

**Crested Butte South
Metropolitan District**
Financial Statements
With
Independent Auditors' Report
December 31, 2016



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By the Office of the State Auditor at 1:45 pm, Aug 11, 2017

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Management's Discussion and Analysis



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Crested Butte South Metropolitan District Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is designed to provide an easy-to-read discussion of the District's financial condition and operating results, and to disclose to the reader important financial activities and issues related to the District's basic operations and mission. The MD&A should be read in conjunction with a review of the District's basic financial statements.

The District has two separate financial categories or activities - governmental activities, and those activities covered or referred to as business-type activities. Within the governmental activities, the District has a General Fund. The governmental activities are funded primarily through the District's ad-valorem property tax, charges for services, and transfers from the business-type activities. The business-type activities consist of a water fund and a wastewater fund. These business-type activities are funded primarily through charges for services and tap fees.

DESCRIPTION OF FINANCIAL STATEMENTS

This annual report consists of four parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, *Required Supplementary Information*, and *Other Supplemental Schedules*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District government, reporting on the District's operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *Required Supplementary Information* that provides the budget and actual comparison for the general fund. Following that is a section of *Other Supplemental Schedules* that provides budget to actual comparisons for the District's other funds and additional information required by oversight agencies.

Government-wide Financial Statements

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in net position. The District's net position is one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net position are one indicator of whether its financial health, including liquidity and financial flexibility, is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base, growth prospects, citizen involvement, revisions to laws, and similar indicators need to be reviewed in order to assess the overall health of the District.

The Statement of Net Position reports information by fund type. The Statement of Activities reports information by function, program, or service.

In the Statement of Net Position and the Statement of Activities, the District is divided into two kinds of activities:

- **Governmental Activities** – The governmental activities of the District are reported here. These activities include the activity of the general fund as well as general government capital assets and long-term debt. Property taxes, transfers, and charges for services finance most of these activities.
- **Business-Type Activities** – The activities of the District's water and wastewater funds are reported here. These funds are financed primarily by charges for services and tap fees.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. The District's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

Governmental fund – The District's activities in the General Fund are reported as a governmental fund, which focus on how money flows into and out of the fund. The fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs and services.

Proprietary (Enterprise) funds – The activity of the District's enterprise funds, its water and wastewater funds, are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

HIGHLIGHTS

Governmental Activities

- As of December 31, 2016, the District's governmental activities funds held \$663,000 in net general capital assets. Net position decreased \$7,615.
- During the year the District assessed road fees that raised \$89,000 in 2016 and established a road fund to account for the use of the assessment.

Business-type Activities

- As of December 31, 2016, total assets were \$6,249,000. Net position increased \$122,000.

STATEMENT OF NET POSITION

The perspective of the Statement of Net Position is of the District as a whole. The following is a summary of the District's net position for 2016 compared to 2015:

	Governmental Activities		Business Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	279,506	\$235,658	1,287,307	\$1,531,087	\$1,566,813	\$1,766,745
Capital assets	663,210	676,787	4,962,085	5,195,068	5,625,295	5,871,855
Total assets	942,716	912,445	6,249,392	6,726,155	7,192,108	7,638,600
Long-term debt outstanding	-	-	(2,425,214)	(3,294,083)	(2,425,214)	(3,294,083)
Other liabilities	(39,670)	(35,784)	(10,743)	(8,754)	(50,413)	(44,538)
Total liabilities	(39,670)	(35,784)	(2,435,957)	(3,302,837)	(2,475,627)	(3,338,621)
Deferred inflow of resources	(264,000)	(230,000)	-	-	(264,000)	(230,000)
Net position:						
Capital assets net of related debt	663,210	676,787	2,536,871	2,161,040	3,200,081	2,837,827
Restricted	9,200	13,400	340,484	388,732	349,684	402,132
Unrestricted (deficit)	(33,364)	(43,526)	936,080	1,133,601	902,716	1,090,075
Total net position	\$639,046	\$646,661	\$3,813,435	\$3,683,373	\$4,452,481	\$4,330,034

STATEMENT OF ACTIVITIES

The perspective of the Statement of Activities is of the District as a whole. The following table reflects the change in net position for 2016 and 2015.

	Governmental Activities		Business Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
<u>Revenues:</u>						
Program Revenues:						
Charges for Services	\$131,264	\$165,318	\$683,132	\$806,294	\$814,396	\$971,612
Operating grants and contributions	-	-	178,492	346,550	178,492	346,550
Total Program Revenues	131,264	165,318	861,624	1,152,844	992,888	1,318,162
General Revenues:						
Property Taxes	243,394	229,235	-	-	243,394	229,235
Specific Ownership Taxes	14,018	13,442	-	-	14,018	13,442
Interest in Investments	2,264	4,130	-	-	2,264	4,130
Other general revenues	4,491	33,299	-	-	4,491	33,299
Transfers	103,616	96,416	(103,616)	(96,416)	-	-
Total General Revenues and transfers	367,783	376,522	(103,616)	(96,416)	264,167	280,106
Total Revenue	499,047	541,840	758,008	1,056,428	1,257,055	1,598,268
<u>Program Expenses:</u>						
General Government	270,443	335,812	-	-	270,443	335,812
Public works	236,219	274,940	-	-	236,219	274,940
Interest	-	-	-	-	-	-
Water	-	-	260,045	270,849	260,045	270,849
Waste water	-	-	367,902	395,391	367,902	395,391
Total Expenses	506,662	610,752	627,947	666,240	1,134,609	1,276,992
Increase (Decrease) in Net Position	(7,615)	(68,912)	130,061	390,188	122,446	321,276
Beginning Net Position	646,661	715,573	3,683,374	3,293,185	4,330,035	4,008,758
Ending Net Position	\$639,046	\$646,661	\$3,813,435	\$3,683,373	\$4,452,481	\$4,330,034

GOVERNMENTAL ACTIVITIES

The table below presents the cost of each of the District's governmental programs – general and administrative and public works (primarily street maintenance) as well as each program's net cost (total cost less revenues generated by the activities). The net cost of services shows the financial contribution by the District's taxpayers for each of these functions.

