

SOUTH DURANGO SANITATION DISTRICT

I hereby certify that the attached is a true and accurate copy of the 2016 Budget for the South Durango Sanitation District in La Plata County, Colorado. This Budget was adopted on December 17, 2015. 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

SOUTH DURANGO SANITATION DISTRICT 2016 BUDGET MESSAGE

The proposed budget for the South Durango Sanitation District for the 2016 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 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 existing and future customers.

The District had previously increased user fees to make bond payments when there was no tap fee revenue. The increased user fee rate and the addition of 175 new users since 2011 has resulted in user fee revenue which is substantially more than is required to pay operating expenses and accumulate reasonable reserves for replacement. Tap fee revenue which is used to pay for capital costs incurred to provide service for new customers is projected to continue to increase in the next few years. As a result, the District decreased the user fee rate from \$40 per ERT to \$35 per ERT in September 2015. Even with the decrease in the user fee rate, total user fee revenue will remain at about the same level due to an increase in the number of customers.

The budget projects total operating expenditures of \$411,850 in 2016, an increase of approximately \$64,000 more than the amount of estimated expenditures in 2015. Included in the 2016 operating budget is \$30,000 for sludge removal and \$25,000 for equipment replacement, a total of \$55,000 that was not expended in 2015. Without those new expenditure items, the projected increase in operating expenses in 2016 is about 2.5% above 2015 expenditures. The 2016 budget projects net operating income of \$148,175, of which \$60,000 will be transferred to debt service to the existing customers' share of the debt service for the replacement of the interceptors and the remainder will be retained in reserve for future equipment replacement.

Tap fees (plant investment fees) are charged to new customers connecting to the system and are used to pay capital expenses including the repayment of bonds or loans, the proceeds of which were used to construct capital facilities for the District. In 2014 the District completed an analysis of its tap fee structure and lowered its tap fee although total projected tap fee revenue based on unused capacity will remain unchanged. Additional analysis will continue with an updated Capital Improvement Plan being developed. Further adjustments to fees will be made as needed.

For the ten year period from 1998-2008 the District experienced rapid growth and received

substantial revenue from tap fees. Little tap fee revenue from new customers was received in 2009-2014. As a result, the Threes Springs developer ("GRVP") was required to purchase taps under a Tap Guaranty Agreement to pay the District's 2004 revenue bond. In 2015 GRVP activated the remainder of its prepaid taps permitting the sale of taps for new growth which resulted in tap fee revenue of \$170,500 in 2015. Similar tap fee revenue is projected for 2016.

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 2016 Budget

		Budget Year Ending		Estimated Year Ending		Actual Year Ending	
		December 31, 2016	% prior year	December 31 2015	% prior year	December 31, 2014	
OPERATING							
Revenues							
	Sewage Treatment	\$ 556,500		\$ 564,500		\$ 570,251	
	Interest	275		900		1	
	Inspection fees	3,000		3,100		4,500	
	Miscellaneous	100		-		2,859	
	Total Operating Revenues	559,875	98%	568,500	98%	577,611	
Expenditures							
Collection and Transmission							
	Power	2,750		2,580		2,123	
	Repairs, Cleaning & Supplies	35,000		20,000		27,683	
	Salaries	40,825		38,000		36,560	
	Operator	6,850		6,800		6,838	
	Payroll taxes & Benefits	14,050		14,320		10,841	
	Vehicle Expense	4,000		7,200		3,616	
	Total Collection and Transmission	103,475	116%	88,900	101%	87,661	
Sewage Treatment							
	Repairs, Maintenance & Supplies	20,000		20,000		21,374	
	Equipment replacement	25,000					
	Salaries	27,250		26,890		24,373	
	Payroll taxes & Benefits	9,000		8,200		7,098	
	Operator	27,300		27,300		27,352	
	Sludge Handling	25,000		-		-	
	Testing	7,400		7,400		6,548	
	Utilities	50,000		45,500		36,354	
	Total Sewage Treatment	190,950	141%	135,290	110%	123,099	
Administrative							
	Accounting and Billing	35,000		33,653		31,153	
	Auditing	7,800		7,600		7,600	
	Directors Fees	6,625		6,625		5,000	
	Dues & Subscriptions	1,000		920		962	
	Engineering	3,000		11,000		11,085	
	Insurance	14,000		13,992		13,939	
	Legal	30,000		32,500		35,805	
	Training & Seminars	1,500		60		-	
	Miscellaneous	1,000		918		1,182	
	Office & Postage	17,500		18,100		17,082	
	Permits	2,500		2,315		2,523	
	Total Administrative	119,925	94%	127,683	101%	126,331	
	Total Operating Expenditures	414,350		351,873		337,091	
	Operating Income (Loss)	145,525	26.0%	216,627	38.1%	240,520	41.6%
	Transfer to Non-operating	(120,000)		(181,500)		(200,000)	
	Beginning Operating Fund Balance - January 1	202,559		167,432		126,912	
	Ending Operating Fund Balance - December 31	228,084		202,559		167,432	

