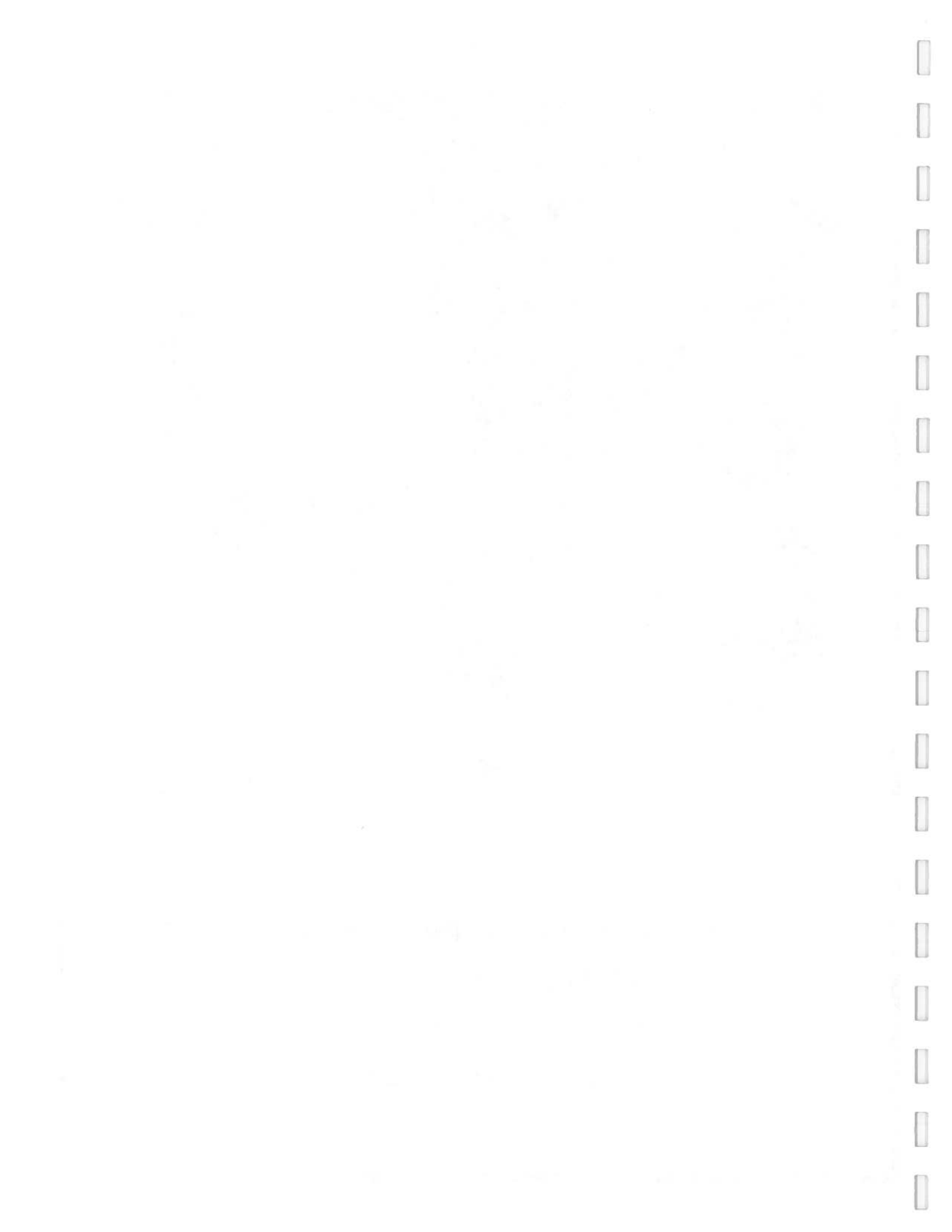


**SILVERTHORNE/DILLON JOINT SEWER AUTHORITY**  
**SILVERTHORNE, COLORADO**  
**FINANCIAL STATEMENTS AS OF**  
**DECEMBER 31, 2013**



SILVERTHORNE/DILLON JOINT SEWER AUTHORITY  
SILVERTHORNE, COLORADO

FINANCIAL STATEMENTS AS OF  
DECEMBER 31, 2013

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Silverthorne/Dillon Joint Sewer Authority  
Silverthorne, Colorado

