

Skyland Metropolitan District

Financial Report

December 31, 2016



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**Skyland Metropolitan District
Financial Report
December 31, 2016**

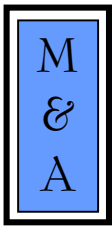
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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Skyland Metropolitan District
Crested Butte, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Skyland Metropolitan District (the "District"), as of and for the year ended December 31, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 of 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 Skyland Metropolitan District 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.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Skyland Metropolitan District
Crested Butte, Colorado

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B 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 Section B 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.

The budgetary comparison information in Section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison information found in Section F is presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund budgetary comparison information found in Section F are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements taken as a whole. The statistical tables found in Section G are presented for purposes of additional analysis and are not a required part of the financial statements. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Skyland Metropolitan District

Management's Discussion and Analysis
December 31, 2016

As management of the Skyland Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other required supplementary information, supplementary information, and statistical tables in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, liabilities, and deferred inflows of resources. The difference between the total of asset and the total of liabilities and deferred inflows of resources is 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 District is improving or deteriorating.

The Statement of Activities presents information showing how the government'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 are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and highways and streets. The business-type activities of the District include the water system and sewer system.

The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The District's governmental funds include the General Fund and Debt Service Fund.

Overview of the Financial Statements (continued)

Governmental Funds (continued): Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Balance Sheet and the Statement of Revenues, Expenditures and Change in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages C3 through C6.

Proprietary Funds: The District maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The District uses the enterprise fund to account for its water and sewer operations.

The proprietary fund financial statements provide separate information for each of the business-type services provided by the District, each of which is considered to be a major fund of the District.

The basic proprietary fund financial statements can be found on pages C7 through C9 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Other Information: The District adopts an annual appropriated budget for its General Fund, Debt Service Fund, and Water and Sewer Fund. Budgetary comparison schedules have been provided for all funds to demonstrate compliance with the budgets and are found on pages E1, F1, and F2.

Government-wide Financial Analysis

Skyland Metropolitan District's Net Position:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 2,087,531	2,006,311	579,885	384,482	2,667,416	2,390,793
Capital assets	809,055	789,768	7,208,841	7,456,583	8,017,896	8,246,351
Total Assets	<u>2,896,586</u>	<u>2,796,079</u>	<u>7,788,726</u>	<u>7,841,065</u>	<u>10,685,312</u>	<u>10,637,144</u>
Liabilities:						
Current and other liabilities	202,250	192,981	734,348	666,469	936,598	859,450
Long-term liabilities	2,537,679	2,701,954	-	-	2,537,679	2,701,954
Total Liabilities	<u>2,739,929</u>	<u>2,894,935</u>	<u>734,348</u>	<u>666,469</u>	<u>3,474,277</u>	<u>3,561,404</u>
Deferred Inflows of Resources	<u>675,452</u>	<u>676,584</u>	<u>-</u>	<u>-</u>	<u>675,452</u>	<u>676,584</u>
Net Position:						
Net invested in capital assets	809,055	789,768	7,208,841	7,456,583	8,017,896	8,246,351
Restricted for emergencies	16,000	17,000	-	-	16,000	17,000
Unrestricted	(1,343,850)	(1,582,208)	(154,463)	(281,987)	(1,498,313)	(1,864,195)
Total Net Position	<u>\$ (518,795)</u>	<u>(775,440)</u>	<u>7,054,378</u>	<u>7,174,596</u>	<u>6,535,583</u>	<u>6,399,156</u>

Government-wide Financial Analysis (continued)

The largest portion of the District's assets is its capital assets. Roads and streets and the related infrastructure and the water and sewer system are necessary in order to deliver and/or provide services to the District's residents and visitors. The capital assets account for 75% of its total assets. These assets are not an available source for payment of future spending. The remaining \$2,667,416 of assets consist of \$16,000, or 3%, of the annual revenues for governmental activities that is restricted for use in the event of an emergency; \$675,452 is property taxes receivable collectible in the subsequent year and is offset in the District's deferred inflows of resources and, therefore, is not available for future spending; \$4,408 represents prepaid insurance and deposits, all of which have been spent; and \$714,260 represents unearned water tank revenue which will not be available until a new water tank is built. The District has a deficit unrestricted net position of \$1,498,313 as of December 31, 2016.

Governmental activities of the District had a negative net position total of \$518,795 and business-type activities had a positive net position total of \$7,054,378 which resulted in total government-wide net position of \$6,535,583 as of December 31, 2016.

The District's net position increased \$136,429 during the current fiscal year.

Skyland Metropolitan District's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 101,545	118,493	195,482	194,761	297,027	313,254
Grants and contributions	-	-	102,069	40,828	102,069	40,828
General revenues:						
Property taxes	676,586	693,761	-	-	676,586	693,761
Other taxes	39,076	41,123	-	-	39,076	41,123
Interest	992	1,754	9,564	3,103	10,556	4,857
Miscellaneous	900	934	-	-	900	934
Total Revenues	819,099	856,065	307,115	238,692	1,126,214	1,094,757
Expenses:						
General government	313,600	268,368	-	-	313,600	268,368
Highways and streets	131,112	147,800	-	-	131,112	147,800
Interest on long-term debt	117,740	122,447	-	-	117,740	122,447
Water and sewer	-	-	427,333	429,960	427,333	429,960
Total Expenses	562,452	538,615	427,333	429,960	989,785	968,575
Change in Net Position Before Transfers	256,647	317,450	(120,218)	(191,268)	136,429	126,182
Change in Net Position	256,647	317,450	(120,218)	(191,268)	136,429	126,182
Net Position - Beginning	(775,442)	(1,092,890)	7,174,596	7,365,864	6,399,154	6,272,974
Net Position - Ending	\$ (518,795)	(775,440)	7,054,378	7,174,596	6,535,583	6,399,156

Government-wide Financial Analysis (continued)

Governmental Activities: Governmental activities for 2016 increased the District's net position by \$256,647.

