>Total Liabilities</b>                                    | 440,635     | 541,357     |
| <br>  |             |             |
| <b>Deferred Inflows of Resources:</b>                       |             |             |
| Property taxes  | 30,835      | 30,971      |
| <b>Total Deferred Inflows of Resources</b>                  | 30,835      | 30,971      |
| <br>  |             |             |
| <b>Net Position:</b>  |             |             |
| Net investment in capital assets                            | 3,599,021   | 3,656,430   |
| Restricted for operations and maintenance                   | 100,416     | 91,795      |
| Unrestricted  | 474,698     | 341,097     |
| <b>Total Net Position</b>                                   | 4,174,135   | 4,089,322   |

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

**Kremmling Sanitation District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2018 and 2017**

|   | <u>2018</u>             | <u>2017</u>             |
|---|-------------------------|-------------------------|
| <b>Operating Revenues:</b>                        |                         |                         |
| Charges for services                              | 516,783                 | 497,838                 |
| Shared employee reimbursement                     | 402                     | 225                     |
| Miscellaneous                                     | 923                     | 1,868                   |
|   | <u>518,108</u>          | <u>499,931</u>          |
| <b>Operating Expenses:</b>                        |                         |                         |
| Administration                                    | 51,523                  | 53,132                  |
| Sewage collection and disposal                    | 595,141                 | 546,318                 |
|   | <u>646,664</u>          | <u>599,450</u>          |
| <b>Operating Income (Loss)</b>                    | (128,556)               | (99,519)                |
| <b>Non-operating Revenues (Expenses):</b>         |                         |                         |
| Property taxes                                    | 30,997                  | 29,002                  |
| Specific ownership taxes                          | 2,204                   | 2,043                   |
| Grants  | 179,831                 | 349,188                 |
| Investment income                                 | 7,256                   | 2,666                   |
| Interest expense                                  | (15,369)                | (17,111)                |
| Treasurer's fees                                  | (1,550)                 | (1,450)                 |
|   | <u>203,369</u>          | <u>364,338</u>          |
| <b>Income (Loss) Before Capital Contributions</b> | 74,813                  | 264,819                 |
| <b>Capital Contributions:</b>                     |                         |                         |
| Tap fees  | 10,000                  | 10,000                  |
|   | <u>10,000</u>           | <u>10,000</u>           |
| <b>Change in Net Position</b>                     | 84,813                  | 274,819                 |
| <b>Net Position - Beginning of Year</b>           | <u>4,089,322</u>        | <u>3,814,503</u>        |
| <b>Net Position - End of Year</b>                 | <u><u>4,174,135</u></u> | <u><u>4,089,322</u></u> |

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

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

|   | <b>2018</b>      | <b>2017</b>      |
|---|------------------|------------------|
| <b>Cash Flows From Operating Activities:</b>  |                  |                  |
| Cash received from customers and others   | 528,445          | 552,579          |
| Cash paid for goods and services  | (141,621)        | (139,219)        |
| Cash paid to employees for salaries and benefits  | (215,671)        | (232,133)        |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>171,153</b>   | <b>181,227</b>   |
| <b>Cash Flows From Non-capital Financing Activities:</b>  |                  |                  |
| Cash received from property and specific ownership taxes, net   | 31,652           | 29,596           |
| <b>Net Cash Provided (Used) by Non-capital Financing Activities</b>                                   | <b>31,652</b>    | <b>29,596</b>    |
| <b>Cash Flows From Capital and Related Financing Activities:</b>                                      |                  |                  |
| Cash received from tap fees   | 10,000           | 10,000           |
| Cash received from grants   | 179,831          | 349,188          |
| Cash paid for loan principal  | (50,782)         | (49,050)         |
| Cash paid for loan interest   | (15,664)         | (17,398)         |
| Cash paid for capital acquisitions  | (230,826)        | (458,693)        |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>                           | <b>(107,441)</b> | <b>(165,953)</b> |
| <b>Cash Flows From Investing Activities:</b>  |                  |                  |
| Interest received   | 7,256            | 2,666            |
| <b>Net Cash Provided (Used) by Investing Activities</b>   | <b>7,256</b>     | <b>2,666</b>     |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <b>102,620</b>   | <b>47,536</b>    |
| <b>Cash and Cash Equivalents - Beginning of Year</b>  | <b>455,576</b>   | <b>408,040</b>   |
| <b>Cash and Cash Equivalents - End of Year</b>  | <b>558,196</b>   | <b>455,576</b>   |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                  |                  |
| Operating income (loss)   | (128,556)        | (99,519)         |
| <b>Adjustments:</b>   |                  |                  |
| Depreciation  | 279,933          | 229,359          |
| (Increase) decrease in accounts receivable  | 10,337           | 52,648           |
| Increase (decrease) in accounts payable   | 8,758            | (937)            |
| Increase (decrease) in payroll liabilities  | 681              | (324)            |
| <b>Total Adjustments</b>  | <b>299,709</b>   | <b>280,746</b>   |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>171,153</b>   | <b>181,227</b>   |