South Durango Sanitation District 2016 Budget

		Budget	Estimated	Actual
		Year Ending	Year Ending	Year Ending
		December 31, 2016	December 31, 2015	December 31, 2014
NON-OPERATING				
Revenues				
	Tap Fees	165,000	156,000	16,800
	Interest	25	275	82
	Grant - DOLA	-	-	-
	Total Non-operating Revenues	165,025	156,275	16,882
Expenditures				
Capital Outlay				
	Equipment-New	-	9,971	-
	Liner Repairs	-	50,000	-
	Aerators	-	5,800	-
	Treatment Plant	65,000	-	-
	Total Capital Outlay	65,000	65,771	-
Debt Service				
Principal				
	2006 bonds	100,000	160,000	95,000
	WPCRF	34,466	34,466	33,787
Interest				
	2006 bonds	66,000	64,800	69,483
	WPCRF	14,602	14,602	15,225
	Debt service fees	500	400	400
	Lease Purchase	-	-	-
	Total Debt Service	215,568	274,268	213,895
	Total Non-operating Expenditures	280,568	340,039	213,895
	Non-operating Income (Loss)	(115,543)	(183,764)	(197,013)
	Transfer from Operating	120,000	181,500	200,000
	Non-operating Fund Balance - January 1	723	2,987	-
	Non-operating Fund Balance - December 31	5,180	723	2,987
	TOTAL FUND BALANCE - JANUARY 1	203,282	170,419	125,597
	TOTAL FUND BALANCE - DECEMBER 31	233,264	203,282	170,419

RESOLUTION NO. 2015 - 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, 2016, AND ENDING ON THE LAST DAY OF DECEMBER, 2016.

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 17, 2015, 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	\$411,850
Non-Operating Expenses	<u>\$219,168</u>
Total Enterprise Fund Expenses	\$631,018

SECTION II

That estimated revenues for each fund are as follows:

Enterprise Fund	
From unappropriated surpluses	\$ 0
From sources other than general property tax	\$631,018
From the general property tax levy	<u>\$ 0</u>
Total Enterprise Fund Revenues	\$631,018

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 17th day of December, 2015.

SOUTH DURANGO SANITATION DISTRICT

By *Charles L. Lohr*
President

ATTEST:

Curt Piccoli
Secretary

RESOLUTION NO. 2015 - 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 2016 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 17, 2015; 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

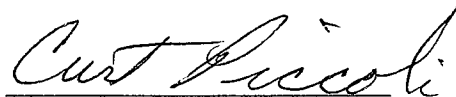
That the following sums are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated:


Enterprise Fund	
Current Operating Expenses	\$ 411,850
Non-operating Expenses	\$ 219,168
Total Enterprise Fund Revenues	\$ 631,018

ADOPTED this 17th day of December, 2015.

SOUTH DURANGO SANITATION DISTRICT

ATTEST:


Secretary

By 
President