Governmental revenues decreased by \$36,966 from 2015 levels and are mostly attributable to decreases in property taxes and charges for services of \$17,175 and \$16,948, respectively.

In 2016, total expenses for governmental activities increased by \$23,837. Expenses for highways and streets decreased \$16,688, and interest on long-term decreased by \$4,707. These decreases were offset by an increase in general government by \$45,232.

Business-type Activities: Business-type activities for 2016 decreased the District's net position by \$120,218. Key elements of the decrease are as follows:

The increase in business-type activities revenues of \$68,423 is mainly attributable to an increase in tap fees of \$61,241 due to increase in construction.

A decrease in business-type activities expenses of \$2,627 is mainly attributable to a decrease in water and sewer repairs and maintenance of \$11,922.

Financial Analysis of the District's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,384,152, an increase of \$77,617 from the prior year ending fund balances.

Proprietary Fund: The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unreserved net position for the proprietary fund at the end of the current fiscal year was a deficit \$154,463. The unreserved assets are available for spending at the District's discretion. In addition, \$7,208,841 of net position at December 31, 2016 represents the District's investment in capital assets, net of related debt. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Financial Analysis of the District's Funds (continued)

Budget Variances in the General Fund: The District amended the General Fund budget in 2016 to reflect additional revenues.

Significant budget variances for 2016 were as follows:

<u>Account</u>	<u>Original Budget Variance Positive (Negative)</u>	<u>Reason</u>
<i>Revenues:</i>		
Specific ownership taxes	\$ 5,076	Higher taxes than anticipated
<i>Expenditures:</i>		
Legal fees	19,358	Budgeted, but unspent
Snowplowing	26,907	Budgeted, but unspent
Maintenance - General	52,516	Budgeted, but unspent
<i>Capital outlay:</i>		
Open space	17,562	Budgeted, but unspent
Equipment	(28,736)	Purchase of bobcat and snowblower

Capital Assets: The District's capital assets decreased government-wide by \$228,455. Current year additions totaled \$134,552, while 2016 depreciation expense was \$363,007. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement in Section D of this report.

Long-term Debts: The District refunded its debt and also issued improvement bonds in the fiscal year 2010. In 2016, the long-term debt of the District decreased \$160,000. The District's source of revenue to pay debt services is a mill levy on the property within the boundaries. Additional information as well as a detailed classification of the District's total long-term liabilities can be found in the Notes to the Financial Statements in Section D.

Next Year's Budget and Rates: The District's General Fund, fund balance at the end of fiscal year 2016 was \$1,388,922. The 2017 budget reflects a decrease in General Fund balance of \$67,002. The General Fund expenditures are budgeted to increase due to administrative wages, snow plowing, road maintenance, legal fees, and capital outlay; and the revenues are budgeted to remain stable.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, Skyland Metropolitan District, 350 Country Club Drive, Suite 112, Crested Butte, Colorado 81224-9626.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Skyland Metropolitan District
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	1,415,443	538,193	1,953,636
Receivables:			
Property tax	675,452	-	675,452
Accounts, net of allowance	-	31,180	31,180
Other	2,740	-	2,740
Internal balances	(10,512)	10,512	-
Prepaid insurance	4,408	-	4,408
Capital assets not being depreciated	13,800	3,446,862	3,460,662
Capital assets, net of accumulated depreciation	795,255	3,761,979	4,557,234
Total Assets	2,896,586	7,788,726	10,685,312
Liabilities:			
Accounts payable and accrued liabilities	27,927	18,081	46,008
Accrued interest payable	9,323	-	9,323
Accrued compensated absences	-	2,007	2,007
Unearned water tank revenue	-	714,260	714,260
Bonds payable due within one year	165,000	-	165,000
Bonds payable due in more than one year	2,537,679	-	2,537,679
Total Liabilities	2,739,929	734,348	3,474,277
Deferred Inflows of Resources:			
Unavailable property tax revenue	675,452	-	675,452
Total Deferred Inflows of Resources	675,452	-	675,452
Net Position:			
Net invested in capital assets	809,055	7,208,841	8,017,896
Restricted for emergencies	16,000	-	16,000
Unrestricted	(1,343,850)	(154,463)	(1,498,313)
Total Net Position	(518,795)	7,054,378	6,535,583

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

Skyland Metropolitan District
Statement of Activities
For the Year Ended December 31, 2016

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs:						
Governmental Activities:						
General government	313,600	101,545	-	(212,055)	-	(212,055)
Highways and streets	131,112	-	-	(131,112)	-	(131,112)
Interest on long-term debt	117,740	-	-	(117,740)	-	(117,740)
Total Governmental Activities	<u>562,452</u>	<u>101,545</u>	<u>-</u>	<u>(460,907)</u>	<u>-</u>	<u>(460,907)</u>
Business-type Activities:						
Water and sewer	427,333	195,482	102,069	-	(129,782)	(129,782)
Total Business-type Activities	<u>427,333</u>	<u>195,482</u>	<u>102,069</u>	<u>-</u>	<u>(129,782)</u>	<u>(129,782)</u>
Total	<u>989,785</u>	<u>297,027</u>	<u>102,069</u>	<u>(460,907)</u>	<u>(129,782)</u>	<u>(590,689)</u>
General Revenues:						
Property tax				676,586	-	676,586
Specific ownership tax				39,076	-	39,076
Interest				992	9,564	10,556
Miscellaneous				900	-	900
Total general revenues				<u>717,554</u>	<u>9,564</u>	<u>727,118</u>
Change in Net Position				256,647	(120,218)	136,429
Net Position - Beginning				<u>(775,442)</u>	7,174,596	6,399,154
Net Position - Ending				<u>(518,795)</u>	<u>7,054,378</u>	<u>6,535,583</u>

