



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

**FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2011**



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

**FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2011**

TABLE OF CONTENTS

Independent Auditors' Report	1
Management Discussion & Analysis	2
Basic Financial Statements	
Statement of Net Assets.....	6
Statement of Revenue, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information – Budgetary Comparison Schedule	17





Silverthorne/Dillon Joint Sewer Authority
Silverthorne, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Silverthorne/Dillon Joint Sewer Authority as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Silverthorne/Dillon Joint Sewer Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Silverthorne/Dillon Joint Sewer Authority as of December 31, 2011, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Silverthorne/Dillon Joint Sewer Authority's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Swanhorst & Company LLC

July 18, 2012



SILVERTHORNE/DILLON JOINT SEWER AUTHORITY

MANAGEMENT DISCUSSION & ANALYSIS

December 31, 2011

As management of the Silverthorne/Dillon Joint Sewer Authority (JSA), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the JSA for the fiscal year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the JSA exceeded its liabilities at the close of fiscal year 2011 by \$11,204,509 (*net assets*). Of this amount, \$4,335,478 (*unrestricted net assets*) may be used to meet ongoing obligations or unforeseen expenses.
- The following increases, as compared to 2010, occurred during 2011: EQR's (Equivalent Residential Units), by 33.34 units and user fees by \$27,404.
- The AMP program increased by \$288,939 from the prior year and has a balance of \$2,359,450 at the close of fiscal year 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The ***statement of revenue, expenses and changes in net assets*** presents information showing how the Joint Sewer Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future periods.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9 -16 of this report.

Net Assets – As noted earlier, net assets may serve over time as a useful indicator of financial position. In the case of the JSA, assets exceeded liabilities by \$11.2 million at the close of fiscal year 2011.

Net assets of the JSA at December 31, were:

	NET ASSETS	
	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 4,459,053	\$ 3,880,414
Capital Assets	<u>6,869,031</u>	<u>7,110,852</u>
Total Assets	11,328,084	10,991,266
Liabilities	<u>123,575</u>	<u>121,467</u>
Net Assets:		
Invested in Capital Assets	6,869,031	7,110,852
Unrestricted	<u>4,335,478</u>	<u>3,758,947</u>
Total Net Assets	<u>\$ 11,204,509</u>	<u>\$ 10,869,799</u>

By far the largest portion of the JSA's net assets, 61%, reflects its investment in capital assets (e.g. treatment plant, lines, machinery), less any related depreciation. Invested in capital assets is net of any debt outstanding on the capital assets. It should be noted that the JSA has no debt, long term or current, on any capital assets. The JSA uses these capital assets to provide services to participants; consequently, these assets are not available for future spending. Unrestricted net assets may be used to meet the JSA's ongoing obligations to participants and creditors.

Of the \$4,459,053 current and other assets, \$4,435,329 is cash, cash equivalents and investments. This reflects the strong cash balances that the JSA has maintained in 2011.

Changes in Net Assets – The JSA's net assets increased by \$334,710. This increase reflects that the JSA managed to show an increase during a fiscal year that was challenged by aging capital assets and economic woes forcing pay freezes.

	CHANGES IN NET ASSETS	
	<u>2011</u>	<u>2010</u>
Operating Revenues:		
User Fees	\$ 1,565,405	\$ 1,538,001
Participant Capital Fees	584,309	577,104
Miscellaneous	<u>58,858</u>	<u>39,273</u>
Total Revenues	<u>2,208,572</u>	<u>2,154,378</u>
Operating Expenses:		
Salaries & Benefits	490,022	508,836
Administrative Fees	142,310	139,089
Professional Fees	17,112	30,615
Supplies & Services	690,508	637,394
Depreciation	<u>581,825</u>	<u>501,102</u>
Total Expenses	<u>1,921,777</u>	<u>1,817,036</u>
Non-Operating Revenues (Expenses):		
Interest Revenue	23,015	35,719
Gain on Sale of Capital Assets	<u>24,900</u>	<u>-</u>
Total Non-Operating Revenues	47,915	35,719
(Expenses):	<u>47,915</u>	<u>35,719</u>
Increase in Net Assets	<u>\$ 334,710</u>	<u>\$ 373,061</u>

Operating Revenues Analysis:

- User fees remained at \$42.06/EQR/quarter in 2011.
- AMP fees increased from \$14.10/EQR/quarter to \$14.67/EQR/quarter in 2011.
- Connected EQR's increased to 8317.26 in the fourth quarter of 2011 from 8283.92 in the fourth quarter of 2010.
- Interest revenue decreased by \$12,704 due to reduced interest rates.
- 2011 saw a gain of \$24,900 on sale of capital assets.