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Kremmling Sanitation District  
Notes to the Financial Statements  
December 31, 2018 and 2017**

**I. Summary of Significant Accounting Policies**

Kremmling Sanitation District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District's service area is located in Grand County, Colorado, and was formed to provide sanitation services. The District is governed by an elected, five-member Board of Directors (the "Board")

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either 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 District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

**B. Financial Reporting**

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District uses a proprietary fund-type, an enterprise fund, to account for its sole activity, providing wastewater treatment services to taxpayers within the District's boundaries. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Kremmling Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Measurement Focus and Basis of Accounting**

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**2. Financial Statement Presentation**

Proprietary funds distinguish operating revenues and expenses from non-operating items. 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 District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Financial Statement Accounts**

**1. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The District follows Colorado state statutes as an investment policy, which permits investments in the following type of obligations which corresponds with state statutes:

- U.S. Treasury obligations (maximum maturity of 60 months)
- Federal instrumentality securities (maximum maturity of 60 months)
- FDIC-insured certificates of deposit (maximum maturity of 18 months)
- Corporate bonds (maximum maturity of 36 months)
- Prime commercial paper (maximum maturity of 9 months)
- Eligible banker's acceptances
- Repurchase agreements
- General obligations and Revenue obligations
- Local government investment pools
- Money market mutual funds

**Kremmling Sanitation District  
Notes to the Financial Statements  
December 31, 2018 and 2017  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established at December 31, 2018 and 2017, as the District considers all accounts to be collectible.

**3. Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and a deferred inflow of resources.

**4. Capital Assets**

Capital assets, which include land, sewer collection systems and related improvements and equipment, are reported in the financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed.

Sewer collection systems and improvements, equipment, and lagoons are depreciated using the straight-line method over the following estimated useful lives:

| Assets   | Years   |
|--|---------|
| Sewer collection system/improvements - Existing system     | 30      |
| Equipment  | 5 - 15  |
| Sewer collection system/improvements - New combined system | 20 - 50 |
| Lagoons  | 30 - 50 |

**5. Idle Capital Assets**

The District held certain lagoon equipment at December 31, 2017 which had not been placed into productive use, and for which no depreciation had been taken. During 2018, these assets were tested for impairment and are now being depreciated using the straight-line method over a five-year estimated useful life.

**6. Compensated Absences**

Earned but unused vacation and sick leave benefits are accrued when incurred in the financial statements.

**Kremmling Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**7. Deferred Inflows and Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District does not have any item that qualifies for reporting in this category.

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. The District has only one type of item that qualifies for reporting in this category. Accordingly, the item – unavailable property taxes – is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**8. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**9. Net Position**

Governments report reservations of net position for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. At December 31, 2018 and 2017, the District reported \$100,416 and \$91,795, respectively, of restricted net position for an operation and maintenance reserve required by debt covenants, as discussed in Note III.C.1.

