

SOUTH DURANGO SANITATION DISTRICT

I hereby certify that the attached is a true and accurate copy of the 2018 Budget for the South Durango Sanitation District in La Plata County, Colorado. This Budget was adopted on December 21, 2017. If there are any questions on the Budget, please contact Floyd L. Smith at 970-247-1921.

SOUTH DURANGO SANITATION DISTRICT

BY: Floyd L. Smith

RESOLUTION NO. 2017 - 5
RESOLUTION TO ADOPT BUDGET

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET FOR THE SOUTH DURANGO SANITATION DISTRICT, LA PLATA COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2018, AND ENDING ON THE LAST DAY OF DECEMBER, 2018.

WHEREAS, the Board of Directors of the South Durango Sanitation District has appointed Barb Prose to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, Barb Prose has submitted a proposed budget to this governing body for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on December 21, 2017 and interested taxpayers were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues so that the budget remains in balance, as required by law.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SOUTH DURANGO SANITATION DISTRICT, LA PLATA COUNTY, COLORADO

SECTION I

That estimated expenditures for each fund are as follows:

Enterprise fund	
Operating Expenses	\$ 505,410
Non-Operating Expenses	<u>\$1,230,411</u>
Total Enterprise Fund Expenses	\$1,735,821

SECTION II

That estimated revenues for each fund are as follows:

Enterprise Fund	
From unappropriated surpluses	\$ 0
From sources other than general property tax	\$1,735,411
From the general property tax levy	<u>\$ 0</u>
Total Enterprise Fund Revenues	\$1,735,821

SECTION III

That the budget as submitted, amended and hereinabove summarized by fund, be, and the same hereby is approved and adopted as the budget of the South Durango Sanitation District for the year stated above.

SECTION IV

That the budget hereby approved and adopted shall be signed by the Secretary of the District and made a part of the public records of the South Durango Sanitation District.

ADOPTED this 21st day of December, 2017.

SOUTH DURANGO SANITATION DISTRICT

By Curt Piccoli
President

ATTEST:

Patricia Morrey
Secretary

RESOLUTION NO. 2017 - 6

RESOLUTION TO APPROPRIATE SUMS OF MONEY

A RESOLUTION APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS AND SPENDING AGENCIES, IN THE AMOUNTS AND FOR THE PURPOSES AS SET FORTH BELOW FOR THE SOUTH DURANGO SANITATION DISTRICT, LA PLATA COUNTY, COLORADO, FOR THE 2018 BUDGET YEAR.

WHEREAS, the Board of Directors of the South Durango Sanitation District has adopted the annual budget in accordance with the Local Government Budget Law on December 21, 2017; and

WHEREAS, the Board of Directors has made provision therein for revenues in an amount equal to or greater than the total proposed expenditures as set forth in said budget and;

WHEREAS, it is not only required by law, but also necessary to appropriate the revenues provided in the budget to and for the purposes described below, so as not to impair the operations of the South Durango Sanitation District.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SOUTH DURANGO SANITATION DISTRICT, LA PLATA COUNTY, COLORADO

SECTION I

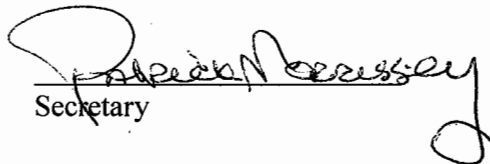
That the following sums are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated:

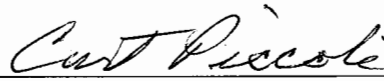
Enterprise Fund	
Current Operating Expenses	\$ 505,410
Non-operating Expenses	\$1,230,411
Total Enterprise Fund Revenues	\$1,735,821

ADOPTED this 21st day of December, 2017.

SOUTH DURANGO SANITATION DISTRICT

ATTEST:


Secretary

By 
President

SOUTH DURANGO SANITATION DISTRICT 2018 BUDGET MESSAGE

The proposed budget for the South Durango Sanitation District for the 2018 calendar year is attached. As required by law, the budget summarizes all revenues and expenditures for the District for the prior year, the current year and the proposed budget year.

