CORTEZ SANITATION DISTRICT

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

AND

SUPPLEMENTAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2016

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OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cortez Sanitation District
Cortez, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Cortez Sanitation District (District), 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

Opinion

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 District, as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10, and the budgetary comparison information on page 29, 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues, expenditures and changes in net position - budget and actual - Enterprise Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Osborne, Parsons & Mosaicher LLP

Colorado Springs, Colorado
May 4, 2017

CORTEZ SANITATION DISTRICT

ROSTER OF DISTRICT OFFICIALS

Year ended December 31, 2016

BOARD OF DIRECTORS

Ryan Griglak – Chairman

Jim Candelaria – Vice Chairman

James Fisher – Director

Ernest Maness – Director

Micah Mobley – Director

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- The assets of Cortez Sanitation District exceeded its liabilities at the close of the most recent fiscal year by $21,589,314. Out of this amount, $3,047,241 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- Cortez Sanitation District's total net position increased by $44,829.
- As of the close of the current fiscal year, Cortez Sanitation District's governmental fund reported an ending fund balance of $1,375,172.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements presented 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 supplementary information in addition to the financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of District finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the District'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 grant expenses).

The government-wide statement of activities distinguishes functions/programs of the District supported primarily by charges for services. The governmental activities of the District include the collection of property tax and payment of bonded debt.

The business-type activities of the District include operations that are intended to recover all or a significant portion of their costs through user fees.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. 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 has two types of funds: governmental fund and proprietary fund.

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 statements, governmental fund financial statements focus on near-term financial resources and fund balances (which are spendable resources available at the end of the fiscal year). Such information may be useful in evaluating the District's near-term financial requirements.

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 government-wide financial statements. By doing so, the readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation of differences between the governmental funds and the government-wide financial statements, if any, to facilitate this comparison.

The District has one governmental fund, the General Fund. This fund accounts for the District's financial resources not required to be accounted for in another fund. The General Fund accounts for revenues and expenditures, for the receipt and payment of administration and debt.

The basic governmental fund financial statements can be found on pages 13-14 of this report.

Proprietary Funds - The District maintains one type of proprietary fund. The proprietary fund type is called the Enterprise Fund. Enterprise funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The District uses an enterprise fund to account for its service operation.

Proprietary fund financial statements can be found on pages 15-17 of this report.

Government-Wide Financial Analysis

The District had a decrease in net position from Governmental Activities of ($892,440) for the year, and an increase from Business-Type Activities of $937,269, for a net increase of $44,829.

Cortez Sanitation District's Statement of Net Position
Two-Year Comparison

	Governmental activities		Business-type activities		Total activities	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other	$ 2,222,225	$ 2,591,878	$ 3,453,586	$ 4,234,923	$ 5,675,811	$ 6,826,801
Capital assets	-	-	20,519,206	19,640,637	20,519,206	19,640,637
Total assets	2,222,225	2,591,878	23,972,792	23,875,560	26,195,017	26,467,438
Liabilities						
Current liabilities	447,053	324,266	555,989	677,971	1,003,042	1,002,237
Long-term liabilities	-	-	3,202,661	3,920,716	3,202,661	3,920,716
Total liabilities	447,053	324,266	3,758,650	4,598,687	4,205,703	4,922,953
Deferred inflow of resources	400,000	-	-	-	400,000	-
Net position						
Net investment in capital assets	-	-	16,598,490	15,025,210	16,598,490	15,025,210
Restricted	1,375,172	2,267,612	568,411	566,281	1,943,583	2,833,893
Unrestricted	-	-	3,047,241	3,685,382	3,047,241	3,685,382
Total net position	$ 1,375,172	$ 2,267,612	$ 20,214,142	$ 19,276,873	$ 21,589,314	$ 21,544,485

Assets

Current assets have decreased and capital assets have increased due to the construction and replacement of sewer lines and purchase of equipment during the fiscal year.

Liabilities

Long-term liabilities continue to decrease as debt is paid down.

Deferred Inflow of Resources

The District included a temporary mill levy credit equal to approximately 50% of the assessed mill levy in the current year. In the prior year, the temporary mill levy credit was equal to the assessed mill levy.