**10. Restricted and Unrestricted Resources**

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

**Kremmling Sanitation District  
Notes to the Financial Statements  
December 31, 2018 and 2017  
(Continued)**

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

In the fall of each year, the Board formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

The budget for the District's sole proprietary fund is adopted on a non-GAAP basis. A reconciliation to GAAP basis is included in the budgetary comparison schedule at page E1.

As required by Colorado statutes, the District followed the timetable noted below in preparing, approving, and enacting its budget for 2018.

1. For the 2018 budget year, prior to August 25, 2017, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10 only once by a single notification to the District.
2. The Manager of the District submitted, on or before October 15, 2017, a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
3. Prior to December 15, 2017, after a required publication of "Notice of Proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; b) approve emergency appropriations; and c) reduce appropriations for which originally estimated revenues are insufficient.

The District also followed the required budget timeline in preparing, approving, and enacting its budget for 2017.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2017 were collected in 2018, and taxes certified in 2018 will be collected in 2019. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (no later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

**Kremmling Sanitation District  
Notes to the Financial Statements  
December 31, 2018 and 2017  
(Continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

The District's voters approved the following TABOR ballot question on November 5, 1997:

*Without any increase in the property tax mill levy, which is currently 2.273, shall the Kremmling Sanitation District, be authorized to collect, retain and expend all revenue and other funds from any source effective January 1, 1996, and continuing thereafter, notwithstanding the limitation of Article X, Section 20 of the Colorado Constitution or any other law?*

District management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**III. Detailed Notes on All Funds**

**A. Deposits and Investments**

The District held the following deposits and investments at December 31, 2018 and 2017:

|                                   | <b>2018</b>       | <b>2017</b>    |
|-----------------------------------|-------------------|----------------|
| Deposits                          | \$ 264,447        | 119,365        |
| Local government investment pools | 293,749           | 336,211        |
| <b>Total</b>                      | <b>\$ 558,196</b> | <b>455,576</b> |

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances for accounts over \$250,000 are collateralized as required by PDPA.

The District measures and records its investments using fair value measurement guidelines established by GAAP. At December 31, 2018, the District had the following investments measured at net asset value:

| <b>Investments Measured at Net Asset Value</b> | <b>Total</b> |
|--|--------------|
| <i>Local government investment pools:</i>      |              |
| COLOTRUST                                      | \$ 293,749   |

The local government investment pool represents an investment in the Colorado Government Liquid Asset Trust ("COLOTRUST"), which is a 2a7-like pool. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

**Kremmling Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

*Interest Rate Risk.* As a means of limiting its exposure to interest rate risk, the District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities, the District has limited its interest rate risk.

*Credit Risk.* The District limits its investments to those authorized by Colorado statutes, as outlined in Note I.D.1. The District's general investment policy is to apply the "prudent person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

At December 31, 2018 and 2017, the District had the following deposits and investments, which had the following maturities:

| <b>2018</b>               |   |                             |                               |                              |
|---------------------------|---|-----------------------------|-------------------------------|------------------------------|
|                           | <b>Standard<br/>&amp; Poor's<br/>Rating</b> | <b>Carrying<br/>Amounts</b> | <b>Maturities</b>             |                              |
|                           |   |                             | <b>Less than<br/>one year</b> | <b>One to<br/>five years</b> |
| <i>Deposits:</i>          |   |                             |                               |                              |
| Interest-bearing checking | Not rated                                   | \$ 222,013                  | 222,013                       | -                            |
| Money market              | Not rated                                   | 42,434                      | 42,434                        | -                            |
| Total deposits            |   | 264,447                     | 264,447                       | -                            |
| <i>Investments:</i>       |   |                             |                               |                              |
| Investment pools          | AAAm  | 293,749                     | 293,749                       | -                            |
|                           |   | \$ 558,196                  | 558,196                       | -                            |
| <b>2017</b>               |   |                             |                               |                              |
|                           | <b>Standard<br/>&amp; Poor's<br/>Rating</b> | <b>Carrying<br/>Amounts</b> | <b>Maturities</b>             |                              |
|                           |   |                             | <b>Less than<br/>one year</b> | <b>One to<br/>five years</b> |
| <i>Deposits:</i>          |   |                             |                               |                              |
| Interest-bearing checking | Not rated                                   | \$ 108,976                  | 108,976                       | -                            |
| Money market              | Not rated                                   | 10,389                      | 10,389                        | -                            |
| Total deposits            |   | 119,365                     | 119,365                       | -                            |
| <i>Investments:</i>       |   |                             |                               |                              |
| Investment pools          | AAAm  | 336,211                     | 336,211                       | -                            |
|                           |   | \$ 455,576                  | 455,576                       | -                            |

The District's deposits and investments are reported in the following financial statement captions:

|                                     | <b>2018</b> | <b>2017</b> |
|-------------------------------------|-------------|-------------|
| Cash and investments - Unrestricted | \$ 558,196  | 455,576     |

**Kremmling Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**B. Capital Assets**

The District's capital asset activity for 2017 and 2018 was as follows:

|  | <u>1/1/17</u><br><u>Beginning</u><br><u>Balance</u> | <u>Additions</u><br><u>and</u><br><u>Transfers</u> | <u>Disposals</u><br><u>and</u><br><u>Transfers</u> | <u>12/31/17</u><br><u>Ending</u><br><u>Balance</u> | <u>Additions</u><br><u>and</u><br><u>Transfers</u> | <u>Disposals</u><br><u>and</u><br><u>Transfers</u> | <u>12/31/18</u><br><u>Ending</u><br><u>Balance</u> |
|--|---|--|--|--|--|--|--|
| Capital assets, not being depreciated:                 |   |  |  |  |  |  |  |
| Land   | \$ 103,576  | -  | -  | 103,576  | -  | -  | 103,576  |
| Construction in progress                               | 1,355,460   | 341,738  | -  | 1,697,198  | (1,697,198)  | -  | -  |
| Idle lagoon equipment                                  | 31,706  | -  | -  | 31,706   | -  | -  | 31,706   |
| <b>Total capital assets,</b><br>not being depreciated  | <u>1,490,742</u>                                    | <u>341,738</u>                                     | <u>-</u>   | <u>1,832,480</u>                                   | <u>(1,697,198)</u>                                 | <u>-</u>   | <u>135,282</u>                                     |
| Capital assets, being depreciated:                     |   |  |  |  |  |  |  |
| New wastewater system                                  | 3,428,890   | -  | -  | 3,428,890  | 1,855,693  | -  | 5,284,583  |
| Buildings  | 44,885  | -  | -  | 44,885   | -  | -  | 44,885   |
| Sewer lines  | 524,239   | -  | -  | 524,239  | -  | -  | 524,239  |
| Lagoons  | 322,660   | -  | -  | 322,660  | -  | -  | 322,660  |
| Furniture and equipment                                | 316,926   | -  | (22,159)   | 294,767  | 13,247   | (14,543)   | 293,471  |
| <b>Total capital assets</b><br>being depreciated       | <u>4,637,600</u>                                    | <u>-</u>   | <u>(22,159)</u>                                    | <u>4,615,441</u>                                   | <u>1,868,940</u>                                   | <u>(14,543)</u>                                    | <u>6,469,838</u>                                   |
| Less accumulated depreciation for:                     |   |  |  |  |  |  |  |
| New wastewater system                                  | (1,459,503)   | (186,674)  | -  | (1,646,177)  | (236,761)  | -  | (1,882,938)  |
| Buildings  | (5,816)   | (2,244)  | -  | (8,060)  | (2,244)  | -  | (10,304)   |
| Sewer lines  | (367,248)   | (12,083)   | -  | (379,331)  | (2,096)  | -  | (381,427)  |
| Lagoons  | (69,882)  | (11,332)   | -  | (81,214)   | (17,673)   | -  | (98,887)   |
| Furniture and equipment                                | (221,680)   | (17,026)   | 22,159   | (216,547)  | (21,159)   | 14,543   | (223,163)  |
| <b>Total accumulated depreciation</b>                  | <u>(2,124,129)</u>                                  | <u>(229,359)</u>                                   | <u>22,159</u>                                      | <u>(2,331,329)</u>                                 | <u>(279,933)</u>                                   | <u>14,543</u>                                      | <u>(2,596,719)</u>                                 |
| <b>Total capital assets,</b><br>being depreciated, net | <u>2,513,471</u>                                    | <u>(229,359)</u>                                   | <u>-</u>   | <u>2,284,112</u>                                   | <u>1,589,007</u>                                   | <u>-</u>   | <u>3,873,119</u>                                   |
| <b>Total capital assets, net</b>                       | <u>\$4,004,213</u>                                  | <u>112,379</u>                                     | <u>-</u>   | <u>4,116,592</u>                                   | <u>(108,191)</u>                                   | <u>-</u>   | <u>4,008,401</u>                                   |