	<u>Cost of Services</u>	<u>Net Cost of Services</u>
General and Administrative	\$270,443	\$228,030
Public Works	236,219	147,368
Totals	<u>\$506,662</u>	<u>\$375,398</u>

BUSINESS-TYPE ACTIVITIES

As shown in the table above tap fee revenue for the business-type activities decreased \$168,000 from the prior year. In addition charges for services were approximately the same as 2015. Expenses of the District's business-type activities went up approximately \$98,000.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental fund (shown on pages 5 through 8 of the financial statements) reported a fund balance of approximately 2,000 compared to a negative \$12,000 in the previous year. The District's governmental funds had expenditures in excess of revenues (before operating transfers) of \$89,000. In 2016 the District reported expenditures in excess of revenues of \$121,000. Because the general fund is not self-supportive, a significant transfer for roads and is needed each year from the enterprise funds to the general fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund actual expenditures were approximately \$39,000 less than budgeted.

All administrative costs of the District are charged to the General Fund. In addition all equipment costs (repairs, fuel and depreciation) are budgeted and charged to the general government activities of the District.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At year-end, the District had \$7,192,000 (net of accumulated depreciation) invested in a broad range of capital assets, including buildings, infrastructure (roads), equipment, water and sewer mains and treatment plants.

During 2016 the District had 2 of the gravel roads paved at a cost of \$84000

OUTSTANDING DEBT

The following summarizes the District's debt activity during the year:

	Balance January 1, 2016	Additions	Reductions	Balances December 31, 2016	Due within One Year
Governmental Activities					
Compensated absences	\$ 17,397	\$ 8,982	\$ -	\$ 26,379	
Business-type Activities					
Colorado Water Resources & Power Development Authority Waste Water Treatment Plant Loan	1,756,017	-	(105,480)	1,650,537	107,606
Colorado Water Resources & Power Development Authority Water Tank Loan	819,540	-	(44,732)	774,808	45,633
Colorado Water Resources & Power Development Authority Water Well Loan	458,471	-	(458,471)	-	-
Total Business-type Activities	3,034,028	-	(608,683)	2,425,345	153,239
Total All Activities	<u>\$ 3,051,425</u>	<u>\$ 8,982</u>	<u>\$ (608,683)</u>	<u>\$ 2,451,724</u>	<u>\$ 153,239</u>

ECONOMIC AND OTHER FACTORS AND NEXT YEAR'S BUDGET

The assessed value for 2015, budget year 2016, increased from the 2014 assessed value, 2015 budget year, by \$4,654,420 resulting in a \$14,159 tax revenue increase. The current Mill Levy of 14.363 mills did not restrict the budget and the Metro District was able to collect the 5.5% allowable increase. The Metro District looks to gain again in assessed value and not only collect the full 5.5% allowable limit, but also retain additional mills for reserves for the 2017 budget year.

2016 was another busy construction season. There was a total of \$178,491 in tap fees. This equates to 12.75 EQRs and is 7.75 more EQRs than was anticipated for the 2016 budget.

We expect a robust real estate market through the summer of 2017. Currently, there have been 6.12 EQR's paid but we have several more on the list that are going through the approval process.

The District purchased new accounting/billing software from Caselle in the fall of 2015. This proved to be a very valuable asset in 2016 and the years to come. It has allowed us the ability to design, operate, and track new funds that reflect an overall better health to the budget. The Board of Directors approved the addition of Express Bill Pay, which is a 3rd party company, to enable the District to collect payments via credit cards and other auto pay platforms. With this addition, we are reducing billing expenses because statements can be sent and received electronically. Customers are timelier with their payments as a result because of the additional methods of payment. The District doesn't keep any credit card numbers which reduces our liability. The 3rd party handles all of that.

The District negotiated an Intergovernmental Agreement with Gunnison County for them to apply for all road miles in CB South for HUTF. The County currently applies for 3 miles of CB South roads and collects the Highway Users Tax Funds to maintain those 3 miles. As a Special District, we cannot apply for these funds, but with this IGA, the County will reimburse the District for any miles over the 3 they currently collect on. We estimate an annual revenue stream varying between \$20,000 and \$40,000. These funds fluctuate annually based on gas taxes and other factors that drive the availability of these funds. The IGA was drafted and approved in 2016 and then the application for the HUTF was executed in January of 2017. These funds won't be available until the 2018 budget year as they are a year behind their approval.

The District installed almost \$84,000 of pavement in 2016 and has again budgeted a substantial amount for road paving in 2017. \$70,000 for new pavement and \$10,000 for repairs. Other large projects for 2017 will include a parking lot expansion at the District office and a new garage at our Wastewater Treatment Plant for our Tanker truck and other general storage. This could total around \$150,000.

The District will be under new management for half of the 2017 year as Jack Dietrich, the District's manager for the last 40 years, will retire June 1, 2017. Ronnie Benson has been hired as his replacement.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the general public with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact the District at:

Crested Butte South Metropolitan District
280 Cement Creek Road (street address)
P.O. Box 1129 (mailing address)
Crested Butte, Colorado 81224
Telephone: (970) 349-5480

Independent Auditors' Report

Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Independent Auditors' Report

Board of Directors
Crested Butte South Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Crested Butte South Metropolitan District, Colorado, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Crested Butte South Metropolitan District, Colorado, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages M-1 – M-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in 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 Management's Discussion and Analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information and Other Supplemental Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crested Butte South Metropolitan District's basic financial statements. The Required Supplementary Information (other than Management's Discussion and Analysis mentioned above) and the Other Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Required Supplementary Information (other than Management's Discussion and Analysis) and the Other Supplemental Schedules 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. Such 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 such 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 Required Supplementary Information (other than Management's Discussion and Analysis) and the Other Supplemental Schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Englewood, Colorado
May 17, 2017

Holscher, Mayberry + Company, LLC

Basic Financial Statements

The Basic Financial Statements provide a financial overview of the District's operations. These financial statements present the financial position, operating results, and cash flows, where applicable, of government-wide operations as well as all governmental activities and business-type activities as of December 31, 2016. In addition, financial statements for each of the District's funds are presented in this section.