Cortez Sanitation District's Changes in Net Position
Two-Year Comparison

	Governmental activities		Business-type activities		Total activities	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	$ -	$ -	$ 2,238,407	$ 2,164,432	$ 2,238,407	$ 2,164,432
General revenues						
Taxes	4,391	912,842	1,999	33,434	6,390	946,276
Grants	-	-	119,857	945,572	119,857	945,572
Transfers in (out)	(600,000)	(575,000)	600,000	575,000	-	-
Investment earnings	-	-	23,692	12,898	23,692	12,898
Other	-	-	100,742	123,397	100,742	123,397
Total	(595,609)	337,842	846,290	1,690,301	250,681	2,028,143
Total revenues	(595,609)	337,842	3,084,697	3,854,733	2,489,088	4,192,575
Expenses						
Sewer operations	-	-	1,329,712	1,322,419	1,329,712	1,322,419
Administration	126,214	132,447	-	-	126,214	-
Depreciation	-	-	772,977	758,231	772,977	758,231
Debt service	170,617	232,006	44,739	52,026	215,356	284,032
Total expenses	296,831	364,453	2,147,428	2,132,676	2,444,259	2,364,682
Change in net position	(892,440)	(26,611)	937,269	1,722,057	44,829	1,695,446
Net position - beginning of year	2,267,612	2,294,223	19,276,873	17,554,816	21,544,485	19,849,039
Net position - end of year	$ 1,375,172	$ 2,267,612	$ 20,214,142	$ 19,276,873	$ 21,589,314	$ 21,544,485

Revenues

In the prior year, the District included a temporary mill levy credit equal to the assessed mill levy. As a result, only delinquent taxes were collected and recorded as revenue in the current year.

In the prior year, the District received a Department of Local Affairs grant as part of the sewer line construction project. The majority of project costs were incurred and reimbursed under the grant in the prior year. The project was completed and remaining grant funds received in the current year.

Fund Level Financial Analysis

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal and state requirements.

The General Fund is the District's primary administrative fund. It accounts for tax receipts used to retire debt and related administrative costs. The fund balance at the beginning of the 2016 fiscal year was $2,267,612. The ending fund balance for 2016 of $1,375,172 reflects a fund balance decrease of ($892,440). The decrease was due to administration expenditures and the transfer of funds to the Enterprise Fund for debt service payments.

The Enterprise Fund is the District's service operations fund. It accounts for charges for service and related costs. The net position at the beginning of the 2016 fiscal year was $19,276,873. The ending net

position for 2016 of $20,214,142 reflects a net position increase of $937,269. The increase was due primarily to the transfer of funds from the General Fund for debt service payments and the Department of Local Affairs reimbursement grant.

Budgetary Highlights

The District adopts an annual appropriated budget for the governmental fund. A budgetary comparison schedule for the General Fund is included on page 29 of this report to demonstrate compliance with the adopted budget.

The District Board adopted the 2016 Budget on December 14, 2015. An appropriation resolution of $1,024,856 for the General Fund and $3,998,930 for the Enterprise were approved. The proprietary fund budget to actual presentation, is not a required supplemental, and is included in additional information on page 31 of the financial statements.

Cortez Sanitation District's Original and Final Budget Comparison – General Fund

	Original	Final	Change
Revenue			
Property taxes	$ 854,856	$ 854,856	$ -
Temporary credit of property taxes	(854,856)	(854,856)	-
Specific ownership taxes	70,000	70,000	-
Total revenue	70,000	70,000	
Expenditures			
Administrative	150,000	150,000	-
Debt service			
Interest	254,856	254,856	-
Treasurer fees	20,000	20,000	-
Total expenditures	424,856	424,856	
Revenues in excess of expenditures	(354,856)	(354,856)	-
Other financing sources (uses)			
Transfers out	(600,000)	(600,000)	-
Net change in fund balance	(954,856)	(954,856)	-
Beginning fund balance	2,267,612	2,267,612	-
Ending fund balance	$ 1,312,756	$ 1,312,756	$ -

There was no modification to the original budget adopted.

Cortez Sanitation District's Budget and Actual Comparison – General Fund

	Final	Actual	Variance favorable (unfavorable)
Revenue			
Property taxes	$ -	$ 1,773	$ 1,773
Specific ownership taxes	70,000	2,618	(67,382)
Total revenue	70,000	4,391	(65,609)
Expenditures			
Administrative	150,000	126,214	23,786
Debt service			
Interest	254,856	170,573	84,283
Treasurer fees	20,000	44	19,956
Total expenditures	424,856	296,831	128,025
Revenues in excess of expenditures	(354,856)	(292,440)	62,416
Other financing sources (uses)			
Transfers out	(600,000)	(600,000)	-
Net change in fund balance	(954,856)	(892,440)	62,416
Beginning fund balance	2,267,612	2,267,612	-
Ending fund balance	$ 1,312,756	$ 1,375,172	$ 62,416

Revenues

Specific ownership taxes received are related to the assessed property taxes. In the prior year assessment, the District included a temporary credit equal to the mill levy and as a result, only delinquent taxes were collected in the current year.

Expenditures

Administrative expenses are billed from the Enterprise Fund based on the actual costs incurred. Due to the temporary mill levy credit, the District did not incur the related country treasurer fee for property tax collection.

Economic Factors and Next Year's Budget

Each year, the adoption of the budget must ensure quality of services for all customers and fiscal stability in ever changing political and economic conditions. Many factors, including the state's financial condition, increasing cost of health insurance, and declining versus growth in residential construction must be considered in budget preparation. Due to the accumulation of fund balance restricted for debt

service within the General Fund, the District included a temporary credit in 2016 reducing the mill levy rate to approximately half the assessed mill levy.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Cortez Sanitation District, Post Office Drawer 730, 2908 South Broadway, Cortez, Colorado, 81321.