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Silverthorne/Dillon Joint Sewer Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Silverthorne/Dillon Joint Sewer Authority, as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditors' Responsibility**

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

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

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

#### **Opinion**

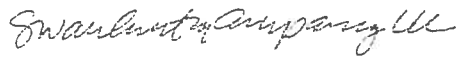
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Silverthorne/Dillon Joint Sewer Authority as of December 31, 2013, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters (Required Supplementary Information)**

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

**Other Matters (Supplementary Information)**

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



July 17, 2014

## SILVERTHORNE/DILLON JOINT SEWER AUTHORITY

### MANAGEMENT DISCUSSION & ANALYSIS

December 31, 2013

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, 2013.

#### FINANCIAL HIGHLIGHTS

- The assets of the JSA exceeded its liabilities at the close of fiscal year 2013 by \$11,591,558 (*net position*). Of this amount, \$4,494,794 (*unrestricted*) may be used to meet ongoing obligations or unforeseen expenses.
- The following changes, as compared to 2012, occurred during 2013: EQR's (Equivalent Residential Units), increased by 34.19 units and user fees increased by \$13,260.
- Operating revenues increased \$24,234 (1%) from prior year and operating expenses increased \$38,442 (2%) for a net decrease of \$14,208 in operating income.
- A paper expansion took place that increased constructed capacity from 10,000 EQR's to 11,400 EQR's.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

**Net Position** – As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the JSA, assets exceeded liabilities by approximately \$11.6 million at the close of fiscal year 2013.

Net position of the JSA at December 31, was:

	<b>NET POSITION</b>	
	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 4,597,142	\$ 4,472,729
Capital Assets	7,096,764	6,991,298
Total Assets	<u>11,693,906</u>	<u>11,464,027</u>
Liabilities	<u>102,348</u>	<u>176,489</u>
Net Position:		
Net Investment in Capital		
Assets	7,096,764	6,991,298
Unrestricted	<u>4,494,794</u>	<u>4,296,240</u>
Total Net Position	<u>\$ 11,591,558</u>	<u>\$ 11,287,538</u>

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

Of the \$4,597,142 current and other assets, \$4,553,088 is cash and investments. This reflects the strong cash balances that the JSA has maintained in 2013.

**Changes in Net Position** – The JSA's net position increased by \$304,020. This increase reflects that the JSA managed to show an increase during a fiscal year that was challenged by aging capital assets.

	<b>CHANGES IN NET POSITION</b>	
	<u>2013</u>	<u>2012</u>
Operating Revenues:		
User Fees	\$ 1,556,765	\$ 1,543,505
Participant Capital Fees	649,800	619,488
Miscellaneous	<u>69,825</u>	<u>89,163</u>
Total Revenues	<u>2,276,390</u>	<u>2,252,156</u>
Operating Expenses:		
Salaries & Benefits	502,260	504,365
Administrative Fees	141,524	140,319
Professional Fees	38,339	22,340
Supplies & Services	697,315	701,348
Depreciation	<u>606,054</u>	<u>578,678</u>
Total Expenses	<u>1,985,492</u>	<u>1,947,050</u>
Nonoperating Revenues (Expenses):		
Interest Revenue	13,122	21,541
Distribution to Members	-	(249,999)
Gain on Sale of Capital Assets	<u>-</u>	<u>6,381</u>
Total Nonoperating Revenues		
(Expenses):	<u>13,122</u>	<u>(222,077)</u>
Increase in Net Position	<u>\$ 304,020</u>	<u>\$ 83,029</u>



#### Operating Revenues Analysis:

- User fees remained at \$42.06/EQR/quarter in 2013.
- AMP fees decreased from \$15.30/EQR/quarter to \$14.25/EQR/quarter in 2013.
- Connected EQR's increased to 8411.19 in the fourth quarter of 2013 from 8377.00 in the fourth quarter of 2012.
- Interest revenue decreased by \$8,419 due to reduced interest rates.

#### Operating Expenses Analysis:

- Salaries and benefits decreased due to a reduction in worker's compensation insurance.
- Administrative fees increased slightly based on the increase in connected EQR's.
- Professional fees increased due to engineering fees.
- Supplies and Services decreased due to a reduction in collection services.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the JSA had one budget revision for carry forward projects from 2012. The majority of the \$440,000 carry forward was used to purchase generating capacity in the Summit County Solar Garden.