The District provides sewage collection and treatment services in the South Durango and Grandview areas. Although a substantial portion of the District service area is within the Durango city limits, a portion still remains in the unincorporated area of La Plata County, Colorado. As a result, the District serves customers who are connected to the City's central water system and customers who have private wells or water systems.

The District is supported by revenues paid by its customers and does not levy a tax. All current customers are charged a monthly user fee which covers all operating costs of the District. A portion of the user fee is also used for the payment of the District's 2006 Sewer Revenue Bond which made substantial improvements to the main interceptor lines serving the Grandview and South Durango areas for the benefit of both existing and future customers. A portion of the user fee is also used to pay the lease purchase expense for sludge handling equipment acquired by the District in 2015.

Tap fee revenue is used to pay for debt service and other capital costs incurred to construct or expand facilities needed to provide service for new customers. Tap fee revenue has increased substantially in the last few years. Continued strong growth in the Three Springs area and new projects proposed in the south Durango, Grandview and Southfork areas within the District are likely to provide substantial tap fee revenue which will result in an increase in the capital reserves available to the District. Planned capital expenditures (non-operating) in 2018 include \$100,000 for a backup generator, \$20,000 for pump and sensors and \$20,000 for an inspection camera. The District has approved the preparation of a new Master Plan for the District facilities that will include an update to the capital improvement plan. That plan is expected to be completed in 2018. Tap fee revenue from large apartment projects will provide sufficient funds in 2018 to redeem the final \$855,000 in the 2006 revenue bond issue. This final redemption together with earlier redemptions in 2016 and 2017 will provide interest savings of more than \$225,000 for the District.

The 2018 budget projects total operating expenditures of \$505,410, an increase of approximately \$48,000 more than the amount of estimated expenditures in 2017. The District significantly underspent its budget for equipment replacement in 2017 which accounts for a portion of the increase. The only significant increase included in the 2018 operating budget is an increase for sludge handling of approximately \$15,000 more than the amount expended in 2017. The District is still analyzing sludge handling costs to develop more accurate projections however it is clear the savings in sludge handling utilizing the equipment purchased in 2015 is substantial in comparison to the cost of contracting with a third party for sludge hauling. The 2018 budget projects net operating income of \$133,990. The amount of operating reserves required in 2018 in order to pay the existing customers' share of the debt service and for the lease purchase payment for sludge handling equipment will exceed the available reserves. The amount to transfer during the 2018 budget year has been reduced by \$83,943 to maintain some operating reserve funds. Additional transfers from the operating reserves to the capital reserve fund will be made in future budget years until the shortfall is repaid.

The District does not receive any tax revenues and has established a water activity enterprise pursuant to Colorado law. As an enterprise, the District is exempt from TABOR limitations. The District uses the cash method for budgetary accounting. Audits are prepared using the modified accrual basis and GAAP for governmental units.