FINANCIAL STATEMENTS

CORTEZ SANITATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental activities	Business-type activities	Total
Assets			
Cash and cash equivalents	$ 1,822,225	$ 2,870,588	$ 4,692,813
Receivables			
Taxes	400,000	-	400,000
Accounts	-	416,838	416,838
Capital credit	-	166,160	166,160
Total current assets	2,222,225	3,453,586	5,675,811
Property and equipment			
Land	-	173,686	173,686
Distribution lines	-	13,294,782	13,294,782
Buildings and plants	-	12,559,981	12,559,981
Plant equipment	-	2,530,787	2,530,787
Vehicles	-	974,042	974,042
Furniture and fixtures	-	7,620	7,620
Total fixed assets	-	29,540,898	29,540,898
Accumulated depreciation	-	(9,021,692)	(9,021,692)
Net property and equipment	-	20,519,206	20,519,206
Total assets	$ 2,222,225	$ 23,972,792	$ 26,195,017
Liabilities			
Current			
Accounts payable	$ -	$ 91,451	$ 91,451
Accrued interest	62,641	7,121	69,762
Accrued wages payable	-	23,593	23,593
Compensated absences	-	20,455	20,455
Retainage payable	-	65,926	65,926
Unearned revenue	-	13,800	13,800
Due to (from) other funds	384,412	(384,412)	-
Notes payable - due within one year	-	718,055	718,055
Total current liabilities	447,053	555,989	1,003,042
Long-term			
Notes payable	-	3,202,661	3,202,661
Total long-term liabilities	-	3,202,661	3,202,661
Total liabilities	447,053	3,758,650	4,205,703
Deferred inflow of resources			
Unearned property taxes	400,000	-	400,000
Net position			
Net investment in capital assets	-	16,598,490	16,598,490
Restricted:			
TABOR	3,786	-	3,786
Emergency reserves	-	568,411	568,411
Debt service	1,371,386	-	1,371,386
Unrestricted	-	3,047,241	3,047,241
Total net position	$ 1,375,172	$ 20,214,142	$ 21,589,314

See notes to financial statements

CORTEZ SANITATION DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Functions/programs	Expenses	Operating Revenues: Charges for services	Operating Revenues: Operating grants and contributions	Operating Revenues: Capital grants and contributions	Net (Expense) Revenue and Changes in Net Position: Governmental activities	Net (Expense) Revenue and Changes in Net Position: Business-type activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary government:							
Governmental activities:							
Administration	$ 126,214	$ -	$ -	$ -	$ (126,214)	$ -	$ (126,214)
Debt service							
Interest	92,373	-	-	-	(92,373)	-	(92,373)
Administrative fees	78,200	-	-	-	(78,200)	-	(78,200)
Treasurer fees	44	-	-	-	(44)	-	(44)
Total governmental activities	296,831	-	-	-	(296,831)	-	(296,831)
Business-type activities:							
Operating expenses							
Sewer operations	2,147,428	2,238,407	-	119,857	-	210,836	210,836
Total business-type activities	2,147,428	2,238,407	-	119,857	-	210,836	210,836
Total primary government	$ 2,444,259	$ 2,238,407	$ -	$ 119,857	(296,831)	210,836	(85,995)
General revenues							
Taxes							
Property taxes					1,773	-	1,773
SO tax					2,618	1,999	4,617
Sewer development charges					-	57,060	57,060
Plant investment fees					-	57,060	57,060
Investment earnings					-	23,692	23,692
Loss on disposal of property and equipment					-	(13,413)	(13,413)
Miscellaneous income					-	35	35
Transfer debt service principal payments					(600,000)	600,000	-
Total general revenues, special items, and transfers					(595,609)	726,433	130,824
Change in net position					(892,440)	937,269	44,829
Net position - beginning					2,267,612	19,276,873	21,544,485
Net position - ending					$ 1,375,172	$ 20,214,142	$ 21,589,314

See notes to financial statements

CORTEZ SANITATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2016

ASSETS

Current assets		
Cash and cash equivalents	$	1,822,225
Receivables		
Taxes		400,000
Total assets	$	2,222,225

LIABILITIES AND FUND BALANCES

Current liabilities		
Accrued interest expense	$	62,641
Due to other funds		384,412
Total current liabilities		447,053
Deferred inflow of resources		
Unearned property taxes		400,000
Fund balance		
Restricted for:		
TABOR reserve		3,786
Debt service		1,371,386
Total fund balance		1,375,172
Total liabilities and fund balance	$	2,222,225