Operating Expenses Analysis:

- Salaries and Benefits decreased due to replacing a retiring position with an entry level employee. Salaries remained frozen in 2011.
- Administrative fees increased slightly based on the increase in connected EQR's.
- Professional fees decreased due to reduced legal fees.
- Supplies and Services increased due to increases in transportation costs and maintenance costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the JSA had two budget revisions; one budget revision for carry forward from 2010 and a second revision to decrease the budget for the AMP program. The carry forward of \$67,000 from 2010 was for the completion of the East A-Basin Rehab and miscellaneous equipment.

Differences between the original budget and the final amended budget were consistent compared to past years. With these adjustments, actual expenditures were \$481,261 below final budget amounts and resources available for appropriation were \$21,786 above the final budgeted amount. Therefore, net changes in fund balance produced \$503,047 more than the final budget anticipated, which includes \$202,000 to be carried forward to 2012 to complete projects started in 2011 and \$250,000 to return to participants from available fund balance from operations.

CAPITAL ASSETS

Capital Assets

The JSA's investment in capital assets as of December 31, 2011 amounts to \$6,869,031 (net of accumulated depreciation). This investment in capital assets includes treatment plant, lines, office furniture and equipment, vehicles, machinery and equipment, projects in progress and land. The total net decrease in the JSA's investment in capital assets for the current fiscal year was \$241,821 due to the addition of capital assets of \$340,004 less annual depreciation of \$581,825.

Also, it was discovered that assets added in 2002 were being depreciated at 50% of the annual rate and an adjustment was made to correct the accumulated depreciation and is reflected as a prior period adjustment. The amount of the adjustment is \$405,091.

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

- \$117,000 for stucco replacement and driveway construction.
- \$30,000 for an energy audit.
- \$100,000 for odor control and miscellaneous equipment.
- \$93,000 for projects in progress.

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

	CAPITAL ASSETS AT YEAR- END	
	(net of depreciation)	
	<u>2011</u>	<u>2010</u>
Land	\$ 57,957	\$ 57,957
Projects in Progress	103,103	10,000
Treatment Plant	5,322,777	5,557,330
Lines	327,312	363,606
Vehicles	9,940	16,132
Office Furniture & Equipment	48,482	59,356
Machinery & Equipment	<u>999,460</u>	<u>1,046,471</u>
Total	<u>\$ 6,869,031</u>	<u>\$ 7,110,852</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Participant's user fees will remain at \$42.06/EQR/quarter.
- Participant's capital (AMP) fees will increase to \$15.30/EQR/quarter.
- \$1,500,000 in capital projects to include UV disinfection, digester rehab and a new centrifuge.

The JSA's discharge permit expired in July of 2011 but is still in effect under administrative extension. It is anticipated that UV disinfection will be required when the permit is renewed and accordingly, \$600,000 has been budgeted for disinfection and it will continue to be budgeted until a new permit is issued and the disinfection requirements are known.

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

All these factors were considered in preparing the JSA's budget for the 2012 fiscal year.

REQUESTS FOR INFORMATION

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

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

STATEMENT OF NET ASSETS

December 31, 2011

ASSETS

Current Assets		
Cash and Investments	\$	4,435,329
Accounts Receivable		22,430
Prepaid Expenses		1,294
		<hr/>
Total Current Assets		4,459,053
Capital Assets		
Non-Depreciable Assets		161,060
Depreciable Assets, Net		6,707,971
		<hr/>
		6,869,031
		<hr/>
Total Assets		11,328,084

LIABILITIES

Current Liabilities		
Accounts Payable		71,818
Accrued Liabilities		7,425
Compensated Absences		36,883
		<hr/>
Total Current Liabilities		116,126
Noncurrent Liabilities		
Compensated Absences		7,449
		<hr/>
Total Liabilities		123,575

