

**MT. CRESTED BUTTE WATER AND SANITATION DISTRICT
MT. CRESTED BUTTE, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended
December 31, 2016**



RECEIVED

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Mt. Crested Butte Water & Sanitation District

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MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

2016 Management's Discussion and Analysis

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

The District has one financial category referred to as a business type activity. This activity is primarily funded through charges to users. The District also collects property taxes and specific ownership taxes to support its operations and debt obligations.

DESCRIPTION OF FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements (including the accompanying footnotes)*, and *supplementary information*. The *supplementary information* is not a required part of the basic financial statements under generally accepted accounting principles.

The basic financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Basic Financial Statements

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

These statements report the District's *net position* and changes in them. The District's net position – the difference between assets and liabilities – is one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

HIGHLIGHTS

- In 2016, total assets were \$23,642,011, an increase from 2015 \$23,226,206, of \$415,805.
- In 2016 total liabilities were \$2,216,629, a decrease from 2015 \$2,326,441, of \$109,812.
- In 2016 the change in net position was \$514,066 compared to \$293,014 in 2015.

STATEMENTS OF NET POSITION

The perspective of the statement of net position is of the District as a whole. Following is a summary of the District's net position for 2016 compared to 2015:

Net Position

CONDENSED STATEMENT OF NET POSITION

	<u>2016</u>	<u>2015</u>
ASSETS		
Current and Other Assets	\$ 8,005,401	\$ 10,292,065
Capital Assets	<u>15,636,610</u>	<u>12,934,141</u>
Total Assets	<u>23,642,011</u>	<u>23,226,206</u>
LIABILITIES		
Current Liabilities	494,676	279,218
Noncurrent Liabilities	<u>1,721,953</u>	<u>2,047,223</u>
Total Liabilities	<u>2,216,629</u>	<u>2,326,441</u>
DEFERRED INFOWS	<u>1,023,205</u>	<u>1,011,654</u>
NET POSITION		
Net Investment in Capital Assets	14,013,166	10,999,123
Restricted	112,600	-
Unrestricted	<u>6,276,411</u>	<u>8,888,988</u>
Total Net Position	<u>\$ 20,402,177</u>	<u>\$ 19,888,111</u>

STATEMENTS OF ACTIVITIES

The following table reflects the change in net position for fiscal years 2016 and 2015.

CONDENSED STATEMENT OF ACTIVITIES

	<u>2016</u>	<u>2015</u>
PROGRAM REVENUES		
Operating Revenues	\$ 2,173,644	\$ 2,053,253
Operatng Expenses	<u>3,171,018</u>	<u>2,873,198</u>
Operating Income	(997,374)	(819,945)
Other Income (Expense)	1,008,525	996,401
Contributed Capital	<u>502,915</u>	<u>116,558</u>
Change in Net Position	514,066	293,014
Net Position - Beginning	<u>19,888,111</u>	<u>19,595,097</u>
Net Position - Ending	<u>\$ 20,402,177</u>	<u>\$ 19,888,111</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

The following is a summary of capital assets and accumulated depreciation at December 31, 2016.

	<u>Balance</u> <u>1/1/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/16</u>
Business - Type Activities:				
Assets not being depreciated				
Land	\$ 32,248	\$ -	\$ -	\$ 32,248
Water Rights	212,405	-	-	212,405
Construction in Progress	<u>918,618</u>	<u>3,132,858</u>	<u>(44,970)</u>	<u>4,006,506</u>
Total assets not being depreciated	<u>1,163,271</u>	<u>3,132,858</u>	<u>(44,970)</u>	<u>4,251,159</u>
Assets being depreciated				
Buildings and Improvements	925,622	-	-	925,622
Treatment plants	19,517,440	98,702	-	19,616,142
Collection and distribution systems	5,075,848	128,305	-	5,204,153
Equipment	<u>717,538</u>	<u>64,518</u>	-	<u>782,056</u>
Total assets being depreciated	<u>26,236,448</u>	<u>291,525</u>	-	<u>26,527,973</u>
Less: Accumulated depreciation				
Buildings and Improvements	(167,378)	(17,021)	-	(184,399)
Treatment plants	(10,854,064)	(457,237)	-	(11,311,301)
Collection and distribution systems	(3,026,159)	(149,215)	-	(3,175,374)
Equipment	<u>(417,977)</u>	<u>(53,471)</u>	-	<u>(471,448)</u>
Total accumulated depreciation	<u>(14,465,578)</u>	<u>(676,944)</u>	-	<u>(15,142,522)</u>
Net Capital Assets	<u>\$ 12,934,141</u>	<u>\$ 2,747,439</u>	<u>\$ (44,970)</u>	<u>\$ 15,636,610</u>

DEBT OUTSTANDING

The District has debt with the Colorado Water Resources and Power Development Authority in the amount of \$1,623,443.

A summary of debt activity for the year is as follows:

	Balance 1/1/16	Advances	Repayments	Balance 12/31/16	Current Portion
2001 CWRPDA Note Payable	\$ 1,909,814	\$ -	\$ 286,371	\$ 1,623,443	\$ 296,643
Compensated Absences	112,205	-	13,696	98,509	-
Total Obligations	\$ 2,022,019	\$ -	\$ 300,067	\$ 1,721,952	\$ 296,643

ECONOMIC AND OTHER FACTORS

The 2016 budget reflects the growing needs of the District with the revenue base available. Principal and interest payments for indebtedness will remain on the schedules previously established. Both water and wastewater segments of the 2016 budgets included projects for major capital projects along repairs and maintenance and water supply improvements. Cost increases of materials, construction, laboratory, operational expenses, and regulatory requirements will require additional fees in the future.