See notes to financial statements

CORTEZ SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2016

Revenues		
Property taxes	$	1,773
Specific ownership taxes		2,618
Total revenues		4,391
Expenditures		
Administration		126,214
Debt service		
Interest		92,373
Administration fees		78,200
Treasurer fees		44
Total expenditures		296,831
Revenues in excess of expenditures		(292,440)
Other financing sources (uses)		
Debt service transfers		(600,000)
Revenues and other sources in excess of expenditures and other uses		(892,440)
Fund balance - beginning		2,267,612
Fund balance - ending	$	1,375,172

See notes to financial statements

CORTEZ SANITATION DISTRICT
STATEMENT OF NET POSITION
ENTERPRISE FUND
DECEMBER 31, 2016

ASSETS

Current assets		
Cash and cash equivalents	$	2,870,588
Receivables		
Accounts		416,838
Capital credit		166,160
Due from other funds		384,412
Total current assets		3,837,998
Property and equipment		
Land		173,686
Distribution lines		13,294,782
Buildings and plants		12,559,981
Plant equipment		2,530,787
Vehicles		974,042
Furniture and fixtures		7,620
Total property and equipment		29,540,898
Accumulated depreciation		(9,021,692)
Net property and equipment		20,519,206
Total assets	$	24,357,204

LIABILITIES AND FUND BALANCES

Current liabilities		
Accounts payable	$	91,451
Accrued interest		7,121
Accrued wages payable		23,593
Compensated absences		20,455
Retainage payable		65,926
Unearned revenue		13,800
Notes payable - due within one year		718,055
Total current liabilities		940,401
Long-term liabilities		
Notes payable		3,202,661
Total long-term liabilities		3,202,661
Total liabilities		4,143,062
Net position		
Net investment in capital assets		16,598,490
Restricted:		
Emergency reserves		568,411
Unrestricted		3,047,241
Total net position	$	20,214,142

See notes to financial statements

CORTEZ SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2016

Operating revenues	
Sewer charges	$ 2,194,548
Other	43,859
Total operating revenues	2,238,407
Operating expenses	
Administration	219,032
Sanitation Board	14,263
Plant operation	703,251
Sewer line maintenance	393,166
Interest	44,739
Depreciation	772,977
Total operating expenses	2,147,428
Total operating income	90,979
Nonoperating revenues	
Specific ownership tax	1,999
Sewer development charges	57,060
Plant investment fees	57,060
Interest income	23,692
Miscellaneous income	35
Total nonoperating revenues	139,846
Income before transfers	230,825
Other financing sources (uses)	
Grants	119,857
Loss on disposal of property and equipment	(13,413)
Debt service transfers	600,000
Total other financing sources (uses)	706,444
Change in net position	937,269
Net position, beginning	19,276,873
Net position, ending	$ 20,214,142

See notes to financial statements

CORTEZ SANITATION DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities	
Cash received from customers	$ 2,164,329
Other operating cash receipts	43,859
Cash payments to employees and board members	(651,612)
Cash payments to suppliers for goods and services	(767,911)
Net cash provided by operating activities	788,665
Cash flows from capital and related financing activities	
Transfer to General Fund	(128,433)
Specific ownership tax	1,999
Sewer development charges	57,060
Plant investment fees	57,060
Miscellaneous	35
Grants	380,199
Transfer in for principal payments	600,000
Capital expenditures	(1,650,580)
Debt principal payments	(694,711)
Net cash used by capital and related financing activities	(1,377,371)
Cash flows from investing activities	
Interest received	23,692
Net cash provided by investing activities	23,692
Net increase in cash and cash equivalents	(565,014)
Cash and cash equivalents - January 1	3,435,602
Cash and cash equivalents - December 31	$ 2,870,588
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 90,979
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	772,977
Changes in assets and liabilities:	
Accounts receivable	(52,729)
Capital credit	8,710
Accounts payable	(26,515)
Accrued interest	(552)
Accrued wages payable	(11,836)
Compensated absences	(6,169)
Unearned revenue	13,800
Net cash provided by operating activities	$ 788,665

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cortez Sanitation District have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting policies, as described below. The following is a summary of the significant accounting policies.

Reporting Entity - The Cortez Sanitation District (District) is a special district organized under Colorado Statutes on February 17, 1953. The District provides sanitation services and generally serves the residents of Cortez, Colorado and the surrounding area. The District is governmental in nature and is autonomous from other organizations, and the residents of the District elect the Board.

Under the provisions of governmental standards, the District is a primary government that has a separate governing body, is legally separate, and financially independent of other governments. Financially independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, set rates or charges, and interact with other entities. The District has no component units, which are other legally separate organizations, for which it is financially accountable. The District has no material relationships with other primary governments.