NET ASSETS

Invested in Capital Assets		6,869,031
Unrestricted		4,335,478
		<hr/>
Total Net Assets	\$	<u>11,204,509</u>

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

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

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET ASSETS**

Year Ended December 31, 2011

OPERATING REVENUES	
User Fees	\$ 1,565,405
Participant Asset Management Plan Fees	584,309
Miscellaneous	<u>58,858</u>
Total Operating Revenues	<u>2,208,572</u>
 OPERATING EXPENSES	
Salaries & Benefits	490,022
Administrative Fees	142,310
Professional Fees	17,112
Supplies & Services	690,508
Depreciation	<u>581,825</u>
Total Operating Expenses	<u>1,921,777</u>
Net Operating Income	<u>286,795</u>
 NON-OPERATING REVENUES	
Interest Revenue	23,015
Gain on Sale of Capital Assets	<u>24,900</u>
Total Non-Operating Revenues	<u>47,915</u>
 CHANGES IN NET ASSETS	 334,710
 NET ASSETS - Adjusted, Beginning of Year	 <u>10,869,799</u>
 TOTAL NET ASSETS - End of Year	 \$ <u><u>11,204,509</u></u>

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

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

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 2,199,117
Cash Paid to Suppliers	(846,895)
Cash Paid to Employees	<u>(490,737)</u>
Net Cash Provided By Operating Activities	<u>861,485</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(340,004)
Proceeds from Sale of Capital Assets	<u>24,900</u>
Net Cash Used By Capital & Related Financing Activities	<u>(315,104)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Interest Received on Investments	<u>23,015</u>
Net Cash Provided By Investing Activities	<u>23,015</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	569,396
Cash and Cash Equivalents, Beginning of Year	<u>3,865,933</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,435,329</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income	\$ <u>286,795</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	581,825
(Increase) Decrease in Accounts Receivable	(9,455)
(Increase) Decrease in Prepaid Expenses	212
Increase (Decrease) in Accounts Payable	(4,571)
Increase (Decrease) in Accrued Liabilities	7,393
Increase (Decrease) in Compensated Absences	<u>(714)</u>
Total Adjustments	<u>574,690</u>
Net Cash Provided By Operating Activities	<u>\$ 861,485</u>

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

Silverthorne/Dillon Joint Sewer Authority
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following is a summary of the more significant policies:

1. Financial Reporting Entity

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

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

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

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

2. Basis of Accounting

The JSA is accounted for as an Enterprise Fund (Proprietary Fund type). Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenue earned, expenses incurred and net earnings is appropriate for the capital maintenance, public policy, management control, accountability or other purposes.

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Silverthorne/Dillon Joint Sewer Authority
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

3. Cash & Investments

The JSA's cash and cash equivalents include cash on hand, bank deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value. Earnings on investments are recognized when earned and include realized and unrealized gains on investments.

4. Accounts Receivable and Prepaid Expenses

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

5. Capital Assets and Depreciation

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

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

<u>Assets</u>	<u>Years</u>
Treatment plant	20-40
Machinery & Equipment	3-10
Vehicles	5-10
Lines	25-100
Furniture & Equipment	3-25

6. Compensated Absences

Employees accrue personal leave time which may be used in place of traditional sick and vacation time. Personal leave accrues to employees based on a sliding scale, and may be carried over to subsequent periods. Upon termination in good standing, employees are compensated for 100% of unused personal time.

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

Silverthorne/Dillon Joint Sewer Authority
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accumulated personal time and compensation time is reported as an expense and a liability of JSA.

7. Net Assets

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

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

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

2. Prior Period Adjustment

During the year ended December 31, 2011, the Town corrected the accumulated depreciation for certain capital assets. As a result, net assets at December 31, 2010 were restated, as follows:

Total Net Assets, December 31, 2010, As Originally Stated	\$11,274,890
Adjustment to Accumulated Depreciation	<u>(405,091)</u>
Total Net Assets, December 31, 2011, As Restated	<u>\$10,869,799</u>

The adjustment to Accumulated Depreciation was caused by asset additions in 2002 being depreciated at fifty percent of their annual depreciation amounts.

NOTE C – DEPOSITS AND INVESTMENTS

The JSA pools available funds with the Town of Silverthorne's pooled deposits and investments. The JSA follows the Town of Silverthorne's investment policies.