**SOUTH DURANGO SANITATION DISTRICT
2018 BUDGET**

				Budget		Estimated		Actual	
				Year Ending		Year Ending		Year Ending	
				December 31,2018	Notes	December 31 2017		December 31, 2016	
OPERATING									
Revenues									
			Sewage Treatment	\$ 630,000		\$ 600,000		\$ 558,030	
			Interest	1,650		2,650		1,522	
			Inspection fees	6,800		5,300		4,400	
			Miscellaneous	100		120		175	
			Total Operating Revenues	638,550		608,070		564,127	
Expenditures									
			Collection and Transmission						
			Power	2,800		2,600		2,792	
			Repairs, Cleaning & Supplies	35,000		32,000		22,503	
			Salaries	44,560		42,600		42,052	
			Operator	7,500		7,500		7,500	
			Payroll taxes & Benefits	16,000		14,500		14,358	
			Vehicle Expense	5,000		3,600		3,825	
			Total Collection and Transmission	110,860		102,800		93,030	
			Sewage Treatment						
			Repairs, Maintenance & Supplies	25,000		20,000		41,214	
			Equipment replacement	25,000		10,000		9,330	
			Salaries	29,750		28,875		28,035	
			Payroll taxes & Benefits	10,625		9,500		9,480	
			Operator	30,000		30,000		30,000	
			Sludge Handling	45,000		30,000		-	
			Testing	14,000		12,000		11,727	
			Utilities	70,000		70,000		54,890	
			Total Sewage Treatment	249,375		210,375		184,676	
			Administrative						
			Accounting and Billing	37,500		35,000		33,910	
			Auditing	7,800		7,600		7,600	
			Directors Fees	6,625		5,750		5,813	
			Dues & Subscriptions	1,000		1,232		923	
			Engineering	12,000		17,500		19,490	
			Insurance	18,000		16,000		14,619	
			Legal	40,000		40,000		40,832	
			Training & Seminars	1,500		-		-	
			Miscellaneous	1,500		900		1,621	
			Office & Postage	18,000		18,000		16,573	
			Permits	1,250		1,800		875	
			Total Administrative	145,175		143,782		142,256	
			Total Operating Expenditures	505,410		456,957		419,962	
			Operating Income (Loss)	133,140	26.3%	151,113	33.1%	144,165	34.3%
			Transfer to Non-operating	(283,943)	Note 1	(205,693)		(73,489)	
			Reduce transfer for bond redemption	83,943					
			Beginning Operating Fund Balance - January 1	126,441		181,021		110,345	
			Ending Operating Fund Balance - December 31	59,581		126,441		181,021	

**SOUTH DURANGO SANITATION DISTRICT
2018 BUDGET**

		Budget		Estimated		Actual
		Year Ending		Year Ending		Year Ending
		December 31,2018		December 31,2017		December 31,2016
NON-OPERATING						
Revenues						
	Tap Fees	1,265,500	Note 2	587,625		287,675
	Interest	2,000		2,500		349
	Total Non-operating Revenues	1,267,500		590,125		288,024
Expenditures						
	Capital Outlay					
	Equipment-New	15,000		-		30,386
	Liner Repairs	-		-		24,824
	Equipment-Storage	-		21,500		-
	Master Plan	69,000		16,500		-
	Treatment Plant	146,000	Note 3	12,150		22,840
	Total Capital Outlay	230,000		50,150		78,050
	Debt Service					
	Principal					
	2006 bonds	855,000		525,000		110,000
	WPCRF	36,587		35,866		35,159
	Sludge Handling Equip.	53,758		52,347		25,653
	Interest					
	2006 bonds	34,200		51,200		59,033
	WPCRF	12,481		13,202		13,850
	Sludge Handling Equip.	7,885		9,296		5,578
	Debt service fees	500		400		400
	Total Debt Service	1,000,411		687,311		249,673
	Total Non-operating Expenditures	1,230,411		737,461		327,723
	Non-operating Income (Loss)	37,089		(147,336)		(39,699)
	Transfer from Operating	200,000		205,693		73,489
	Non-operating Fund Balance - January 1	284,376		226,019		192,229
	Non-operating Fund Balance - December 31	521,465		284,376		226,019
	TOTAL FUND BALANCE - JANUARY 1	410,817		407,040		304,574
	TOTAL FUND BALANCE - DECEMBER 31	581,046		410,817		407,040
Note 1: Operating transfer is 25% of 2006 bond payment, sludge handling lease purchase payments and any capitalized repairs						
Note 2: Assumes 40 Three Springs taps, 20 south Durango area taps plus Rocket Apartments						
Note 3: Includes: Generator \$100,000, Bad batch pump and sensors \$20,000, Concrete pad for sludge equipment \$26,000						

SOUTH DURANGO SANITATION DISTRICT
2018 Budget

Supplemental Schedule - Lease Purchase Agreements

A	Total amount to be expended during 2018 for payments under all lease purchase agreements involving real property	\$0
B.	Total maximum payment liability under all lease purchase agreements involving real property over the entire term of the agreements	\$0
C	Total amount to be expended during 2018 for payment obligations under lease purchase agreements other than those involving real property	\$61,643
D	Total maximum payment liability under all lease purchase agreements other than those involving real property over the entire term of the agreements	\$431,502