No other entity qualified as a potential component unit. The decision to include or exclude a potential component unit in the reporting entity is through the application of the criteria set forth by governmental standards. The criteria for determining a component unit includes the District's ability to exercise oversight responsibility, financial interdependence, the ability to exercise oversight responsibility include the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. Other criteria include evaluating potential component units based on the scope of public service. Application of this criterion involves considering whether the activity of the other primary government benefits the District and/or its residents, overlaps the geographic boundaries of the District and is generally available to its residents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The government-wide financial statements, i.e., the statement of net position and the statement of changes in net position, report information on all of the activities of the District. Inter-fund activity is presented in conformity with GASB prescribed guidance. Governmental activities, which normally are supported by taxes, charges for services, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment offset program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those 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 are reported under general revenues.

Governmental Fund Financial Statements - The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The District reports the following major funds:

General Fund - The General Fund is the District's primary administrative fund. It accounts for tax receipts used to retire debt and related administrative financial costs.

Sewer Enterprise Fund - Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user's charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Measurement Focus and Basis of Accounting - Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded, regardless of the measurement focus applied.

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period. Revenues are recognized when they are both measureable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the fiscal year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services 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 services and sales. The District also recognizes as operating revenue the portion of fees used to connect customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The District reports all other revenues and expenses as non-operating.

Budgets and Budgetary Accounting - Budgets are adopted on a governmental modified cash basis. All annual appropriations lapse at fiscal year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

A. State law requires all funds to be included in the budget filed with the State of Colorado within thirty days after the beginning of the fiscal year. The District Manager submits to the District Board, in October, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures by fund and the means of financing them. All budgets lapse at year-end. Prior to December 31, the board adopts the budget by formal resolution.

B. State statues require that expenditures may not legally exceed appropriations at the fund level without a formally approved amendment to the budget. The District Board approves amendments, which change the total appropriated funds, prior to filing with the State.

C. Budgeted figures in the supplemental financials are from the original budget adopted by the District Board. The District filed a subsequent amendment to the original budget. This amendment corrected the amount appropriated for expenditures to match the original budget.

Cash and Cash Equivalents - Cash and invested cash approximate fair value. The District reports liquid investments, with a maturity of three months or less, as cash and cash equivalents.

Interest Receivable - The District recognizes interest on investments in the period earned.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables and Allowances for Doubtful Accounts - The District reports receivables net of allowances for doubtful accounts. Management evaluates receivables for collectability, and due to the power of the District it can place liens on residences for non-payment, and believes all receivables are fully collectable and has made no allowance for doubtful account. Capital credits are anticipated to be received subsequent to December 31, 2017.

Property and Equipment - The District carries property and equipment at historical cost, less accumulated depreciation. Management depreciates assets over the estimated useful life using the straight-line method, beginning in the first full year of service. The District capitalizes work in process, and does not record depreciation until the period the asset is available for use.

Management has estimated the following useful lives of the assets:

Buildings and improvements	30-50 years
Infrastructure assets	30-50 years
Equipment	5-20 years
Furniture and fixtures	5-20 years

Unearned Revenues – Customer credit balances and early payments for sewer services are recorded as unearned revenues.

Compensated Absences - It is the District's policy to allow employees to accumulate vacation and sick pay benefits. Employees may accumulate vacation and sick pay up to a predetermined maximum level compensated through paid time off or at termination of employment. It is the District's policy to estimate the amount of sick time used in the subsequent year as a basis for the accrual.

Interfund Receivables/Payables and Transfers – During the course of operations, payments or receipts may be made or received in one fund but relate to activity in another fund, resulting in interfund receivables/payables. These receivables and payables are classified, if applicable, as "due from other funds" and "due to other funds" in the fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers.

Deferred Inflows and Outflows of Resources - A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period.

Both deferred inflows and outflows reported in the statement of net position, but not recognized in the financial statements as revenues and expenses, until the period(s) to which they relate. Deferred inflows of resources are comprised of unearned property tax revenues.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity - The General Fund reports fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for the funds. Fund balances for the District's General Fund consists of the following classifications.

Non-spendable - includes amounts that (a) are not in spendable form or (b) legally or contractually required. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories, prepaid items, and long-term notes receivable.

Restricted - includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.

Committed - includes amounts segregated for the specific purposes determined by the passage of a resolution of the District's board directors. Modification or changes to these commitments require approval through the District's board by resolution.

Assigned - includes amounts segregated by District's Board of Directors through their communications with management as to the intended use of segregated funds. Assigned funds are not legally restricted, nor committed by official board resolution, but are assigned based on management's understanding of the intended use of the funds.

Unassigned - this is the residual classification for any other funds not considered segregated by law, contractual obligation, board resolution or intent.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned, and unassigned.

Net asset classification in the Government Wide financial statements are as follows:

Net Investment In Capital Assets - this classification consists of capital assets net of accumulated depreciation, reduced by any outstanding debt attributed to the acquisition, construction or improvement of the capital assets.

Restricted Net Position - this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of the other governments, enabling legislation and constitutional provisions.

Unrestricted Net Position - This classification represents the residual funds balances not classified in of the two categories above.