Crested Butte South Metropolitan District

Statement of Net Position

December 31, 2016

Assets	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ -	\$ 891,003	\$ 891,003
Taxes receivable	264,000	-	264,000
Customer accounts receivable	15,506	55,820	71,326
Total Current Assets	<u>279,506</u>	<u>946,823</u>	<u>1,226,329</u>
Noncurrent Assets			
Restricted cash	-	96,125	96,125
Water rights and augmentation	-	244,359	244,359
Capital Assets Not Being Depreciated:			
Land and rights of way	35,315	120,286	155,601
Capital Assets Being Depreciated:			
Buildings	203,337	240,275	443,612
Plant	-	4,385,930	4,385,930
Distribution and collection system	-	3,420,541	3,420,541
Machinery, equipment and furnishings	827,338	105,595	932,933
Infrastructure	1,176,658	-	1,176,658
Less accumulated depreciation	<u>(1,579,438)</u>	<u>(3,310,542)</u>	<u>(4,889,980)</u>
Total Noncurrent Assets	<u>663,210</u>	<u>5,302,569</u>	<u>5,965,779</u>
Total Assets	<u>\$ 942,716</u>	<u>\$ 6,249,392</u>	<u>\$ 7,192,108</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 4,650	\$ 10,743	\$ 15,393
Current maturities on long-term debt	-	153,239	153,239
Accrued interest	-	-	-
Accrued payroll	35,019	-	35,019
Total Current Liabilities	<u>39,670</u>	<u>163,982</u>	<u>203,651</u>
Noncurrent Liabilities			
Notes and lease payable	-	2,271,975	2,271,975
Total Noncurrent Liabilities	<u>-</u>	<u>2,271,975</u>	<u>2,271,975</u>
Total Liabilities	<u>\$ 39,670</u>	<u>\$ 2,435,957</u>	<u>\$ 2,475,626</u>
Deferred Inflow of Resources			
Unavailable revenue - property taxes	<u>\$ 264,000</u>	<u>\$ -</u>	<u>\$ 264,000</u>
Net Position			
Net investment in capital assets	\$ 663,210	\$ 2,536,871	\$ 3,200,081
Net position restricted for:			
Emergencies	9,200	-	9,200
Debt collateralization	-	96,125	96,125
Long-term assets	-	244,359	244,359
Unrestricted	<u>(33,364)</u>	<u>936,080</u>	<u>902,716</u>
Total Net Position	<u>\$ 639,046</u>	<u>\$ 3,813,435</u>	<u>\$ 4,452,481</u>

Crested Butte South Metropolitan District

Statement of Activities

For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General and administrative	\$ 270,443	\$ 42,413	\$ -	\$ (228,030)	\$ -	\$ (228,030)
Public works	236,219	88,851	-	(147,368)	-	(147,368)
Total Governmental Activities	506,662	131,264	-	(375,398)	-	(375,398)
Business-Type Activities						
Water	260,045	316,851	89,796	-	146,602	146,602
Wastewater	367,902	366,281	88,696	-	87,075	87,075
Total Business-Type Activities	627,947	683,132	178,492	-	233,677	233,677
Total	\$ 1,134,609	\$ 814,396	\$ 178,492	(375,398)	233,677	(141,721)
General Revenues						
Taxes						
Property taxes				243,394	-	243,394
Specific ownership taxes				14,018	-	14,018
Interest and investment earnings				2,264	-	2,264
Miscellaneous				4,491	-	4,491
Transfers From (To) Other Funds				103,616	(103,616)	-
Total General Revenues and Transfers				367,783	(103,616)	264,167
Changes in Net Position				(7,615)	130,061	122,446
Net Position - Beginning of the Year				646,661	3,683,374	4,330,035
Net Position - End of the Year				\$ 639,046	\$ 3,813,435	\$ 4,452,481

The accompanying notes are an integral part of the financial statements

Crested Butte South Metropolitan District
Balance Sheet - Governmental Fund
December 31, 2016

	General Fund	Road Fund	Total Governmental Funds
Assets			
Cash and Investments			
Taxes receivable	\$ 264,000	\$ -	\$ 264,000
Customer accounts receivable	13,714	1,792	15,506
Total Assets	<u>\$ 277,714</u>	<u>\$ 1,792</u>	<u>\$ 279,506</u>
Liabilities			
Accounts payable	\$ 3,306	\$ 1,344	\$ 4,650
Accrued payroll	6,691	1,949	8,640
Total Liabilities	<u>\$ 9,998</u>	<u>\$ 3,293</u>	<u>\$ 13,291</u>
Deferred Inflow of Resources			
Unavailable revenue - property taxes	<u>\$ 264,000</u>	<u>\$ -</u>	<u>\$ 264,000</u>
Fund Balances			
<i>Restricted for:</i>			
Emergency reserves	\$ 9,200	\$ -	9,200
Assigned - road expenditures		(1,501)	(1,501)
Unassigned	(5,484)	-	(5,484)
Total Fund Balance	<u>3,716</u>	<u>(1,501)</u>	<u>2,215</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 277,714</u>	<u>\$ 1,792</u>	<u>\$ 279,506</u>

Crested Butte South Metropolitan District
Reconciliation of the Governmental Fund Balance Sheet with the
Statement of Net Position
December 31, 2016

Total Fund Balance - Governmental Fund (page 5)	\$ 2,215
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.	663,210
Accrued vacation and sick pay is not payable in the current period and, therefore is not reported as a liability in the governmental funds.	(26,379)
Total Net Position - Governmental Activities (page 3)	\$ 639,046

Crested Butte South Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Fund
For the Year Ended December 31, 2016