Differences between the original budget and the final amended budget were consistent compared to past years. With these adjustments, actual expenditures were \$653,940 below final budget amounts and resources available for appropriation were \$33,064 above the final budgeted amount. Therefore, net changes in fund balance produced \$687,004 more than the final budget anticipated, which includes \$392,000 to be carried forward to 2014 to complete projects started in 2013.

### **CAPITAL ASSETS**

#### **Capital Assets**

The JSA's investment in capital assets as of December 31, 2013 amounts to \$7,096,764 (net of accumulated depreciation). This investment in capital assets includes treatment plant, lines, office furniture and equipment, vehicles, machinery and equipment, other improvements, projects in progress and land. The total net increase in the JSA's investment in capital assets for the current fiscal year was \$105,466 due to the addition of capital assets of \$711,520 less net depreciation of \$596,214 and deletions of \$9,840.

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

- \$370,000 to purchase capacity in the Summit County Solar Garden.
- \$115,000 to replace a motor control center.
- \$80,000 for pretreatment improvements.
- \$40,000 to complete the centrifuge.
- \$50,000 for exterior building maintenance.

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

<b>CAPITAL ASSETS AT YEAR- END</b>		
<b>(net of depreciation)</b>		
	<u>2013</u>	<u>2012</u>
Land	\$ 57,957	\$ 57,957
Projects in Progress	102,088	561,261
Treatment Plant	4,679,502	4,993,786
Lines	254,724	291,018
Vehicles	1,664	4,793
Furniture & Equipment	28,362	36,103
Machinery & Equipment	1,612,167	1,046,380
Other Improvements	<u>360,300</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 7,096,764</u></b>	<b><u>\$ 6,991,298</u></b>

**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 \$14.85/EQR/quarter.
- \$1,605,000 in capital projects to include UV disinfection, MCC upgrades, Treatment Process upgrades to enhance nitrogen removal and Clarifier Rehabilitation.
- In October 2013 the JSA was awarded a \$1,000,000 State Grant to help fund the Treatment Plant improvements designed to meet Colorado Regulation 85. This new regulation requires more stringent control of nitrogen and phosphorous discharged to the Blue River. The major portion of the improvements will be completed in 2014-2015.

The JSA’s discharge permit expired in July of 2011 but is still in effect under administrative extension. It is anticipated that nutrient control and UV disinfection will be required when the permit is renewed. The State Grant received will be used to help fund the treatment plant improvements needed to comply with Regulation 85.

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 2013 fiscal year.

**REQUESTS FOR INFORMATION**

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

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

**STATEMENT OF NET POSITION**

December 31, 2013

**ASSETS**

Current Assets		
Cash and Investments	\$	4,553,088
Accounts Receivable		10,128
Prepaid Expenses		<u>33,926</u>
Total Current Assets		<u>4,597,142</u>
Capital Assets		
Non-Depreciable Assets		160,045
Depreciable Assets, Net		<u>6,936,719</u>
		<u>7,096,764</u>
Total Assets		<u>11,693,906</u>

**LIABILITIES**

Current Liabilities		
Accounts Payable		46,004
Accrued Liabilities		17,058
Compensated Absences		<u>30,167</u>
Total Current Liabilities		<u>93,229</u>
Noncurrent Liabilities		
Compensated Absences		<u>9,119</u>
Total Liabilities		<u>102,348</u>

**NET POSITION**

Net Investment in Capital Assets		7,096,764
Unrestricted		<u>4,494,794</u>
Total Net Position	\$	<u><u>11,591,558</u></u>

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

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

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

Year Ended December 31, 2013

**OPERATING REVENUES**

User Fees	\$ 1,556,765
Participant Asset Management Plan Fees	649,800
Miscellaneous	<u>69,825</u>
Total Operating Revenues	<u>2,276,390</u>

**OPERATING EXPENSES**

Salaries & Benefits	502,260
Administrative Fees	141,524
Professional Fees	38,339
Supplies & Services	697,315
Depreciation	<u>606,054</u>
Total Operating Expenses	<u>1,985,492</u>

Net Operating Income 290,898

**NONOPERATING REVENUES (EXPENSES)**

Interest Revenue 13,122

**CHANGE IN NET POSITION** 304,020

**NET POSITION - Beginning of Year** 11,287,538

**NET POSITION - End of Year** \$ 11,591,558

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, 2013

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Users	\$ 2,283,288
Cash Paid to Suppliers	(889,140)
Cash Paid to Employees	(506,060)