Revenues and Expenses - The Enterprise Fund recognizes revenues and expenses based on accrual accounting as prescribed by GAAP.

Property Tax Revenues - On December 15, the District levies property taxes, based on the assessed value of property as certified by the County Assessor on or before December 10. Property tax attaches a lien on January 1 and may be paid in full by April 30 or in equal installments by February 28 and June 15.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions - The Enterprise Fund considers non-operating revenues to consist of capital contributions towards repair and replacement costs to include tap fees, water resource fees, developer infrastructure donated assets, and other development fees. The Enterprise Fund recognizes donated infrastructure at the estimated fair market value as defined by the internally calculated cost to construct the same assets.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the administration to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ materially from those estimates.

Amortization - The District amortizes the advanced refunding benefits on a straight-line basis over the outstanding life of the bond as a component of interest expense. Management has determined that the straight-line method is not materially different from the effective interest rate method prescribed by GAAP.

Operating Reserve - The loan agreements with the Colorado Water Resources and Power Development CWRPDA generally require that the District maintain a minimum of a three-month operating reserve relating to the anticipated expenditures for Enterprise Fund. Restricted funds available for this reserve as of December 31, 2016, was $568,411.

TABOR - In compliance with TABOR, the District has set aside a reserve fund balance equal to 3% of expenditures and reflected in the government wide statement of financial position as restricted for TABOR.

NOTE 1 – CASH AND CASH EQUIVALENTS

Government-wide cash and cash equivalents held at financial institutions as of December 31, 2016, are as follows:

		Fair value
Cash		
Demand deposits		$ 618,076
Cash with County Treasurer		307
Cash on hand		454
Total cash		618,837
Investment pool	**Maturity**	
Colorado Surplus Asset Fund Trust (AAAm by S&P)	60-day weighted average	3,466,528
Colotrust Plus+ (AAAm by S&P)	66-day weighted average	607,448
Total investments		4,073,976
Total cash and cash equivalents		$ 4,692,813

NOTE 1 – CASH AND CASH EQUIVALENTS - Continued

Deposits - As of December 31, 2016, cash deposits had a bank value of $747,687, and a carrying value of $618,076. Of the bank value, $497,687 was in excess of the FDIC insurance, and covered by the financial institutions collateral pools of reserved funds. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash only in eligible public depositories.

All funds in excess of the FDIC coverage were in PDPA covered financial institutions. The depository institution must pledge eligible collateral as security for all public deposits held by that institution not covered by the FDIC, equal to at least 102% of the total uninsured deposits held by that institution of governmental entity fund.

Investments - The District is subject to the provisions of the Colorado Revised Statutes 24-75-601, which is entitled "Concerning Investments in Securities by Public Entities". This law, among other things, outlines the types of securities that public entities in Colorado may invest.

These include U.S. Government and agency securities, certain bonds of political subdivisions, bankers acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts, and U.S. dollar-dominated corporate or bank debt. The Statute also includes a provision limiting any investment to five-year maturities or less, unless the governing body authorizes a longer period. As of December 31, 2016, the District's investments were with public entity investment pools. The investment pool financial statements can be obtained at www.csafe.org and www.colotrust.com.

Interest Rate Risk - The District is subject to interest rate risk, but does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Management evaluated their investment policy as of December 31, 2016, and believes their exposure to interest rate risk was minimal.

NOTE 2 – CAPITAL ASSETS

A summary of the changes to capital assets are as follows:

	Beginning balance	Additions	Deletions	Transfers	Ending balance
Business-type activities					
Capital assets, not being depreciated					
Land	$ 173,686	$ -	$ -	$ -	$ 173,686
Work in progress	1,123,688	-	-	(1,123,688)	-
	1,297,374	-	-	(1,123,688)	173,686
Capital assets, being depreciated					
Distribution lines	11,360,073	877,381	(63,872)	1,121,200	13,294,782
Buildings and plant	12,559,981	-	-	-	12,559,981
Plant equipment	2,315,257	350,666	(137,624)	2,488	2,530,787
Vehicles	537,130	436,912	-	-	974,042
Furniture and fixtures	7,620	-	-	-	7,620
	26,780,061	1,664,959	(201,496)	1,123,688	29,367,212
Less: accumulated depreciation					
Distribution lines	(3,416,800)	(258,271)	50,459	-	(3,624,612)
Buildings and plant	(3,016,196)	(342,571)	-	-	(3,358,767)
Plant equipment	(1,526,967)	(145,788)	137,624	-	(1,535,131)
Vehicles	(469,215)	(26,347)	-	-	(495,562)
Furniture and fixtures	(7,620)	-	-	-	(7,620)
	(8,436,798)	(772,977)	188,083	-	(9,021,692)
Capital assets being depreciated, net	18,343,263	891,982	(13,413)	1,123,688	20,345,520
Total business-type activities capital assets, net	$ 19,640,637	$ 891,982	$ (13,413)	$ -	$ 20,519,206

Depreciation expense recorded in the business-type activities operating expenses for the year ended December 31, 2016, was $772,977.