	General Fund	Road Fund	Total Governmental Funds
Revenues			
Taxes	\$ 257,412	\$ -	\$ 257,412
Charges for services	42,413	88,851	131,264
Earnings on deposits	2,264	-	2,264
Miscellaneous	4,491	-	4,491
Total Revenues	<u>306,580</u>	<u>88,851</u>	<u>395,431</u>
Expenditures			
Current Operating			
General government	257,064		257,064
Public works	19,673	119,815	139,488
Capital Outlay			
	87,551		87,551
Total Expenditures	<u>364,288</u>	<u>119,815</u>	<u>484,103</u>
Excess of Revenues Over (Under) Expenditures	<u>(57,708)</u>	<u>(30,964)</u>	<u>(88,672)</u>
Other Financing Sources (Uses)			
Transfers in	102,653	29,463	132,116
Transfers out	<u>(28,500)</u>	<u>-</u>	<u>(28,500)</u>
Total Other Financing Sources (Uses)	<u>74,153</u>	<u>29,463</u>	<u>103,616</u>
Net Change in Fund Balance	16,445	(1,501)	14,944
Fund Balance			
Fund Balances - Beginning of Year	<u>(12,729)</u>	<u>-</u>	<u>(12,729)</u>
Fund Balances - End of Year	<u>\$ 3,716</u>	<u>\$ (1,501)</u>	<u>\$ 2,215</u>

Crested Butte South Metropolitan District

**Reconciliation of the Governmental Fund Statement of Revenues, Expenditures
and Changes in Fund Balances with the Statement of Activities**

For the Year Ended December 31, 2016

Total Change in Fund Balances - Governmental Fund (page 7) \$ 14,944

*Amounts reported for governmental activities in the statement of activities are
different because:*

Capital outlays are reported as expenditures in the governmental funds; however,
in the statement of activities, the cost is allocated over the estimated useful
of the assets as depreciation expense. The following is the amount by which capital
outlays exceeded depreciation in the current period:

Capital outlays	87,551	
Depreciation	<u>(101,128)</u>	(13,577)
Net changes in compensated absences		(8,982)
Change in Net Position of Governmental Activities (page 4)		<u><u>\$ (7,615)</u></u>

Crested Butte South Metropolitan District
Statement of Net Position - Proprietary Funds
December 31, 2016

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total Proprietary Funds</u>
Assets			
<i>Current Assets</i>			
Cash	\$ 455,462	\$ 435,541	\$ 891,003
Accounts receivable	25,223	30,597	55,820
Total Current Assets	<u>480,685</u>	<u>466,138</u>	<u>946,823</u>
<i>Property, Plant and Equipment</i>			
Land and rights of way	120,286	-	120,286
Buildings	129,488	110,787	240,275
Plant	656,518	3,729,412	4,385,930
Distribution and collection system	2,469,365	951,176	3,420,541
Machinery and equipment	-	105,595	105,595
Less accumulated depreciation	<u>(1,228,117)</u>	<u>(2,082,425)</u>	<u>(3,310,542)</u>
Net Property, Plant, and Equipment	<u>2,147,540</u>	<u>2,814,545</u>	<u>4,962,085</u>
<i>Other Assets</i>			
Restricted cash	45,507	50,618	96,125
Water augmentation	244,359	-	244,359
Total Other Assets	<u>289,866</u>	<u>50,618</u>	<u>340,484</u>
Total Assets	<u>\$ 2,918,091</u>	<u>\$ 3,331,301</u>	<u>\$ 6,249,392</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts payable	4,421	6,322	\$ 10,743
Current maturities on long-term debt	45,633	107,606	153,239
Total Current Liabilities	<u>50,054</u>	<u>113,928</u>	<u>163,982</u>
<i>Long-term Liabilities</i>			
Note payable	729,175	1,542,800	2,271,975
Total Liabilities	<u>\$ 779,229</u>	<u>\$ 1,656,728</u>	<u>\$ 2,435,957</u>
Net Position			
<i>Restricted</i>			
Long-term assets	\$ 244,359	\$ -	\$ 244,359
Debt service	45,507	50,618	96,125
<i>Unrestricted</i>			
Unreserved and undesignated	1,848,996	1,623,955	3,472,951
Total Net Position	<u>\$ 2,138,862</u>	<u>\$ 1,674,573</u>	<u>\$ 3,813,435</u>
Total Liabilities and Net Position	<u>\$ 2,918,091</u>	<u>\$ 3,331,301</u>	<u>\$ 6,249,392</u>

Crested Butte South Metropolitan District
Statement of Revenues, Expenses and Changes in Fund Net Position-
Proprietary Funds

For the Year Ended December 31, 2016

	Water Fund	Wastewater Fund	Total Proprietary Funds
Operating Revenues			
Charges for services	\$ 235,921	\$ 278,226	\$ 514,147
Miscellaneous operating income	6,948	5,199	12,147
Total Operating Revenue	<u>242,869</u>	<u>283,425</u>	<u>526,294</u>
Operating Expenses			
Operations	147,753	181,572	329,325
Depreciation	93,179	152,128	245,307
Total Operating Expenses	<u>240,932</u>	<u>333,700</u>	<u>574,632</u>
Operating Income (Loss)	<u>1,937</u>	<u>(50,275)</u>	<u>(48,338)</u>
Nonoperating Revenues (Expenses)			
Other	-	-	-
Interest expense	(19,113)	(34,202)	(53,315)
Total Nonoperating Revenues (Expenses)	<u>(19,113)</u>	<u>(34,202)</u>	<u>(53,315)</u>
Income Before Contributions and Transfers	(17,176)	(84,477)	(101,653)
Contributions and Transfers			
Tap fees	89,796	88,696	178,492
Availability of service	73,982	82,856	156,838
Transfers (to) from other funds	(59,996)	(43,620)	(103,616)
Change in Net Position	86,606	43,455	130,061
Net position, beginning of the year	<u>2,052,256</u>	<u>1,631,118</u>	<u>3,683,374</u>
Net Position, End of the Year	<u>\$ 2,138,862</u>	<u>\$ 1,674,573</u>	<u>\$ 3,813,435</u>