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

FUND FINANCIAL STATEMENTS

**Skyland Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2016**

	General	Debt Service	Total Governmental Funds
Assets:			
Cash	1,409,701	5,742	1,415,443
Receivables:			
Property taxes assessed but not collected	458,627	216,825	675,452
Other	2,740	-	2,740
Prepaid insurance	4,408	-	4,408
Total Assets	1,875,476	222,567	2,098,043
 Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	27,927	-	27,927
Due to other fund	-	10,512	10,512
Total Liabilities	27,927	10,512	38,439
 Deferred Inflows of Resources:			
Unavailable property tax revenue	458,627	216,825	675,452
Total Deferred Inflows of Resources	458,627	216,825	675,452
 Fund Balances:			
Non-spendable:			
Prepaid expenses	4,408	-	4,408
Restricted:			
TABOR	16,000	-	16,000
Debt service	-	-	-
Unassigned	1,368,514	(4,770)	1,363,744
Total Fund Balances	1,388,922	(4,770)	1,384,152
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,875,476	222,567	2,098,043

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

**Skyland Metropolitan District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2016**

**Governmental Funds Total Balance
of Net Position are Different Because:**

Fund balance - total governmental funds (page C3) 1,384,152

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Details of these amounts are as follows:

Capital assets	4,222,352	
Accumulated depreciation	<u>(3,413,297)</u>	
		809,055

Deferred charges such as and premiums and discounts on bonded debt, are treated as current transactions on the fund financial statements, but are capitalized and are amortized on the Statement of Net Position:

Discounts and premiums on bonded debt	<u>12,321</u>	
		12,321

Long-term liabilities, including capital leases and bonds payable , are not due and payable in the current period and, therefore, are not reported in the funds. Details of these amounts are as follows:

Bonds payable	(2,715,000)	
Accrued interest	<u>(9,323)</u>	
		<u>(2,724,323)</u>

Net Position of Governmental Activities (518,795)

Skyland Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	502,943	212,719	715,662
Management fees	39,792	-	39,792
Availability of service fees	-	61,753	61,753
Interest	992	-	992
Miscellaneous	900	-	900
Total Revenues	<u>544,627</u>	<u>274,472</u>	<u>819,099</u>
Expenditures:			
General government	220,104	-	220,104
Highways and streets	237,306	-	237,306
Debt Service:			
Principal	-	160,000	160,000
Interest	-	117,481	117,481
Trustee fees	-	200	200
Treasurer fees	-	6,391	6,391
Total Expenditures	<u>457,410</u>	<u>284,072</u>	<u>741,482</u>
Net Change in Fund Balances	87,217	(9,600)	77,617
Fund Balances - Beginning	<u>1,301,705</u>	<u>4,830</u>	<u>1,306,535</u>
Fund Balances - Ending	<u><u>1,388,922</u></u>	<u><u>(4,770)</u></u>	<u><u>1,384,152</u></u>

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

Skyland Metropolitan District
Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016

**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:**

Net change in fund balance - total governmental funds (page C5) 77,617

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay during the year. Details of these differences are as follows:

Capital additions	118,480	
Depreciation expense	<u>(99,193)</u>	19,287

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of principal on bonds	160,000	
Amortization of bond premium	778	
Amortization of bond discount	(1,503)	
Change in accrued interest	<u>468</u>	<u>159,743</u>

Change in Net Position of Governmental Activities 256,647

**Skyland Metropolitan District
Statement of Net Position
Proprietary Fund Type
Water and Sewer Fund
For the Year Ended December 31, 2016**

Assets:

Current Assets:

Cash and investments	538,193
Accounts receivable, net of allowance of \$0	31,180
Due from other funds	10,512
Total Current Assets	<u>579,885</u>

Non-Current Assets:

Property, plant, and equipment, net of accumulated depreciation	3,761,979
Water rights	3,310,732
Land easements	136,130
Total Non-Current Assets	<u>7,208,841</u>

Total Assets	<u>7,788,726</u>
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Liabilities:

Current Liabilities:

Accounts payable and accrued liabilities	18,081
Accrued compensated absences	2,007
Unearned water tank revenue	714,260
Total Current Liabilities	<u>734,348</u>

Total Liabilities	<u>734,348</u>
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Net Position:

Net invested in capital assets	7,208,841
Unreserved	(154,463)
Total Net Position	<u>7,054,378</u>

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

Skyland Metropolitan District
Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Fund Type
Water and Sewer Fund
For the Year Ended December 31, 2016

Operating Revenues:	
Service fees	194,149
Other	1,333
Total Operating Revenues	<u>195,482</u>
Operating Expenses:	
Repair and maintenance - Water and sewer	31,408
Dam and lake maintenance	3,637
Operational engineering	11,493
Legal fees	37,649
Utilities	28,915
Depreciation	263,814
Miscellaneous	282
Supplies and chemicals	464
Waste and water tests	1,048
Travel and education	170
Wages and benefits	45,531
Water meter expense	2,922
Total Operating Expenses	<u>427,333</u>
Operating (Loss)	<u>(231,851)</u>
Non-Operating Revenues:	
Interest income	9,564
Net Non-Operating Revenues	<u>9,564</u>
(Loss) Before Contributions and Transfers	<u>(222,287)</u>
Tap fees	<u>102,069</u>
Change in Net Position	(120,218)
Total Net Position - Beginning	<u>7,174,596</u>
Total Net Position - Ending	<u><u>7,054,378</u></u>

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

**Skyland Metropolitan District
Statement of Cash Flows
Proprietary Fund Type
Water and Sewer
For the Year Ended December 31, 2016**