NOTE 3 – TAX, SPENDING, REVENUE AND DEBT LIMITATIONS

TABOR - In November 1992, the voters of Colorado approved an amendment to the Colorado Constitution, adding Section 20 to Article X, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax, spending, revenue and debt limitation that apply to the State of Colorado and all local governments, including special districts. In addition, TABOR requires local governments to establish an emergency fund reserve. The fund reserve must equal at least 3% of certain fiscal year spending. The statement of net position for the General Fund indicates that an amount of $3,786 is restricted for the required reserve.

TABOR is complex and subject to interpretation. Provisions of TABOR, including the interpretation of fiscal year spending limits calculations, tax revenues subject to refunding, and other compliance issues require legal interpretation and possibly judicial review. The District makes no representation as to the overall impact of TABOR on the future activities of the District, including its ability to generate sufficient revenues for future general operations, additional programs, or to engage in any subsequent financing activities.

Enterprise Funds - Enterprise Funds are generally exempt from the provisions of TABOR. The District's management believes that the proprietary activities of the District qualify as an Enterprise Fund. The Enterprise Fund is a self-funded fund, which receives no subsidies from the General Fund tax revenues. The Enterprise fund assesses an operating fee to the General Fund.

General Obligation Bonds Mill Levy - In May of 2000, the voters approved a general obligation bonds principal and interest mill levy, appropriated annually for the service of debt payments relating to the 2001 loan from the Colorado Water Resources and Power Development Authority (CWRPDA).

NOTE 4 – LONG-TERM DEBT

Water Pollution Control Revolving Fund 2001 Series-A - On August 1, 2001, the District obtained a loan from the CWRPDA of $9,775,000 at interest, including the administrative fee, at an effective interest rate that calculates between 6% and 8% of the estimated outstanding balance. The CWRPDA funded the loan by issuing 2001 Series-A bonds on May 1, 2001, with multiple interest rates. The District's loan from the CWRPDA is payable in principle and interest over 20 years, with payments of approximately $380,000, due semi-annually in February and August of each year.

Supplementary Revenue Allowances (SRA's) - The CWRPDA appropriates annual SRA's as a way to subsidize the loans they issue, effectively reducing the interest costs to the District. During the fiscal year ending 2016, the District received $78,636 in supplementary revenue allowances from the CWRPDA.

Loan Collateral and Covenants - All capital assets constructed from loan proceeds are collateral against the loan, as well as any other legal remedies available under law in the event the District defaults on the loan.

The CWRPDA's covenants include the annual board appropriation of the mill levy, service fees must be sufficient to allow for proper maintenance of the capital assets and provide for operating expenses, establishing a three-month operating reserve, and the annual submission of the final audit. As of December 31, 2016, the District was in material compliance with all covenants.

NOTE 4 – LONG-TERM DEBT - Continued

Water Pollution Control Revolving Fund Loan - On May 3, 2007, the CWRPDA issued a second loan for $2,000,000 to the District. No subsidies were associated with this loan. The 2007 loan is due in semiannual installments of $69,964 on May 1 and November 1, including interest at 3.5% and an annual administrative fee, through May 1, 2027.

The business activities net revenues, defined as revenues after deducting necessary operation and maintenance expense, are collateral against the loan. Further, rates must be sufficient to produce gross revenues to pay all operating and maintenance expenses, plus 110% of the total debt service payments.

Administrative Fees - The CWRPDA breaks out interest expense into two components, interest and an administrative fee. The administrative fee is the portion of the interest expense internally allocated by the CWRPDA for administrative expenses. The interest expense and administrative fee combined is the total interest expense.

The following is a government wide schedule of changes to the debt service requirements in 2016:

	Beginning balance	Additions	Retirements	Ending balance	Portion due within one year
CWRPDA 2001	$ 3,300,000	$ -	$ 600,000	$ 2,700,000	$ 620,000
CWRPDA 2007	1,315,427	-	94,711	1,220,716	98,055
Total	$ 4,615,427	$ -	$ 694,711	$ 3,920,716	$ 718,055

Interest expense of $170,573 and $44,739 was included in the governmental and business-type activities, respectively, for the year ending December 31, 2016.

The following is the estimated five-year maturity schedule:

	Government-Wide			
December 31,	Principal	Admin fee	Interest	Total obligation
2017	$ 718,055	$ 88,200	$ 104,014	$ 910,269
2018	746,517	88,200	79,226	913,943
2019	795,101	68,650	44,125	907,876
2020	853,812	39,325	21,118	914,255
2021	112,654	10,000	17,276	139,930
2022-2026	625,815	14,900	58,935	699,650
2027	68,762	100	1,103	69,965
	$ 3,920,716	$ 309,375	$ 325,797	$ 4,555,888

NOTE 5 – RETIREMENT PLAN

In 1999, the District established a defined contribution plan. The plan was formed as Simplified Employee Pension Plan (SEP Plan) in 1999. Funding of the SEP Plan is entirely by the District and does not allow employee contributions. The SEP Plan documents require a contribution of 5% of eligible employees' base pay, calculated using an integrated formula. In 2016, the District discontinued the SEP Plan.