888,088

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of Capital Assets	(772,309)
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received on Investments	<u>13,122</u>
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**NET INCREASE IN CASH AND  
CASH EQUIVALENTS** 128,901

Cash and Cash Equivalents, Beginning of Year 4,424,187

Cash and Cash Equivalents, End of Year \$ 4,553,088

**RECONCILIATION OF NET OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income \$ 290,898

Adjustments to Reconcile Net Operating Income to Net Cash  
Provided by Operating Activities:

Depreciation	606,054
(Increase) Decrease in Accounts Receivable	6,898
(Increase) Decrease in Prepaid Expenses	(2,410)
Increase (Decrease) in Accounts Payable	(9,552)
Increase (Decrease) in Accrued Liabilities	764
Increase (Decrease) in Compensated Absences	(4,564)

Total Adjustments 597,190

Net Cash Provided By Operating Activities \$ 888,088

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

Silverthorne/Dillon Joint Sewer Authority  
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

Silverthorne/Dillon Joint Sewer Authority  
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

**5. Capital Assets and Depreciation**

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

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

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

**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, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**7. Net Position**

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

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**1. Budgetary Information**

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

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

**NOTE C – DEPOSITS AND INVESTMENTS**

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

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by 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.

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

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



Silverthorne/Dillon Joint Sewer Authority  
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)**

The deposits and investments at December 31, 2013, are shown below:

	Type	Fair Value
<b>Deposits:</b>		
	Bank Deposits	\$ 676,327
	Certificates of Deposit	<u>916,452</u>
		<u>\$ 1,592,779</u>
<b>Investments:</b>		
	Local Government Investment Pools	<u>\$ 2,960,309</u>
	<b>Total Deposits and Investments</b>	<u><b>\$ 4,553,088</b></u>

*Credit Risk* – State statutes limit investments to those with specified ratings issued by nationally recognized statistical rating organizations, depending on the investment type.

*Interest Rate Risk* – State statutes generally limit investments to an original maturity of no more than five years. The Town 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 Town's general policy is to buy and hold investments to maturity. The Town'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 Town's investment risk constraints and the cash flow characteristics of the portfolio.

*Concentration of Credit Risk* – The Town's policy places limits on the amount it may invest in any one issuer. The Town's 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. Additionally, the investment policy recommends the Town diversify use of investment instruments to avoid incurring unreasonable risk in over-investing in one specific instrument or in one institution. The Town's investment policy recommends that "no more than 10% of the portfolio deposited in any single bank or savings and loan. No more than 25% of the portfolio in PDPA collateralized deposits."

At December 31, 2013, the JSA's equity in Local Government Investment Pools totaled \$2,960,309. 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 funds. 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, as amended. Investments of COLOTRUST and CSAFE are limited to those allowed by State statute. A designated custodial bank provides safekeeping and 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 investments owned by the participating governments. The pools are rated AAAM by Standard and Poor's.

Silverthorne/Dillon Joint Sewer Authority  
Silverthorne, Colorado

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE D – CAPITAL ASSETS**

	Balance 1/1/13	Additions	Deletions	Balance 12/31/13
Capital assets, not being depreciated:				
Land	\$ 57,957	\$ -	\$ -	\$ 57,957
Projects in Progress	561,261	102,088	(561,261)	102,088
Total capital assets, not being depreciated	<u>619,218</u>	<u>102,088</u>	<u>(561,261)</u>	<u>160,045</u>
Capital assets, being depreciated:				
Treatment Plant	15,222,910	47,736	(9,840)	15,260,806
Lines	973,630	-	-	973,630
Furniture & Equipment	84,363	-	-	84,363
Vehicles	70,672	-	-	70,672
Machinery & Equipment	1,977,865	753,419	-	2,731,284
Other Improvements	-	369,538	-	369,538
Total capital assets, being depreciated	<u>18,329,440</u>	<u>1,170,693</u>	<u>(9,840)</u>	<u>19,490,293</u>
Less accumulated depreciation:				
Treatment Plant	(10,229,124)	(362,020)	9,840	(10,581,304)
Lines	(682,612)	(36,294)	-	(718,906)
Furniture & Equipment	(48,260)	(7,741)	-	(56,001)
Vehicles	(65,879)	(3,129)	-	(69,008)
Machinery & Equipment	(931,485)	(187,632)	-	(1,119,117)
Other Improvements	-	(9,238)	-	(9,238)
Total accumulated depreciation	<u>(11,957,360)</u>	<u>(606,054)</u>	<u>9,840</u>	<u>(12,553,574)</u>
Total capital assets, being depreciated, net	<u>6,372,080</u>	<u>564,639</u>	<u>-</u>	<u>6,936,719</u>
Total capital assets	<u>\$ 6,991,298</u>	<u>\$ 666,727</u>	<u>\$ (561,261)</u>	<u>\$ 7,096,764</u>