Cash Flows from Operating Activities:	
Cash received from customers	267,413
Cash payments for goods and services	(117,928)
Cash payments to employees and benefits	(44,934)
Net Cash Provided (Used) by Operating Activities	<u>104,551</u>
Cash Flows from Capital and Related Financing Activities:	
Tap and water tank fees received	102,069
Cash paid for capital improvements	(16,072)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>85,997</u>
Cash Flows from Investing Activities:	
Interest income	9,564
Net Cash Provided (Used) by Investing Activities	<u>9,564</u>
Net Change in Cash	200,112
Cash and Investments - Beginning	338,081
Cash and Investments - Ending	<u><u>538,193</u></u>
Reconciliation of Operating (Loss) to	
Net Cash Provided by Operating Activities:	
Operating (loss)	<u>(231,851)</u>
Adjustments to reconcile operating (loss) to net	
cash provided by operating activities:	
Depreciation	263,814
(Increase) decrease in accounts receivable	4,708
Increase (decrease) in accounts payable and accrued liabilities	512
Increase (decrease) in accrued compensated absences	145
Increase (decrease) in unearned water tank revenue	67,223
Total Adjustments	<u>336,402</u>
 Net Cash Provided (Used) by Operating Activities	 <u><u>104,551</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016

I. Summary of Significant Accounting Policies

The Skyland Metropolitan District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act.

The District, located in Gunnison County, Colorado, was formed on October 26, 1981, for the purpose of providing water and sewage, fire protection, street, curb and gutter improvements, and safety protection functions to the residents of the District. Currently, sewer and fire protection services are not provided by the District.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements, (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either 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 District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's administration and highways and streets are classified as governmental activities. The District's water and sewer are classified as a business-type activity.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (utilities). The functions are also supported by general government revenues (property and specific ownership taxes, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital contributions. Program revenues must be directly associated with the function (general government and highways and streets) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific contributions.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the accumulation of financial resources to be used for the payment of long-term debt principal, interest, and related costs.

The District reports the following proprietary or business-type fund:

The *Water and Sewer Fund* accounts for the operations of the water and sewer systems.

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

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and the proprietary financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers and others for goods, services or privileges provided, 2) capital contributions, including special assessments, and 3) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund 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 non-operating revenues and expenses.

E. Financial Statement Accounts

1. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District.

The District's follows Colorado statutes specifying specific investments instruments meeting defined rating criteria in which local governments may invest, which include:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligations and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established, as the District considers all accounts to be collectible.

**Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)**

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental unit until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as unearned revenue.

4. Prepaid Expenses

Prepaid expenses are amounts paid in the current year for expenses related to subsequent years.

5. Interfund Receivables and Payables

Balances at year-end between funds are reported as “due to / from other funds” in the fund financial statements. Any residual balances not eliminated between the governmental and business-type activities are reported as “internal balances” in the government-wide financial statements.

6. Capital Assets

Capital assets, which include roads, signs, bridges and paths, water systems, sewer systems and improvements are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets.

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

<u>Assets</u>	<u>Years</u>
Equipment, signs, and water meters	5 - 15
Roads and streets	20
Pedestrian bridge and paths	30
Water tank, water and sewer systems, and buildings and improvements	33 - 40

Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

7. Compensated Absences

Earned but unused vacation benefits are accrued when incurred in the financial statements.

8. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of the governmental fund. The remaining portion of such obligations is reported in the governmental activities column of the government-wide financial statements. Long-term obligations for proprietary funds are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

9. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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. The District has one item that qualifies for reporting in this category. Unavailable property tax revenue is reported in both the government-wide statement of net position and the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

10. Categories and Classification of Fund Balance

Governmental accounting standards establish fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The District classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

10. Categories and Classification of Fund Balance (continued)

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is Board of Directors. The District's original budget legislation begins with combining historical data, assessment of needs for the upcoming year and the Board of Directors platform to review, and/or make changes to each department's budget. Before year end, a budgetary committee will meet again with each department for final review and approval of preliminary budget. The Budget is then formally presented to Board of Directors via an advertised public process for their review, revisions and final approval by year end. All subsequent budget requests made during the year, after Board of Directors approval, must be presented via a public process and again approval by Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Directors or its management designee.

Unassigned – includes residual positive fund balance within a general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a formal minimum fund balance policy.

In addition to the above note disclosure, GASB 54 requires disclosure of the following fund definitions:

General Fund – The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Debt Service Funds – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

11. Tap Fees

Accounting and Financial Reporting for Nonexchange Transactions, GASB No. 33, requires that government entities that receives tap fees record the tap fees as revenue for accounting periods beginning after June 15, 2000. The District has reported tap fees for the year ended December 31, 2016 as revenue in the accompanying financial statements.

F. Significant Accounting Policies

1. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

2. Restricted and Unrestricted Resources

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

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with GAAP, except for the proprietary funds. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year-end.

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2016.

1. For the 2016 budget year, prior to August 25, 2015, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10 only once by a single notification to the District.
2. The District Manager submitted to the Board, on or before October 15, 2015, a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
3. Prior to December 15, 2015, a public hearing was held for the budget, the Board certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.

**Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)**

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

4. After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2015 were collected in 2016 and taxes certified in 2016 will be collected in 2017. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

During the year, a supplemental appropriation ordinance was necessary. The budgetary comparison statements reflect the original budget and the final budget after legally authorized revisions were made.

The proprietary fund was adopted on a non-GAAP budgetary basis and has been reconciled below:

	Water and Sewer Fund
Excess of revenues over expenditures and other financing (uses) - budget basis	\$ 194,893
Reconciliation to GAAP Basis:	
Water tank fees	(67,224)
Depreciation	(263,814)
Capital additions	16,072
Accrued compensated absences	(145)
Change in Net Position/Fund Balance - GAAP Basis	\$ (120,218)

B. TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

**Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)**

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment - Revenue and Spending Limitation Amendment (continued)

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has provided for an emergency reserve of \$16,000, in the General Fund, in compliance with TABOR at December 31, 2016.