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 PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Silverthorne/Dillon Joint Sewer Authority
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

The Town of Silverthorne and JSA are required to comply with State statutes for Investments. JSA has a formal investment policy that further limits its investment choices. The investment choices are within the limitations of state laws and include:

- Direct obligations of the US government, its agencies, and instrumentalities to which the full faith and credit of the US government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged;
- Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions.
- With certain limitations, commercial paper, government pools, and money market funds regulated by the Securities and Exchange Commission (SEC).

The deposits and investments at December 31, 2011, are shown below:

	Type	Fair Value
Deposits:		
	Demand Deposits	\$ 32,279
	Certificates of Deposit	2,181,693
	Cash on Hand	100
		<u>\$ 2,214,072</u>
Investments:		
	Government Pool	<u>\$ 2,221,257</u>
	Total Deposits and Investments	<u>\$ 4,435,329</u>

Credit Risk – State statutes limit certain investments to the highest rating issued by nationally recognized statistical rating organizations (NRSRO's) depending on the type of investment.

Interest Rate Risk – State statutes generally limit investment maturities to five years. The JSA has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising for increasing interest rates. The JSA's general policy is to buy and hold investments to maturity. The JSA's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the JSA's investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of Credit Risk – JSA places limits on the amount it may invest in any one issuer. The JSA investment policy limits concentration depending on the investment instruments. At a maximum the policy allows no more than 50% of the portfolio in any single issuer.

Silverthorne/Dillon Joint Sewer Authority
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

At December 31, 2011, the JSA's equity in Government Investment Pool totaled \$2,221,257. These funds were invested by the Town with Colorado Local Government Liquid Asset Trust (COLOTRUST) and Colorado Surplus Asset Fund Trust (CSAFE), vehicles established by state statute for local government entities to pool surplus cash. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pools. The Trusts operate in conformity with the Securities and Exchange Commission's Rule 2a-7, as promulgated under the Investment Company Act of 1940. Both COLOTRUST and CSAFE are rated AAAM by Standard and Poor's. Investments are limited to those allowed by State statutes. Designated custodial banks provided safekeeping depository services, and substantially all securities owned by COLOTRUST and CSAFE are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investment as owned by COLOTRUST and CSAFE.

NOTE D – CAPITAL ASSETS

	Balance 1/1/11	Additions	Deletions	Balance 12/31/11
Capital assets, not being depreciated:				
Land	\$ 57,957	\$ -	\$ -	\$ 57,957
Projects in Progress	10,000	93,103	-	103,103
Total capital assets, not being depreciated	67,957	93,103	-	161,060
Capital assets, being depreciated:				
Treatment Plant	15,213,563	146,531	(63,123)	15,296,971
Lines	973,630	-	-	973,630
Furniture & Equipment	101,342	-	-	101,342
Vehicles	128,428	-	(57,756)	70,672
Machinery & Equipment	1,709,621	100,370	(38,087)	1,771,904
Total capital assets, being depreciated	18,126,584	246,901	(158,966)	18,214,519
Less accumulated depreciation:				
Treatment Plant	(9,656,233)	(381,084)	63,123	(9,974,194)
Lines	(610,024)	(36,294)	-	(646,318)
Furniture & Equipment	(41,986)	(10,874)	-	(52,860)
Vehicles	(112,296)	(6,192)	57,756	(60,732)
Machinery & Equipment	(663,150)	(147,381)	38,087	(772,444)
Total accumulated depreciation	(11,083,689)	(581,825)	158,966	(11,506,548)
Total capital assets, being depreciated, net	7,042,895	(334,924)	-	6,707,971
Total capital assets	\$ 7,110,852	\$ (241,821)	\$ -	\$ 6,869,031

Silverthorne/Dillon Joint Sewer Authority
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE E – PARTICIPATION

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

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

Town of Silverthorne	57.74 %
Town of Dillon	13.10
Dillon Valley Metro District	5.79
Buffalo Mountain Metro District	21.83
Mesa Cortina Metro District	1.22
JSA – De-watering Facility	.32