Crested Butte South Metropolitan District
Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2016

	Water Fund	Wastewater Fund	Total Proprietary Funds
Cash Flows From Operating Activities			
Cash received from customers	\$ 239,776	\$ 288,633	\$ 528,409
Cash paid to suppliers	(147,445)	(179,890)	(327,335)
Net Cash Provided by Operating Activities	<u>92,331</u>	<u>108,743</u>	<u>201,074</u>
Cash Flows From Noncapital Financing Activities			
Payments from (to) other funds	(59,995)	(43,620)	(103,615)
Net Cash Provided by Non-capital Financing Activities	<u>(59,995)</u>	<u>(43,620)</u>	<u>(103,615)</u>
Cash Flows From Capital and Related Financing Activities			
Receipt of capital contributions	89,796	88,696	178,492
Receipt of availability of service fees	73,982	82,856	156,838
Payment for capital acquisitions	(12,326)	-	(12,326)
Principal paid on long-term debt	(503,203)	(105,611)	(608,814)
Interest on long-term debt	(19,113)	(34,202)	(53,315)
Net Cash Used for Capital and Related Financing Activities	<u>(370,861)</u>	<u>31,740</u>	<u>(339,121)</u>
Net Increase (Decrease) in Cash	(338,525)	96,863	(241,662)
Cash, beginning of year	839,494	389,296	1,228,790
Cash, End of Year	<u>\$ 500,969</u>	<u>\$ 486,159</u>	<u>\$ 987,128</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	\$ 1,937	\$ (50,275)	\$ (48,338)
<i>Adjustments to reconcile net operating income to net cash provided by operating activities</i>			
Depreciation	93,179	152,129	245,308
(Increase) decrease in accounts receivable	(3,093)	5,208	2,115
Increase (decrease) in accounts payable	308	1,681	1,989
Net Cash Provided by (Used in) Operating Activities	<u>\$ 92,331</u>	<u>\$ 108,743</u>	<u>\$ 201,074</u>



Notes to the Financial Statements

December 31, 2016

1. Summary of Significant Accounting Policies

A. Reporting Entity

The accompanying financial statements present the District's primary government. There are no component units over which the District exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the District (as distinct from legal relationships).

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments.

B. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund, while business-type activities incorporate data from the Districts enterprise funds.

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the District's governmental fund and each proprietary fund. The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Road Fund* accounts for revenues levied to maintain roads in the District.

The District reports the following major enterprise funds:

- The *Water and Wastewater Funds* account for all the water and wastewater activities of the District.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the enterprise fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60

Crested Butte South Metropolitan District

Notes to the Financial Statements (continued)

December 31, 2016

days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

D. Assets, Liabilities, Deferred Inflows, and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes govern the District's deposits of cash and investments.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

An allowance for doubtful accounts on accounts receivable is not considered necessary.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Infrastructure has been recorded at historical cost and is being depreciated.

Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

Buildings	30 years
Plant	15 – 30 years
Water Distribution System	30 – 50 years
Sewer Collection System	10 – 30 years
Machinery and Equipment	7 – 15 years
Infrastructure	15 – 20 years

Compensated Absences

The District allows full-time salaried employees to accumulate earned but unused vacation, sick pay and personal leave benefits – paid time off (PTO) based on length of service. Employees may carryover up to 240 hours of PTO. Any unused PTO hours vests to the employee after five years of service.

Long-term Obligations

Long-term debt that is considered to be a liability of the governmental activities does not require the use of current resources and is therefore not reported in the fund financial statements but is reported as a liability in the government-wide Statement of Net Position. Long-term debt relating to the District's two enterprise funds is reported as a liability of the applicable fund as well as in the government-wide Statement of Net Position.

Crested Butte South Metropolitan District

Notes to the Financial Statements (continued)

December 31, 2016

Deferred Inflows of Resources

The Statement of Net Position reports a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid in two equal payments. To avoid penalties, the first half must be paid before March 1, and the second half must be paid on or before June 15. Alternatively, the taxes may be paid in full by April 30. All unpaid tax becomes delinquent June 16. Property taxes are levied and collected on behalf of the District by Gunnison County and are reported as revenue when received by the County Treasurer.

Net Position/Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified TABOR emergency reserves as restricted because this amount can only be used in the event of an emergency.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

On the statement of net position the net investment in capital assets represents the amount by which capital assets, net of accumulated depreciation, exceeds the remaining balance of the debt incurred to acquire those assets.

By state statute the general fund is required to set aside 3% of current year revenues as an emergency reserve. However the District does not have sufficient fund balance/net assets for the entire reserve. As a result, the general fund/governmental activities shows a negative balance for unassigned fund balance and unrestricted net assets.

E. Interfund Transactions and Budgeting

For budgeting purposes the District budgets the equipment costs and the cost of district administration to the general fund. However, for financial reporting some of these costs have been allocated to the water and wastewater funds to provide a more accurate cost of operating these funds. As a result, in the fund financial statements, the general fund has recorded the charges for these services as revenues.

2. Stewardship, Compliance, and Accountability

Annual budgets are adopted on a basis that differs from generally accepted accounting principles. The following is a summary of the more significant differences followed by the District in budgeting:

- The District does not budget certain equipment and administrative expenses charged to the enterprise funds.
- The District does not budget depreciation.

Crested Butte South Metropolitan District

Notes to the Financial Statements (continued)

December 31, 2016

- Interfund transfers are not budgeted.

All annual appropriations lapse at fiscal year end. Encumbrances are not employed by the District.

3. Cash and Investments

Cash and Certificates of Deposit

Deposits of the District at each bank where the funds are maintained are insured up to \$250,000, either by the Federal Deposit Insurance Corporation (FDIC) or by the Federal Savings and Loan Insurance Corporation (FSLIC). Colorado's Public Deposit Protection Act of 1975 enables any eligible public depository to elect to secure public deposits by pledging eligible collateral having a market value at all times equal to at least one hundred two percent (102%) of the aggregate of said deposits not insured.