The District's electors have passed ballot questions that permit:

- 1) An increase of up to \$1,500,000 in the final year of a phased-in tax increase by the certification of additional mill levies for general fund operating expenses in addition to debt service, which increase may be levied and spent regardless of any limitations imposed by C.R.S. § 29-1-301, *et seq.* and Article X, Section 20 of the Colorado Constitution.
- 2) An increase in Skyland's revenues and spending up to \$1,500,000 in any one fiscal year to the extent that revenues and spending in each such fiscal year are in excess of applicable revenue and spending limits.

The District's management believes that it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

III. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the Town's interest-bearing deposits at each financial institution. Non-interest bearing deposits are fully insured by the FDIC. Interest-bearing deposit balances over \$250,000 are collateralized as required by PDPA.

At year end, the District had the following deposits and maturities:

<u>Type</u>	<u>Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<i>Deposits:</i>				
Checking	Not Rated	\$ 4,560	-	-
Money market	Not Rated	685,201	-	-
COLOTRUST investment pool	AAAm	1,263,875	1,263,875	-
		<u>\$ 1,953,636</u>	<u>1,263,875</u>	<u>-</u>

The Investment Pool represents an investment in Colorado Liquid Asset Trust ("COLOTRUST"). The investment is measured at the net asset value, and the fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

**Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)**

III. Detailed Notes on All Funds (continued)

A. Deposits (continued)

1. Interest Rate Risk

As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

2. Credit Risk

State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

3. Concentration of Credit Risk

The District diversifies its investments by security type and institution.

Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, Congressionally authorized mortgage lenders and investments that are federally guaranteed.

Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. Colorado's PDPA requirement noted above mitigates concentration of credit risk.

B. Receivables

Receivables as of year-end for the District's funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables:				
Property tax	\$ 458,627	216,825	-	675,452
Accounts	-	-	31,180	31,180
Other	2,740	-	-	2,740
Gross receivables	<u>461,367</u>	<u>216,825</u>	<u>31,180</u>	<u>709,372</u>
Less: allowance for uncollectible	-	-	-	-
Net Receivables	<u><u>\$ 461,367</u></u>	<u><u>216,825</u></u>	<u><u>31,180</u></u>	<u><u>709,372</u></u>

Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)

III. Detailed Notes on All Funds (continued)

B. Receivables (continued)

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The \$675,452 of unavailable revenue is property taxes levied in 2016 but not available until 2017.

C. Interfund Receivables and Payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The Water and Sewer Fund had an interfund receivable from the Debt Service Fund of \$10,512 as of December 31, 2016

D. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 13,800	-	-	13,800
Total Capital Assets, Not Being Depreciated	<u>13,800</u>	<u>-</u>	<u>-</u>	<u>13,800</u>
Capital Assets, Being Depreciated:				
Equipment	99,511	38,736	(35,563)	102,684
Roads	3,485,746	79,744	-	3,565,490
Signs	38,096	-	-	38,096
Pedestrian bridge and paths	279,009	-	-	279,009
Buildings and Improvements	223,273	-	-	223,273
Total Capital Assets Being Depreciated	<u>4,125,635</u>	<u>118,480</u>	<u>(35,563)</u>	<u>4,208,552</u>
Less Accumulated Depreciation for:				
Equipment	(75,076)	(13,409)	35,563	(52,922)
Roads	(3,101,446)	(64,877)	-	(3,166,323)
Signs	(32,810)	(1,375)	-	(34,185)
Pedestrian bridge and paths	(102,632)	(13,950)	-	(116,582)
Building and Improvements	(37,703)	(5,582)	-	(43,285)
Total Accumulated Depreciation	<u>(3,349,667)</u>	<u>(99,193)</u>	<u>35,563</u>	<u>(3,413,297)</u>
Total Capital Assets, Being Depreciated, Net	<u>775,968</u>	<u>19,287</u>	<u>-</u>	<u>795,255</u>
Governmental Activities Capital Assets, Net	<u>\$ 789,768</u>	<u>19,287</u>	<u>-</u>	<u>809,055</u>

Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)

III. Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

Depreciation expense and were charged to functions of the District as follows:

	Depreciation Expense
Governmental activities:	
General government	\$ 86,907
Public works	12,286
Total depreciation expense - governmental activities	\$ 99,193

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Water rights	\$ 3,310,732	-	-	3,310,732
Land easements	136,130	-	-	136,130
Total Capital Assets, Not Being Depreciated	3,446,862	-	-	3,446,862
Capital Assets, Being Depreciated:				
Water meters	70,437	-	-	70,437
Dam projects	2,069,175	-	-	2,069,175
Equipment	23,156	6,215	-	29,371
Water system	4,432,208	9,857	-	4,442,065
Water tank	706,914	-	-	706,914
Wells	197,010	-	-	197,010
Sewer collection system	1,064,995	-	-	1,064,995
Total Capital Assets Being Depreciated	8,563,895	16,072	-	8,579,967
Less Accumulated Depreciation for:				
Water meters	(49,305)	(4,696)	-	(54,001)
Dam projects	(1,044,496)	(53,765)	-	(1,098,261)
Equipment	(9,485)	(2,415)	-	(11,900)
Water system	(2,246,908)	(134,337)	-	(2,381,245)
Water tank	(299,008)	(21,419)	-	(320,427)
Wells	(43,439)	(14,910)	-	(58,349)
Sewer collection system	(861,533)	(32,272)	-	(893,805)
Total Accumulated Depreciation	(4,554,174)	(263,814)	-	(4,817,988)
Total Capital Assets, Being Depreciated, Net	4,009,721	(247,742)	-	3,761,979
Business-type Activities Capital Assets, Net	\$ 7,456,583	(247,742)	-	7,208,841

The District operates and receives user and availability of service fees for the water systems. The District owns, but does not operate the sewer collection system and does not receive any related sewer revenues. The District maintains the sewer collection system and incurred depreciation expenses of \$32,273 for the year ended December 31, 2016. The sewer plant and collection system is operated by East River Regional Sanitation District. The District does not charge East River Regional Sanitation District any fee for the use of its sewer collection system.

**Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)**

III. Detailed Notes on All Funds (continued)

E. Long-term Liabilities – Governmental Activities

The District has the following long-term debt outstanding for governmental activities:

1. General Obligation Refunding and Improvement Bonds, Series 2010

On June 10, 2010, the District issued General Obligation Refunding and Improvement Bonds, Series 2010 in the amount of \$3,765,000. \$1,490,000 of bond proceeds was used to refund the outstanding balance of the General Obligation (Limited Tax) Refunding Bonds, Series 2003; the proceeds were applied immediately to redeem the old debt. \$2,275,000 of bond proceeds was used to finance extensions and improvements to the water system purchase water rights, and the construction of associated structures of the District. The present value savings on the bond refunding was \$265,212.

2. Schedule of Future Payments

The District's debt service requirements to maturity at December 31, 2016, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 165,000	111,881	276,881
2018	170,000	105,694	275,694
2019	175,000	98,894	273,894
2020	185,000	91,894	276,894
2021	190,000	84,494	274,494
2022 - 2026	1,075,000	301,670	1,376,670
2027 - 2029	755,000	67,155	822,155
Total	2,715,000	861,682	3,576,682
	(12,321)	Less: Unamortized bond discount and premium - net	
	<u>\$ 2,702,679</u>	Total Debt	

3. Changes in Long-term Debt

Long-term liability activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Refunding and Improvement Bonds Series 2010	\$ 2,875,000	-	(160,000)	2,715,000	165,000
Total Governmental Activities	<u>\$ 2,875,000</u>	<u>-</u>	<u>(160,000)</u>	<u>2,715,000</u>	<u>165,000</u>

Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)

IV. Other Information

A. District Management

The management of the District is primarily accomplished through an elected Board of Directors which oversees administration, operations, and maintenance functions.

B. Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions. The District carries commercial coverage for these risks and claims and does not expect claims to exceed their coverage.

C. Contingencies - Claims

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2016.

D. Section 401(a) Retirement Plan

The District offers its employees a retirement savings plan created in accordance with Internal Revenue Code Section 401(a) (the "Plan"). The Plan is administered and invested by Colorado County Officials and Employees Retirement Association ("CCOERA"). The benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Employees of the District, who work at least 12 months per year and 24 hour per week, with 12 months of continuous service, are eligible to participate in the Plan. All participants make required contributions equal to 5% of compensation, as defined in the Plan, and the District makes a matching contribution of 5%. The District's contributions vest 25% after two years, and the vesting percentage increase 25% each year after that, and become fully vested after five years.

The District's 2016 covered payroll was \$123,802 and, during 2016, the District's required and actual contributions amounted to \$6,086. No forfeited contributions were used to reduce the District's contributions. Participants' required and actual contributions for 2016 amounted to \$5,997.

As of December 31, 2016, there were no outstanding contribution liabilities.

E. Section 457 Deferred Compensation Plan

The District has adopted an IRC Section 457 deferred compensation plan administered by CCOERA. Participants may defer up to the lesser of \$18,000 or 100% of the participant's includable compensation. The District has elected not to make employer contributions under the plan. Participants over age 50 are eligible to contribute more than the \$18,000 limit due to a catch up provision in the plan. The District is neither the trustee nor the administrator and has no liability under the plan.

**Skyland Metropolitan District
Notes to the Financial Statements
December 31, 2016
(Continued)**

IV. Other Information

F. Debt Service Fund Deficit Fund Balance

As of December 31, 2016, the Debt Service Fund had a deficit fund balance of \$4,770

REQUIRED SUPPLEMENTARY INFORMATION

Skyland Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
With Reconciliation to GAAP Basis
General Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)

	<u>2016</u>			Final Budget Variance Positive (Negative)	<u>2015</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Taxes:					
Property taxes	463,875	463,875	463,867	(8)	457,119
Specific ownership taxes	34,000	36,383	39,076	2,693	41,123
Total Taxes	<u>497,875</u>	<u>500,258</u>	<u>502,943</u>	<u>2,685</u>	<u>498,242</u>
Other:					
Reimbursements	50	50	-	(50)	34
Management fees	37,500	40,000	39,792	(208)	37,500
Interest	2,000	1,200	992	(208)	1,754
Miscellaneous	900	900	900	-	900
Total Other	<u>40,450</u>	<u>42,150</u>	<u>41,684</u>	<u>(466)</u>	<u>40,188</u>
Total Revenues	<u>538,325</u>	<u>542,408</u>	<u>544,627</u>	<u>2,219</u>	<u>538,430</u>
Expenditures:					
General Government:					
Administrative wages and benefits	137,000	137,000	130,069	6,931	130,231
Accounting and auditing	13,500	12,000	10,920	1,080	13,004
Directors' fees	7,000	6,000	5,800	200	5,700
Legal fees	40,000	20,000	20,642	(642)	33,469
Insurance	17,100	18,000	22,804	(4,804)	18,361
Telephone	2,500	2,500	2,251	249	2,647
Office supplies	9,000	9,000	8,199	801	5,576
Training and education	2,500	1,000	391	609	552
Other	3,000	2,000	3,516	(1,516)	2,774
Truck expense	6,000	3,000	1,576	1,424	2,261
Treasurer's fees	13,916	14,016	13,936	80	13,748
Total General Government	<u>251,516</u>	<u>224,516</u>	<u>220,104</u>	<u>4,412</u>	<u>228,323</u>
Highways and Streets:					
Snowplowing	60,000	40,000	33,093	6,907	19,035
Maintenance - General	201,000	175,050	148,484	26,566	267,058
Maintenance - Landscaping	18,500	18,500	14,555	3,945	10,407
Capital outlay:					
Signs	1,000	1,000	-	1,000	3,875
Base map	100	100	-	100	-
Open space	20,000	5,000	2,438	2,562	2,250
Equipment	10,000	38,736	38,736	-	6,294
Total Highways and Streets	<u>310,600</u>	<u>278,386</u>	<u>237,306</u>	<u>41,080</u>	<u>308,919</u>
Net Change in Fund Balance	(23,791)	39,506	87,217	47,711	1,188
Fund Balance - Beginning	<u>1,245,159</u>	<u>1,245,159</u>	<u>1,301,705</u>	<u>56,546</u>	<u>1,300,517</u>
Fund Balance - Ending	<u>1,221,368</u>	<u>1,284,665</u>	<u>1,388,922</u>	<u>104,257</u>	<u>1,301,705</u>