**Kremmling Sanitation District  
Notes to the Financial Statements  
December 31, 2018 and 2017  
(Continued)**

**III. Detailed Notes on All Funds (continued)**

**C. Long-term Liabilities**

**1. Colorado Water Resources and Power Development Authority (“CWRPDA”) Loan**

On September 13, 2005, the District executed a \$950,000 loan agreement, with interest accruing at 3.5% per annum, with CWRPDA, the proceeds of which were utilized to upgrade and expand the District’s wastewater system.

Starting in 2006, principal, interest, and administrative surcharge (included with interest expense) payments totaling \$33,223 are due May 1 and November 1, through 2025. As set forth in the loan agreement, the District received a credit against interest payments for the amount of capitalized interest and investment income available to be applied. This one-time credit in the amount of \$14,218 was used to reduce interest payments in 2006.

The loan constitutes an irrevocable and first lien on the District’s wastewater system revenues (excluding ad valorem property taxes, capital grant revenues, and other funds borrowed and used to provide capital improvements to the wastewater system). The loan is not a general obligation debt of the District.

The loan agreement contains various restrictive covenants and requirements, including maintenance of a three-month operating and maintenance reserve. The District has restricted \$100,416 and \$91,795 of net position at December 31, 2018 and 2017, respectively, for this purpose, which are the approximate required reserves. If the operations and maintenance reserve falls below this requirement, the shortfall must be made up in 24 substantially equal monthly installments beginning the second month after such shortfall. In addition, the loan agreement requires the District to establish service rates at a level sufficient to cover operating expenses, as defined in the agreement, 110% of the current year debt service costs on this loan, debt service for the current year on any subordinated debt, and any other amounts to be paid out of current year operations. The District may prepay the loan, in whole or in part without penalty, upon prior written notice to CWRPDA.

**Kremmling Sanitation District  
Notes to the Financial Statements  
December 31, 2018 and 2017  
(Continued)**

**III. Detailed Notes on All Funds (continued)**

**C. Long-term Liabilities (continued)**

**2. Long-term Liability Activity**

Long-term liability activity for 2018 and 2017 was as follows:

|                                   | <b>CWRPDA<br/>Loan</b> | <b>DOLA<br/>Loan</b> | <b>Compensated<br/>Absences</b> | <b>Total</b>   |
|-----------------------------------|------------------------|----------------------|---------------------------------|----------------|
| <b>January 1, 2017 balance</b>    | \$ 509,212             | -                    | 9,124                           | 518,336        |
| Additions                         | -                      | -                    | 324                             | 324            |
| Reductions                        | (49,050)               | -                    | (648)                           | (49,698)       |
| <b>December 31, 2017 balance</b>  | 460,162                | -                    | 8,800                           | 468,962        |
| Additions                         | -                      | -                    | 681                             | 681            |
| Reductions                        | (50,782)               | -                    | -                               | (50,782)       |
| <b>December 31, 2018 balance</b>  | <u>\$ 409,380</u>      | <u>-</u>             | <u>9,481</u>                    | <u>418,861</u> |
| <b>Due within one year - 2017</b> | <u>\$ 50,782</u>       | <u>-</u>             | <u>-</u>                        | <u>50,782</u>  |
| <b>Due within one year - 2018</b> | <u>\$ 52,575</u>       | <u>-</u>             | <u>-</u>                        | <u>52,575</u>  |

**3. Debt Service Schedule**

Aggregate remaining annual debt service requirements at December 31, 2018 are as follows:

|              | <b>Principal</b>  | <b>Interest</b> | <b>Administrative<br/>Surcharge</b> | <b>Total</b>   |
|--------------|-------------------|-----------------|-------------------------------------|----------------|
| 2019         | \$ 52,575         | 9,872           | 4,000                               | 66,447         |
| 2020         | 54,431            | 9,016           | 3,000                               | 66,447         |
| 2021         | 56,353            | 8,094           | 2,000                               | 66,447         |
| 2022         | 58,342            | 6,105           | 2,000                               | 66,447         |
| 2023         | 60,402            | 4,045           | 2,000                               | 66,447         |
| 2024-2025    | 127,277           | 3,617           | 2,000                               | 132,894        |
| <b>Total</b> | <u>\$ 409,380</u> | <u>40,749</u>   | <u>15,000</u>                       | <u>465,129</u> |

**Kremmling Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**  
**(Continued)**

**IV. Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and general liability. The District carries commercial coverage for these risks and does not expect claims to exceed their coverage. There have been no reductions in coverage in 2017 and 2018, settlements have not exceeded coverage during the past two years.

**B. Deferred Compensation Plan – Section 457**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code section 457 (the “Plan”). The Plan permits employees to defer a portion of the salary until future years. 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 to be held in trust for the exclusive benefit of the Plan participants and their beneficiaries.

The accrual basis of accounting is used for the Plan. Revenues are recognized when earned and expenditures are recognized when incurred. Investments are recorded at market value.

The District has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. The Plan is administered by ICMA Retirement Corporation.

In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, since the District is not a trustee of the deferred compensation plan, it does not report the plan as a fund in the financial statements.

In addition to Social Security, the District matches a four percent (4%) payroll deduction. District employees contributed \$5,680 and \$5,666 to the Plan for 2018 and 2017 respectively. These amounts were matched by the District, equal to its required contribution for these years.

Permanent full-time (budgeted for forty (40) hours per week) employees participate in the Plan. Employees may contribute additional amounts, up to maximum allowable limits as established under IRC, but these amounts are not matched by the District.

**C. Intergovernmental Agreement – Town of Kremmling**

On January 13, 2003, the District entered into an Intergovernmental Agreement with the Town of Kremmling, Colorado for mutually beneficial cooperative use of personnel and equipment. The agreement has an initial one-year term, but renews automatically unless otherwise terminated by the parties. Under the terms of the agreement, each entity is to invoice the other, on a monthly basis, for hours worked and equipment used.