Interest Rate Risk

The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has no investment policy that limits its investment choices other than the limitation of state law as follows:

1. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged or obligations to the payment of which the full faith and credit of the State is pledged;
2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out of state financial institutions;
3. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations;
4. District, municipal, or school district tax supported debt obligations; bond or revenue anticipation notes; money; or bond or revenue anticipation notes of public trusts whose beneficiary is a District, municipality, or school district;
5. Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association; and
6. Money market funds regulated by the Securities and Exchange Commission in which investments consist of the investments in 1, 2, 3, and 4 above.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Uninsured deposits in financial institutions are placed into three categories depending on the custody credit risk. The categories are as follows:

- a. Uncollateralized
- b. Collateralized with securities held by the pledging financial institution
- c. Collateralized with securities held by the pledging financial institution's trust department, or agent but not in the entity's name.

Crested Butte South Metropolitan District

Notes to the Financial Statements (continued)

December 31, 2016

The following is a schedule of the District's cash and temporary investment balances categorized by custody credit risk:

Description	Insured	Credit Risk Category c	Not Applicable	Institutional Balance	Carrying Balance
Bank of the West	\$ 250,000	\$ 551,052	\$ -	\$ 801,052	788,951
Gunnison Savings and Loan	436	-	-	436	436
Crested Butte Bank	196,181	-	-	196,181	196,181
Other	-	-	1,560	1,560	1,560
Total cash and certificates of deposit	\$ 446,617	\$ 551,052	\$ 1,560	\$ 999,229	\$ 987,128

Reconciliation to the statement of net position for the year ending December 31, 2016 is as follows:

Carrying Amounts	Amount
Cash carrying amount (above)	<u>\$ 987,128</u>
Cash and Investments on the Statement of Net Position	
Cash and investments - Statement of Net Position	\$ 891,003
Restricted cash - Statement of Net Position	<u>96,125</u>
Total cash and investments on the Statement of Net Position	<u>\$ 987,128</u>

Concentrations of Credit Risk

The District places no limit on the amount it may investment in any one issuer. At December 31, 2016 the District had no concentration of investment credit risk.

The District invests excess funds under the prudent investor rule. Criteria for selection of investments and their order of priority are: 1) Safety; 2) liquidity; and 3) yield.

Restricted Cash

Under terms of the loans with the Colorado Water Resources and Power Development Authority cash has been restricted in an amount of 3 months of operating and maintenance costs, exclusive of depreciation.

4. Pension Plan

The District has adopted a defined contribution plan for all salaried employees. The plan is named Colorado County Officials and Employees Retirement Association. Employees become eligible to participate in the plan after one year of service. Participation in the plan is mandatory for eligible employees. Benefits are authorized by the Board of Directors, and the Board of Directors are also the ones authorized to amend the terms of the plan.

Employees vest in the District's contribution at 20% per year. The employee contributes between 3% and 10% of earnings and the District contributes a matching amount. The District is not liable for amounts over the match. All contributions were current. During 2016 the District contributed \$13,854 and the employees contributed \$13,854. The District's total payroll is \$279,562 of which \$279,562 or 100% is covered under the plan.

Under the plan employees may also contribute to a deferred compensation plan (457 plan). Employee contributions during 2016 were \$24,000.

5. Long-term Debt

A summary of significant long-term debt of the District is as follows:

Crested Butte South Metropolitan District

Notes to the Financial Statements (continued)

December 31, 2016

Notes Payable

The District borrowed \$2,300,000 from the Colorado Water Resources and Power Development Authority for upgrades to the wastewater treatment plant. The note is secured by a pledge of the net revenues of the system. The note carries an interest rate of 2%. Principal and interest is payable quarterly at \$34,953 per quarter beginning September 1, 2010. The note is due on June 1, 2030. This debt is paid by the wastewater fund.

The District borrowed \$1,000,000 from the Colorado Water Resources and Power Development Authority for a 300,000 gallon water tank. The note is secured by a pledge of the net revenues of the system. The note carries an interest rate of 2%. Principal and interest is payable quarterly at \$15,197 per quarter beginning December 1, 2011. The note is due on September 1, 2031. This debt is paid by the water fund.

Year	Principal	Interest	Total
2017	\$ 153,239	\$ 47,362	\$ 200,601
2018	156,326	44,275	200,601
2019	159,476	41,125	200,601
2020	162,690	37,911	200,601
2021	165,969	34,633	200,602
2022 to 2026	881,374	121,630	1,003,004
2027 to 2031	746,271	31,816	778,087
Total	\$ 2,425,345	\$ 358,752	\$ 2,784,097

Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2016 were as follows:

	Balance January 1, 2016	Additions	Reductions	Balances December 31, 2016	Due within One Year
Governmental Activities					
Compensated absences	\$ 17,397	\$ 8,982	\$ -	\$ 26,379	
Business-type Activities					
Colorado Water Resources & Power Development Authority Waste Water Treatment Plant Loan	1,756,017	-	(105,480)	1,650,537	107,606
Colorado Water Resources & Power Development Authority Water Tank Loan	819,540	-	(44,732)	774,808	45,633
Colorado Water Resources & Power Development Authority Water Well Loan	458,471	-	(458,471)	-	-
Total Business-type Activities	3,034,028	-	(608,683)	2,425,345	153,239
Total All Activities	\$ 3,051,425	\$ 8,982	\$ (608,683)	\$ 2,451,724	\$ 153,239

Crested Butte South Metropolitan District

Notes to the Financial Statements (continued)

December 31, 2016

6. Capital Assets

The following is a summary of changes in general capital assets for the year:

General Capital Assets				
Description	<i>Beginning Balance</i>	<i>Additions</i>	<i>Disposals</i>	<i>Ending Balance</i>
Capital assets not being depreciated:				
Land	\$ 35,315	\$ -	\$ -	\$ 35,315
Construction in Progress	-	-	-	-
Capital assets being depreciated:				
Buildings	203,337	-	-	203,337
Equipment	823,363	3,975	-	827,338
Infrastructure	1,093,082	83,576	-	1,176,658
Totals General Capital Assets	2,155,097	87,551	-	2,242,648
Less Accumulated Depreciation	(1,478,310)	(101,128)	-	(1,579,438)
Net Capital Assets	\$ 676,787	N/A	N/A	\$ 663,210

Depreciation on general capital assets was allocated to the following functions:

Depreciation Expense Charged by Function	
Function	<i>Amount</i>
General and administrative	\$ 4,397
Public works	96,731
Total Depreciation	\$ 101,128

The following schedule summarizes the changes in the enterprise funds capital assets:

Enterprise Funds				
Description	<i>Beginning Balance</i>	<i>Additions</i>	<i>Disposals</i>	<i>Ending Balance</i>
Capital assets not being depreciated:				
Easements	\$ 120,286	\$ -	\$ -	\$ 120,286
Construction in Progress	25,774	-	(25,774)	-
Capital assets being depreciated:				
Buildings	240,275	-	-	240,275
Water Plant	644,192	12,326	-	656,518
Water Distribution	2,455,897	13,468	-	2,469,365
Sewer Plant	3,729,412	-	-	3,729,412
Sewer Collection	938,870	12,306	-	951,176
Equipment	105,595	-	-	105,595
Total Enterprise Funds	8,260,301	38,100	(25,774)	8,272,627
Less accumulated depreciation	(3,065,234)	(245,308)	-	(3,310,542)
Net Capital Assets	\$ 5,195,067	N/A	N/A	\$ 4,962,085

Crested Butte South Metropolitan District

Notes to the Financial Statements (continued)

December 31, 2016

7. Commitments, Contingencies and Subsequent Events

Risk Management

The District is exposed to various risks of loss related to injuries of employees while on the job, property loss and torts committed by the District or its employees. The District has joined together with other municipalities in the State of Colorado to form the Colorado Intergovernmental Risk Sharing Agency, a public entity risk pool currently operating as a common risk management and insurance program for members. The District pays an annual contribution for its workers' compensation and property and liability insurance coverage. The intergovernmental agreement provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and that the Pool will purchase insurance through commercial companies for members' claims in excess of specified self-insured retention, which is determined each policy year.

TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, also known as the Tax Payers Bill of Rights (TABOR) Amendment or Amendment 1, which has several limitations, including revenue raising, spending abilities, and other specific requirements for state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

Required Supplementary Information

This section, though not a part of the Basic Financial Statements for the Crested Butte South Metropolitan District, Colorado, is required to be presented by the Governmental Accounting Standards Board. The section contains the budget to actual comparison for the General Fund for the year ended December 31, 2016.

Crested Butte South Metropolitan District

General Fund

Schedule of Revenues and Expenditures - Budget and Actual

For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property taxes	\$ 244,000	\$ 243,394	\$ (606)
Specific ownership tax	15,000	14,018	(982)
Total taxes	<u>259,000</u>	<u>257,412</u>	<u>(1,588)</u>
Charges For Services			
Snow removal	14,000	22,842	8,842
Other	15,000	19,571	4,571
Total charges for services	<u>29,000</u>	<u>42,413</u>	<u>13,413</u>
Other Income			
Interest Income	3,550	2,264	(1,286)
Miscellaneous	2,125	4,491	2,366
Total other income	<u>5,675</u>	<u>6,755</u>	<u>1,080</u>
Transfers In	<u>-</u>	<u>102,653</u>	<u>102,653</u>
Total Revenue and Transfers In	<u>\$ 293,675</u>	<u>\$ 409,233</u>	<u>\$ 115,558</u>

Crested Butte South Metropolitan District

General Fund

Schedule of Revenues and Expenditures - Budget and Actual

For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures			
General and Administrative			
Administrative	\$ 153,150	\$ 149,758	\$ 3,392
Payroll taxes and employee benefits	85,400	68,065	17,335
Insurance	-	-	-
Treasurer fee	9,000	7,608	1,392
Legal and accounting	13,050	9,396	3,654
Other office expenses	<u>25,000</u>	<u>22,237</u>	<u>2,763</u>
Total general government	<u>285,600</u>	<u>257,064</u>	<u>28,536</u>
Public Works			
Snow plowing	500	0	500
Repairs and maintenance	10,000	7,343	2,657
Tools and supplies	11,500	9,178	2,322
Other expenses	<u>6,500</u>	<u>3,152</u>	<u>3,348</u>
Total public works	<u>28,500</u>	<u>19,673</u>	<u>8,827</u>
Capital Expenditures	84,000	87,551	(3,551)
Transfers Out	<u>28,500</u>	<u>28,500</u>	<u>-</u>
Total Expenditures and Transfers Out	<u>\$ 426,600</u>	<u>\$ 392,788</u>	<u>\$ 33,812</u>
Change in Fund Balance			
Revenues		409,233	
Less expenditures		<u>(392,788)</u>	
Net change in fund balance		16,445	
Fund Balance (Deficit) - Beginning of the Year		<u>(12,729)</u>	
Fund Balance - End of the Year		<u>\$ 3,716</u>	

Crested Butte South Metropolitan District

Road Fund

Schedule of Revenues and Expenditures - Budget and Actual

For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges For Services			
Road maintenance fees	\$ 99,800	\$ 88,851	\$ (10,949)
Other	2,510	-	(2,510)
Total charges for services	<u>102,310</u>	<u>88,851</u>	<u>(13,459)</u>
Transfers in	<u>28,500</u>	<u>29,463</u>	<u>963</u>
Total Revenue and other sources	<u>\$ 130,810</u>	<u>\$ 118,314</u>	<u>\$ (12,496)</u>
Expenditures			
Wages and benefits	\$ 88,200	\$ 80,468	\$ 7,732
Road materials	35,500	26,348	9,152
Repairs and maintenance	22,000	5,653	16,347
Fuel and oil	<u>12,000</u>	<u>7,346</u>	<u>4,654</u>
Total expenses	<u>\$ 157,700</u>	<u>\$ 119,815</u>	<u>\$ 37,885</u>
Reconciliation of Change in Fund Balance			
Revenues		\$ 118,314	
Expenditures		<u>(119,815)</u>	
Net change - budget basis		(1,501)	
Fund Balance (Deficit) - Beginning of the Year		<u>-</u>	
Fund Balance - End of the Year		<u>\$ (1,501)</u>	