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

SUPPLEMENTARY INFORMATION

Skyland Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
With Reconciliation to GAAP Basis
Debt Service Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)

	<u>2016</u>			Final Budget Variance Positive (Negative)	<u>2015</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Taxes:					
Property taxes	212,709	212,709	212,719	10	236,642
Total Taxes	<u>212,709</u>	<u>212,709</u>	<u>212,719</u>	<u>10</u>	<u>236,642</u>
Other:					
Availability of service fees	63,847	61,936	61,753	(183)	64,790
Legal agreement	-	-	-	-	16,202
Total Other	<u>63,847</u>	<u>61,936</u>	<u>61,753</u>	<u>(183)</u>	<u>80,992</u>
Total Revenues	<u>276,556</u>	<u>274,645</u>	<u>274,472</u>	<u>(173)</u>	<u>317,634</u>
Expenditures:					
Debt Service:					
Principal	-	-	160,000	(160,000)	155,000
Interest	277,481	277,481	117,481	160,000	122,131
Trustee fees	200	200	200	-	200
Treasurer's fees	6,381	6,481	6,391	90	7,117
Total Expenditures	<u>284,062</u>	<u>284,162</u>	<u>284,072</u>	<u>90</u>	<u>284,448</u>
Excess of Revenues Over Expenditures	<u>(7,506)</u>	<u>(9,517)</u>	(9,600)	<u>(83)</u>	33,186
Reconciliation to GAAP Basis:					
Bad debt expense			-		(10,512)
Net Change in Fund Balance - GAAP Basis			<u>(9,600)</u>		<u>22,674</u>

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

Skyland Metropolitan District
Schedule of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual
With Reconciliation to GAAP Basis
Proprietary Fund Type - Water and Sewer Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)

	<u>2016</u>			<u>Final Budget</u>	<u>2015</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
				<u>(Negative)</u>	
Revenues:					
User fees	190,010	190,010	194,149	4,139	189,657
Interest - Customers	1,500	200	213	13	2,458
Tap fees	18,558	102,069	102,069	-	40,828
Water tank tap fee	-	-	67,224	67,224	11,006
Other	100	328	328	-	1,892
Water meter revenue	500	793	793	-	755
Interest income	2,000	9,000	9,564	564	3,103
Total Revenues	<u>212,668</u>	<u>302,400</u>	<u>374,340</u>	<u>71,940</u>	<u>249,699</u>
Expenditures:					
Repair and maintenance - Water and sewer	75,000	62,000	28,180	33,820	25,785
Repair and maintenance - Equipment	1,000	1,000	85	915	107
Dam and lake maintenance	20,000	15,000	9,852	5,148	18,989
Capital engineering	20,000	10,000	4,842	5,158	18,629
Operational engineering	10,000	10,000	6,652	3,348	55
Legal fees	50,000	40,000	37,649	2,351	53,094
Utilities	25,000	28,500	28,915	(415)	21,585
Miscellaneous	750	750	282	468	517
Supplies and chemicals	3,000	1,050	464	586	1,380
Waste and water tests	2,500	1,500	1,048	452	1,146
Travel and education	5,000	500	170	330	1,568
Wages and benefits	45,500	45,500	45,386	114	44,167
Water meter expense	1,000	2,922	2,922	-	840
Capital outlay	50,000	20,000	13,000	7,000	241,850
Total Expenditures	<u>308,750</u>	<u>238,722</u>	<u>179,447</u>	<u>59,275</u>	<u>429,712</u>
Excess of Revenues Over Expenditures	<u>(96,082)</u>	<u>63,678</u>	<u>194,893</u>	<u>131,215</u>	<u>(180,013)</u>
Net Change in Net Position	<u>(96,082)</u>	<u>63,678</u>	<u>194,893</u>	<u>131,215</u>	<u>(180,013)</u>
Reconciliation to GAAP Basis:					
Bad debts (recovery)			-		5,428
Water tank fees			(67,224)		(11,006)
Depreciation			(263,814)		(258,850)
Capital additions			16,072		253,262
Accrued compensated absences			(145)		(89)
Change in Net Position - GAAP Basis			<u>(120,218)</u>		<u>(191,268)</u>

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

STATISTICAL TABLES

Table II
History of District's Assessed Valuation

Levy/Collection	Assessed Valuation	Percent Change
Year		
2009/2010	\$36,841,950	13.16%
2010/2011	\$37,062,530	0.60%
2011/2012	\$24,935,930	-32.72%
2012/2013	\$24,606,170	-1.32%
2013/2014	\$19,192,540	-22.00%
2014/2015	\$19,247,630	0.29%
2015/2016	\$23,579,320	22.51%
2016/2017	\$23,539,870	-0.17%

Table III
History of District's Mill Levy

Levy/Collection	General	Bond	
Year	Revenue	Redemption	Total
2009/2010	14.927	7.153	22.08
2010/2011	16.317	5.763	22.08
2011/2012	19.945	7.135	27.08
2012/2013	19.42	7.66	27.08
2013/2014	24.952	11.092	36.044
2014/2015	23.749	12.295	36.044
2015/2016	19.673	9.021	28.694
2016/2017	19.483	9.211	28.694