**SUPPLEMENTARY INFORMATION**

**Kremmling Sanitation District**  
**Schedule of Revenues and Expenditures**  
**Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis**  
**For the Year Ended December 31, 2018**  
**(With Comparative Actual Amounts for 2017)**

|   | 2018                            |                | Final Budget<br>Variance:<br>Positive /<br>(Negative) | 2017           |
|---|---------------------------------|----------------|---|----------------|
|   | Original<br>and Final<br>Budget | Actual         |   | Actual         |
| <b>Revenues:</b>  |                                 |                |   |                |
| Customer service charges  | 485,600                         | 516,783        | 31,183  | 497,838        |
| Grants  | 173,000                         | 179,831        | 6,831   | 349,188        |
| Tap fees  | 5,000                           | 10,000         | 5,000   | 10,000         |
| Property taxes  | 30,970                          | 30,997         | 27  | 29,002         |
| Specific ownership taxes  | 1,800                           | 2,204          | 404   | 2,043          |
| Investment income   | 4,000                           | 7,256          | 3,256   | 2,666          |
| Shared employee reimbursements  | 2,165                           | 402            | (1,763)   | 225            |
| Miscellaneous   | 1,000                           | 923            | (77)  | 1,868          |
| <b>Total Revenues</b>   | <b>703,535</b>                  | <b>748,396</b> | <b>44,861</b>   | <b>892,830</b> |
| <b>Expenditures:</b>  |                                 |                |   |                |
| <b>Administration:</b>  |                                 |                |   |                |
| Payroll expenses  | 27,350                          | 22,144         | 5,206   | 21,726         |
| Audit and legal   | 11,000                          | 10,070         | 930   | 11,000         |
| Insurance   | 15,745                          | 14,105         | 1,640   | 15,390         |
| Miscellaneous   | 2,725                           | 1,715          | 1,010   | 2,226          |
| Operating supplies and expenses   | 2,500                           | 1,895          | 605   | 1,202          |
| Repairs and maintenance   | 1,500                           | 37             | 1,463   | 40             |
| Utilities   | 1,615                           | 1,557          | 58  | 1,549          |
| Treasurer's fees  | 1,550                           | 1,550          | -   | 1,450          |
| <b>Total - Administration</b>   | <b>63,985</b>                   | <b>53,073</b>  | <b>10,912</b>   | <b>54,583</b>  |
| <b>Sewage Collection and Treatment:</b>                                 |                                 |                |   |                |
| Payroll expenses  | 209,575                         | 194,208        | 15,367  | 210,083        |
| Miscellaneous   | 2,500                           | 999            | 1,501   | 3,124          |
| Operating supplies and expenses   | 37,350                          | 19,904         | 17,446  | 21,378         |
| Repairs and maintenance   | 22,725                          | 29,175         | (6,450)   | 13,736         |
| Utilities   | 68,400                          | 57,929         | 10,471  | 65,801         |
| Engineering and technical services                                      | 28,100                          | 6,873          | 21,227  | 2,838          |
| Capital outlay  | 239,735                         | 177,862        | 61,873  | 341,738        |
| <b>Total - Sewage Collection and Treatment</b>                          | <b>608,385</b>                  | <b>486,950</b> | <b>121,435</b>  | <b>658,698</b> |
| <b>Debt Service:</b>  |                                 |                |   |                |
| Principal and interest  | 66,450                          | 66,447         | 3   | 66,446         |
| <b>Total Expenditures</b>   | <b>738,820</b>                  | <b>606,470</b> | <b>132,350</b>  | <b>779,727</b> |
| <b>Excess (Deficiency) of Revenues Over Expenditures - Budget Basis</b> | <b>(35,285)</b>                 | <b>141,926</b> | <b>177,211</b>  | <b>113,103</b> |
| <b>Reconciliation to GAAP Basis:</b>                                    |                                 |                |   |                |
| Depreciation expense  |                                 | (279,933)      |   | (229,359)      |
| Accrued interest change   |                                 | 295            |   | 287            |
| Debt principal payments   |                                 | 50,782         |   | 49,050         |
| Capitalized assets  |                                 | 171,743        |   | 341,738        |
| <b>Change in Net Position - GAAP Basis</b>                              |                                 | <b>84,813</b>  |   | <b>274,819</b> |

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