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

Town of Silverthorne	41.66 %
Town of Dillon	21.08
Dillon Valley Metro District	11.83
Buffalo Mountain Metro District	22.85
Mesa Cortina Metro District	2.58

The participants are charged for their proportional share of the operating costs based on the number of EQR's (equivalent residential units) that they have connected to the system. As of December 31, 2011 that participation was as follows:

	<u>EQR's</u>	<u>%</u>
Town of Silverthorne	3157.92	38.0
Town of Dillon	1730.60	20.8
Dillon Valley Metro District	1026.21	12.3
Buffalo Mtn. Metro District	2173.23	26.1
Mesa Cortina Metro District	<u>229.30</u>	<u>2.8</u>
Total	<u>8317.26</u>	<u>100.0</u>

NOTE F - PENSION PLAN

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

All full-time employees participate in a Section 401(A) defined contribution money purchase retirement plan. The plan, administered by ICMA Retirement Corporation, requires the JSA to contribute monthly an amount equal to 10.5% of each employee's salary. Each participant is required to contribute 7.5% of earnings for the plan year as a condition of participation in the plan. All amounts contributed are vested immediately. Contribution requirements of the JSA and the employee are established and may be amended by the managing agency, the Town of Silverthorne. Total contributions by the JSA and the employees for the year ended December 31, 2011 were \$37,324 and \$26,660, respectively.

Silverthorne/Dillon Joint Sewer Authority
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE G – CAPITAL REPLACEMENT RESERVE

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

Capital Replacement Reserve Balance, December 31, 2010	\$ 2,070,511
Participants Capital Fee added during 2011	584,309
Interest Income & Misc Income	37,535
Capital Replacement Outlays	<u>(332,905)</u>
Capital Replacement Reserve Balance December 31, 2011	<u>\$ 2,359,450</u>

NOTE H – RISK MANAGEMENT

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

The Town of Silverthorne provides health insurance coverage for each employee up to \$65,000 and aggregate losses for all employees up to \$2,000,000. The Town purchases commercial insurance for claims in excess of coverage provided by the Town and for all other risk of loss.

For the Town's dental and short-term disability program, the Town provides coverage equal to the coverage that was provided by the private insurance industry. The coverage has a low risk to the Town. There is no excess coverage insurance for these plans. The dental insurance allows a \$1,000 cap per person per year. The short-term disability insurance covers a maximum of 12 weeks of 60% of weekly salary with a maximum of \$750 per week.

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

Of the total, the JSA 2011 premiums paid were \$55,651 and claims paid were \$31,452

The JSA carries commercial insurance for property, liability and workers compensation coverage.

Silverthorne/Dillon Joint Sewer Authority
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE I - TAXPAYER BILL OF RIGHTS

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

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

SILVERTHORNE/DILLON JOINT SEWER AUTHORITY
SILVERTHORNE, COLORADO

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budget Basis</u>	<u>Variance - favorable (unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
User Fees	\$ 1,531,103	\$ 1,531,103	\$ 1,565,405	\$ 34,302
Participant Asset Management Plan Fees	594,606	594,606	584,309	(10,297)
Miscellaneous	35,000	35,000	58,858	23,858
Interest	49,092	49,092	23,015	(26,077)
Total Revenues	<u>2,209,801</u>	<u>2,209,801</u>	<u>2,231,587</u>	<u>21,786</u>
Expenses				
Salaries & Benefits	523,846	525,827	490,022	35,805
Administrative Fees	139,190	139,190	142,310	(3,120)
Professional Fees	64,000	64,000	17,112	46,888
Supplies & Services	815,200	815,200	690,508	124,692
Capital Outlay	900,000	617,000	340,004	276,996
Total Expenses	<u>2,442,236</u>	<u>2,161,217</u>	<u>1,679,956</u>	<u>481,261</u>
Change in Net Assets, Budgetary Basis	\$ <u>(232,435)</u>	\$ <u>48,584</u>	551,631	\$ <u>503,047</u>
Adjustments to GAAP Basis:				
Gain on Sale of Capital Assets			24,900	
Capital Outlay			340,004	
Depreciation			<u>(581,825)</u>	
Total Adjustments to Basis			<u>(216,921)</u>	
Change in Net Assets, GAAP Basis			\$ <u>334,710</u>	

See the accompanying Independent Auditors' Report