Table IV
Property Tax Collections for the District

Levy/Collection	Taxes Levied	Taxes Collected	Total Collections as a Percentage of Taxes Levied
Year			
2009/2010	\$813,469	\$799,389	98.27
2010/2011	\$818,340	\$801,376	97.93
2011/2012	\$675,264	\$690,831	102.31
2012/2013	\$666,334	\$669,400	100.46
2013/2014	\$691,775	\$691,776	100.00
2014/2015	\$693,761	\$693,761	100.00
2015/2016	\$676,584	\$676,586	100.00

TABLE VII
General Fund Comparative Statement of Revenue, Expenditures, and Changes in Fund Balance
Years Ended December 31

	2010	2011	2012	2013	2014	2015	2016
Revenues							
Property taxes	\$ 540,419	\$ 592,217	\$ 508,797	\$ 480,026	\$ 478,916	\$ 457,119	\$ 463,867
Specific ownership taxes	35,686	33,167	31,719	35,262	41,530	41,123	39,076
Reimbursements	50	-	-	328	1,979	34	-
Management fees	31,875	32,500	32,500	37,083	37,500	37,500	39,792
Capital Improvement fees	-	-	7,500	-	-	-	-
Other	3,984	2,952	8,396	5,399	2,900	2,654	1,892
Total Revenues	<u>612,014</u>	<u>660,836</u>	<u>588,912</u>	<u>558,098</u>	<u>562,825</u>	<u>538,430</u>	<u>544,627</u>
Expenditures							
General government	275,661	256,378	249,223	225,553	224,989	228,323	220,104
Highways and streets	169,668	92,362	138,713	191,690	100,923	308,919	237,306
Debt service	7,787	-	-	-	-	-	-
Total Expenditures	<u>453,116</u>	<u>348,740</u>	<u>387,936</u>	<u>417,243</u>	<u>325,912</u>	<u>537,242</u>	<u>457,410</u>
Net Change in Fund Balance	158,898	312,096	200,976	140,855	236,913	1,188	87,217
Fund Balance-Beginning	<u>250,778</u>	<u>409,676</u>	<u>721,772</u>	<u>922,749</u>	<u>1,063,604</u>	<u>1,300,517</u>	<u>1,301,705</u>
Fund Balance-Ending	<u>\$ 409,676</u>	<u>\$ 721,772</u>	<u>\$ 922,748</u>	<u>\$ 1,063,604</u>	<u>\$ 1,300,517</u>	<u>\$ 1,301,705</u>	<u>\$ 1,388,922</u>

Sources: District Audited Financial Reports 2010-2016

TABLE VIII
Enterprise Fund Comparative Statement of Revenue, Expenses, and Changes in Net Position
Years Ended December 31

	2010	2011	2012	2013	2014	2015	2016
Operating Revenues							
Service fees	\$ 194,009	\$ 191,875	\$ 192,870	\$ 188,291	\$ 193,673	\$ 189,657	\$ 194,149
Other	2,748	2,033	1,863	2,711	3,282	5,104	1,333
Total Operating Revenues	<u>196,757</u>	<u>193,908</u>	<u>194,733</u>	<u>191,002</u>	<u>196,955</u>	<u>194,761</u>	<u>195,482</u>
Operating Expenses							
Repair and maintenance	43,865	51,326	41,441	28,548	51,210	43,330	31,408
Dam and lake maintenance	5,733	59,142	23,668	2,337	10,889	8,766	3,637
Operational engineering	10,170	2,526	1,023	15,545	4,049	55	11,493
Legal	41,977	57,910	101,314	-	62,375	53,094	37,649
Utilities	11,680	12,990	16,989	24,246	25,289	21,585	28,915
Depreciation	218,788	218,933	234,536	250,248	251,759	258,850	263,814
Miscellaneous	1,893	2,024	1,145	483	514	517	282
Supplies and chemicals	552	2,260	1,474	1,309	1,251	1,380	464
Waste and water tests	640	723	2,494	2,445	1,960	1,146	1,048
Travel and education	1,508	1,776	155	1,532	331	1,568	170
Bad debts (recovery)	38,547	39,612	39,684	5,058	(10,070)	(5,428)	-
Wages and benefits	553	1,803	4,953	42,267	42,407	44,257	45,531
Water meter expense	-	4,038	-	102	673	840	2,922
Total Operating Expenses	<u>375,906</u>	<u>455,063</u>	<u>468,876</u>	<u>374,120</u>	<u>442,637</u>	<u>429,960</u>	<u>427,333</u>
Operating Loss	(179,149)	(261,155)	(274,143)	(183,118)	(245,682)	(235,199)	(231,851)
Non-Operating Revenues							
Interest income	3,974	1,936	3,501	2,005	1,956	3,103	9,564
Net Non-Operating Revenues	<u>3,974</u>	<u>1,936</u>	<u>3,501</u>	<u>2,005</u>	<u>1,956</u>	<u>3,103</u>	<u>9,564</u>
Loss Before Contributions and Transfers	(175,175)	(259,219)	(270,642)	(181,113)	(243,726)	(232,096)	(222,287)
Tap fees	52,890	-	19,486	78,872	37,466	40,828	102,069
Transfers In	2,275,000	-	-	-	-	-	-
Change in Net Position	2,152,715	(259,219)	(251,156)	(102,241)	(206,260)	(191,268)	(120,218)
Total Net Position-Beginning	<u>6,032,025</u>	<u>8,184,740</u>	<u>7,925,521</u>	<u>7,674,365</u>	<u>7,572,124</u>	<u>7,365,864</u>	<u>7,174,596</u>
Total Net Position-Ending	<u>\$ 8,184,740</u>	<u>\$ 7,925,521</u>	<u>\$ 7,674,365</u>	<u>\$ 7,572,124</u>	<u>\$ 7,365,864</u>	<u>\$ 7,174,596</u>	<u>\$ 7,054,378</u>

Sources: District Audited Financial Reports 2010-2016