In 2016, the District established a defined contribution District Retirement Plan (Plan) intended to qualify as a profit sharing plan under Internal Revenue Code a Section 401(a). Any full-time employee who is at least age 18 and scheduled to work regularly at least 30 hours per week is eligible to participate in the Plan upon date of hire. The Plan documents require a contribution of 5% of the participant's compensation. Participants may contribute any amount to the Plan if the contribution satisfies the requirements under law for Rollover Contributions. Amounts are fully vested at all times.

The District established a Section 457 Plan for employee contributions. As of December 31, 2016, no employees are actively contributing to the Section 457 Plan.

During the fiscal year ending December 31, 2016, the District made $27,524 in retirement contributions.

NOTE 6 – PARTICIPATION IN PUBLIC ENTITY RISK POOL

The District is a member of the Colorado Special Districts Property and Liability Pool (CSD Pool). The CSD Pool was created under authority of Colorado State Statutes, and provides defined property and liability coverage, and claims and risk management services.

The District pays an annual premium to the CSD Pool for insurance coverage. For 2016, the District paid $25,676 in insurance premiums. The District's agreement with the CSD Pool provides the CSD Pool will be self-sustaining through member premiums.

The District is subject to additional liabilities should the CSD Pool's anticipated claims exceed available reserves. There were no significant reductions in insurance coverage from the prior year, and no claims that exceeded reserved coverage in the last three years.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As of December 31, 2016, the District was not aware of any contingent liabilities that would require estimates relating to any of these types of exposures.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 4, 2017, the date on which the financial statements were available for release.

REQUIRED SUPPLEMENTAL INFORMATION

CORTEZ SANITATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual budgetary basis	Variance with final budget favorable (unfavorable)
	Original	Final		
Revenue				
Property taxes	$ -	$ -	$ 1,773	$ 1,773
Specific ownership taxes	70,000	70,000	2,618	(67,382)
Total revenue	70,000	70,000	4,391	(65,609)
Expenditures				
Administrative	150,000	150,000	126,214	23,786
Debt service				
Interest	254,856	254,856	170,573	84,283
Treasurer fees	20,000	20,000	44	19,956
Total expenditures	424,856	424,856	296,831	128,025
Revenues in excess of expenditures	(354,856)	(354,856)	(292,440)	62,416
Other financing sources (uses)				
Transfers out	(600,000)	(600,000)	(600,000)	-
Net change in fund balance	(954,856)	(954,856)	(892,440)	62,416
Beginning fund balance	2,267,612	2,267,612	2,267,612	-
Ending fund balance	$ 1,312,756	$ 1,312,756	$ 1,375,172	$ 62,416

BUDGETARY INFORMATION

Cortez Sanitation District (District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

On or before October 15, the District Manager submits to the Board of Directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. The District adopts budgets for all funds. The general fund uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process.

SUPPLEMENTAL INFORMATION

CORTEZ SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL - ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual budgetary basis	Variance with final budget favorable (unfavorable)
	Original	Final		
Revenue				
Operating				
Sewer charges	$ 2,099,340	$ 2,099,340	$ 2,194,548	$ 95,208
Other charges	35,000	35,000	43,859	8,859
Specific ownership tax	-	-	1,999	1,999
Sewer development charges	45,000	45,000	57,060	12,060
Plant investment fees	45,000	45,000	57,060	12,060
Interest income	9,550	9,550	23,692	14,142
Miscellaneous	-	-	35	35
Grants	413,000	413,000	119,857	(293,143)
Sale of equipment	7,000	7,000	(13,413)	(20,413)
Debt service transfers	600,000	600,000	600,000	-
Total revenue	3,253,890	3,253,890	3,084,697	(169,193)
Expenditures				
Administration	432,897	393,364	219,032	174,332
Sanitation Board	28,462	28,462	14,263	14,199
Plant operation	774,429	772,414	703,251	69,163
Sewer line maintenance	394,712	434,244	393,166	41,078
Capital outlay	1,628,500	1,768,500	1,650,580	117,920
Debt service				
Interest	45,218	45,218	45,291	(73)
Principal	694,711	694,711	694,711	-
Total expenditures	3,998,929	4,136,913	3,720,294	416,619
Income - budget basis	$ (745,039)	$ (883,023)	(635,597)	$ 247,426
To reconcile net income to GAAP basis				
Capital outlay			1,650,580	
Principal payments			694,711	
Depreciation			(772,977)	
Accrued interest			552	
Net income GAAP basis			$ 937,269	