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

Silverthorne/Dillon Joint Sewer Authority  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE E – PARTICIPATION (CONTINUED)**

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

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

The participants are charged for their proportional share of the operating costs based on the number of EQR's (equivalent residential units) that they have connected to the system. As of December 31, 2013 that participation was as follows:

	<u>EQR's</u>	<u>%</u>
Town of Silverthorne	3233.31	38.4
Town of Dillon	1737.04	20.7
Dillon Valley Metro District	1027.11	12.2
Buffalo Mtn. Metro District	2179.43	25.9
Mesa Cortina Metro District	<u>234.30</u>	<u>2.8</u>
Total	<u>8411.19</u>	<u>100.0</u>

A paper expansion took place on January 1, 2013 that redistributed ownership between participants based on 11,400 EQR's from 10,000 EQR's. The redistribution of the EQR's was between the participants and had no financial affect on the JSA.

**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, 2013 were \$39,784 and \$28,418, respectively.

Silverthorne/Dillon Joint Sewer Authority  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE G – PARTICIPANT ASSET MANAGEMENT PLAN**

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

Capital Replacement Reserve Balance, December 31, 2012	\$ 3,008,342
Participants Asset Management Plan Fees	649,800
Interest Income & Misc Income	16,383
Capital Replacement Outlays	<u>(769,008)</u>
Capital Replacement Reserve Balance December 31, 2013	<u>\$ 2,905,517</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 \$1,002,473. The Town purchases commercial insurance for claims in excess of coverage provided by the Town.

For the JSA'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 \$1,000 per week.

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

Of the total, the JSA 2013 premiums paid were \$56,261 and claims paid were \$108,562.

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

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

Silverthorne/Dillon Joint Sewer Authority  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**NOTE H – RISK MANAGEMENT (CONTINUED)**

The deductible varies from none to \$1,000, based on the type of loss. The JSA had no property/liability claims in 2013. CSD is a separate legal entity and the JSA does not approve budgets nor does it have the ability to significantly affect the operations of the CSD.

**NOTE 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, 2013

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final	Budget Basis	favorable (unfavorable)
<b>Revenues</b>				
User Fees	\$ 1,543,976	\$ 1,543,976	\$ 1,556,765	\$ 12,789
Participant Asset Management Fund Fees	650,402	650,402	649,800	(602)
Miscellaneous	35,000	35,000	69,825	34,825
Interest	27,070	27,070	13,122	(13,948)
	<u>2,256,448</u>	<u>2,256,448</u>	<u>2,289,512</u>	<u>33,064</u>
<b>Total Revenues</b>				
<b>Expenses</b>				
Salaries & Benefits	534,886	519,886	502,260	17,626
Administrative Fees	140,362	140,362	141,524	(1,162)
Professional Fees	64,000	64,000	38,339	25,661
Supplies & Services	811,650	758,650	697,315	61,335
Capital Outlay	1,297,000	1,262,000	772,309	489,691
	<u>2,847,898</u>	<u>2,744,898</u>	<u>2,151,747</u>	<u>593,151</u>
<b>Total Expenses</b>				
Change in Net Position, Budgetary Basis	<u>\$ (591,450)</u>	<u>\$ (488,450)</u>	137,765	<u>\$ 626,215</u>
<b>Adjustments to GAAP Basis:</b>				
Capital Outlay			772,309	
Depreciation			(606,054)	
			<u>166,255</u>	
<b>Total Adjustments to GAAP Basis</b>				
<b>Change in Net Position, GAAP Basis</b>			<u>\$ 304,020</u>	

See the accompanying Independent Auditors' Report.