Other Supplemental Schedules

The schedules in this section are not required to be presented under generally accepted accounting principles. However the State of Colorado requires budget and actual comparisons for all funds that are legally required to adopt a budget. Accordingly, the District presents budget and actual comparisons for the water and wastewater funds in this section. In addition the District has chosen to present its calculations for the compliance with certain loan covenants for its loans with the Colorado Water Resources and Power Development Authority.

Crested Butte South Metropolitan District

Enterprise Funds

Statement of Sources and Uses-

Budget and Actual (Non GAAP Basis)

For the Year Ended December 31, 2016

	Water Fund		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Funds Available			
Charges for services	\$ 232,000	\$ 235,921	\$ 3,921
Miscellaneous operating income	10,800	6,948	(3,852)
Tap fees	89,000	89,796	796
Water availability	73,500	73,982	482
Total Funds Available	405,300	406,647	1,347
Uses			
Operations	177,140	147,753	29,387
Capital outlay	21,000	-	21,000
State Revolving Fund Loan Items:			
State revolving fund loan principal	503,202	503,203	(1)
State revolving fund loan interest	19,113	19,113	-
Total Uses	720,455	670,069	50,386
Excess Sources Over (Under) Uses	(315,155)	(263,422)	51,733
Reconciliation of excess revenues (expenses) to net income			
Depreciation and amortization		(93,179)	
Payment of S.R.F. loan principal		503,203	
Transfers to other funds		(59,996)	
Net income (loss) GAAP basis		\$ 86,606	

Crested Butte South Metropolitan District

Enterprise Funds

Statement of Sources and Uses-

Budget and Actual (Non GAAP Basis)

For the Year Ended December 31, 2016

	Wastewater Fund		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Funds Available			
Charges for services	\$ 275,000	\$ 278,226	\$ 3,226
Other revenue	1,000	5,199	4,199
Tap fees	89,000	88,696	(304)
Availability of treatment	83,000	82,856	(144)
Total Sources of Funds	<u>448,000</u>	<u>454,977</u>	<u>6,977</u>
Uses			
Operations	201,250	181,573	19,677
Capital outlay	5,000	4,633	367
State Revolving Fund Loan Items:			
State revolving fund loan principal	105,480	105,480	-
State revolving fund loan interest	34,333	34,202	131
WWTP expansion engineering	500		500
WWTP construction company costs	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Uses	<u>351,563</u>	<u>325,888</u>	<u>25,675</u>
Excess Sources Over (Under) Uses	<u>96,437</u>	<u>129,089</u>	<u>32,652</u>
Reconciliation of excess revenues (expenses) to net income			
Depreciation and amortization		(152,128)	
Payment of S.R.F. loan principal		105,480	
Capital outlay		4,633	
Transfers to other funds		<u>(43,620)</u>	
Net income (loss) GAAP basis		<u>\$ 43,455</u>	

Crested Butte South Metropolitan District

Colorado Water Resources and Power Development Authority

Loan Covenant Compliance

December 31, 2016

Waste Water Treatment Plant Loan #W09F224

Rate Covenant per Exhibit A of Loan Agreement

Paragraph

(a)	Current Year Operation and Maintenance Expenses		\$ 329,325
(b)	Annual Debt Service due on loan	139,813	
		<u>110%</u>	
			153,794
(c)	N/A		-
(d)	N/A		-
(e)	N/A		-
	Total required rates, fees, and charges		<u>483,119</u>
	Gross Revenue		
	Water and Waste Water Sales		514,147
	Water and Waste Water Availability		156,838
	Water and Waste Water Miscellaneous Income		12,147
	Water and Waste Water Tap Fees		<u>178,492</u>
	Total gross revenue as defined in Exhibit A of Loan Agreement		<u>861,624</u>
	Revenues over (under) rate covenant requirement		<u>\$ 378,505</u>
	Additional Covenants & Requirements per Exhibit F		
(3)	Estimated 3 months of operations expenses		\$ 82,331
	Cash balance per financial statements		\$ 435,541
(1)	N/A since the District has no other loans against the sewer fund		
(2)	N/A		
(4)	Rate Study - not applicable since the District is in compliance with Exhibit A (as shown above)		

Crested Butte South Metropolitan District

Colorado Water Resources and Power Development Authority

Loan Covenant Compliance

December 31, 2016

Water Tank Loan #D10F224

Rate Covenant per Exhibit A of Loan Agreement

Paragraph

(a)	Current Year Operation and Maintenance Expenses		\$	329,325
(b)	Annual Debt Service due on loan	\$	60,788	
			<u>110%</u>	
				66,867
(c)	N/A			-
(d)	N/A			-
(e)	N/A			-
	Total required rates, fees, and charges			<u>396,192</u>
	Gross Revenue			
	Water and Waste Water Sales			514,147
	Water and Waste Water Miscellaneous Income			12,147
	Water and Waste Water Availability of service			156,838
	Water and Waste Water Tap Fees			<u>178,492</u>
	Total gross revenue as defined in Exhibit A of Loan Agreement			<u>861,624</u>
	Revenues over (under) rate covenant requirement		\$	<u>465,432</u>

Additional Covenants & Requirements per Exhibit F

(3)	Estimated 3 months of operations expenses		\$	82,331
	Cash balance per financial statements		\$	455,462
(1)	N/A since the District has no other loans against the water fund			
(2)	N/A			
(4)	Rate Study - not applicable since the District is in compliance with Exhibit A (as shown above)			