The District will continue to provide a high level of service to our customers at the water and wastewater facilities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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FINANCIAL SECTION

Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

Board of Directors
Mt. Crested Butte Water & Sanitation District
Crested Butte, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Mt. Crested Butte Water & Sanitation District, as of and for the year ended December 31, 2016, and the related notes to the financial statements which collectively comprise the basic financial statements of the District, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 controls. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mt. Crested Butte Water & Sanitation District, as of December 31, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Mt. Crested Butte Water & Sanitation District's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information – Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M4 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.

Other Supplementary Information

The budgetary comparison schedule on page 16-18 and listed as other supplementary information is presented for purpose of additional analysis and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic 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.



Englewood, Colorado
June 12, 2017

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Basic Financial Statements

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2016

With Comparative Totals for December 31, 2015

	<u>Business-type Activities</u>			
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	
	<u>Fund</u>	<u>Fund</u>	<u>2016</u>	<u>2015</u>
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Current Assets				
Cash and Investments				
Cash	\$ 3,084,127	\$ 3,633,749	\$ 6,717,876	\$ 9,058,162
Receivables				
Property Tax Receivable	430,137	593,068	1,023,205	1,011,654
Interest Receivable	-	-	-	298
Utility Receivable	121,164	126,168	247,332	204,965
Cash with Fiscal Agent	2,446	2,446	4,892	4,800
Prepaid Expenses	6,048	6,048	12,096	12,186
Total Current Assets	<u>3,643,922</u>	<u>4,361,479</u>	<u>8,005,401</u>	<u>10,292,065</u>
Noncurrent Assets				
Capital Assets not being depreciated	3,098,736	1,152,423	4,251,159	1,163,271
Capital Assets being depreciated	9,877,330	16,650,643	26,527,973	26,236,448
Accumulated Depreciation	(5,996,222)	(9,146,300)	(15,142,522)	(14,465,578)
Total Noncurrent Assets	<u>6,979,844</u>	<u>8,656,766</u>	<u>15,636,610</u>	<u>12,934,141</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 10,623,766</u>	<u>\$ 13,018,245</u>	<u>\$ 23,642,011</u>	<u>\$ 23,226,206</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 250,788	\$ 111,692	\$ 362,480	\$ 238,779
Retainage Payable	63,124	30,973	94,097	-
Accrued Interest Payable	-	38,099	38,099	40,439
Total Current Liabilities	<u>313,912</u>	<u>180,764</u>	<u>494,676</u>	<u>279,218</u>
Noncurrent Liabilities				
Due within one year	-	296,643	296,643	286,372
Due in more than one year	53,044	1,372,266	1,425,310	1,760,851
Total Noncurrent Liabilities	<u>53,044</u>	<u>1,668,909</u>	<u>1,721,953</u>	<u>2,047,223</u>
TOTAL LIABILITIES	<u>366,956</u>	<u>1,849,673</u>	<u>2,216,629</u>	<u>2,326,441</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES				
Deferred Property Taxes	430,137	593,068	1,023,205	1,011,654
NET POSITION				
Net Investment in Capital Assets	6,979,844	7,033,322	14,013,166	10,999,123
Restricted Net Position	51,200	61,400	112,600	-
Unrestricted Net Position	2,795,629	3,480,782	6,276,411	8,888,988
TOTAL NET POSITION	<u>9,826,673</u>	<u>10,575,504</u>	<u>20,402,177</u>	<u>19,888,111</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 10,623,766</u>	<u>\$ 13,018,245</u>	<u>\$ 23,642,011</u>	<u>\$ 23,226,206</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	<u>Business-type Activities</u>			
	Water	Sanitation	Total	
	Fund	Fund	2016	2015
Operating Revenues				
Utility Charges	\$ 1,078,673	\$ 1,094,971	\$ 2,173,644	\$ 2,053,253
Operating Expenses				
Personnel Services	473,029	409,276	882,305	798,741
Administrative/Office Expenses	49,171	45,007	94,178	82,688
Insurance	153,619	154,434	308,053	263,318
Operating Supplies	162,000	158,569	320,569	292,712
Professional Fees	84,217	71,506	155,723	61,201
Repairs and Maintenance	222,474	71,877	294,351	280,509
Travel and Training	6,589	9,531	16,120	5,662
Engineering	47,326	24,879	72,205	151,675
Telephone and Utilities	123,733	118,452	242,185	240,340
Other Operating Expenses	25,952	20,723	46,675	24,182
Depreciation Expense	264,205	412,739	676,944	647,117
Other Capital Outlay	25,298	36,412	61,710	25,053
Total Expenditures	<u>1,637,613</u>	<u>1,533,405</u>	<u>3,171,018</u>	<u>2,873,198</u>
Operating Income (Loss)	<u>(558,940)</u>	<u>(438,434)</u>	<u>(997,374)</u>	<u>(819,945)</u>
Other Income (Expense)				
Tax Revenue	436,061	593,373	1,029,434	1,060,892
Intergovernmental Revenue	-	-	-	8,075
Investment Earnings	15,192	15,191	30,383	18,614
Other Revenue	8,380	2,374	10,754	13,640
Interest Expense	-	(62,046)	(62,046)	(104,820)
Total Other Income (Expense)	<u>459,633</u>	<u>548,892</u>	<u>1,008,525</u>	<u>996,401</u>
Net Income (Loss)	<u>(99,307)</u>	<u>110,458</u>	<u>11,151</u>	<u>176,456</u>
Contributed Capital				
Plant Investment Fees	165,366	337,549	502,915	105,690
Cash in Lieu of Fees	-	-	-	10,868
Total Contributed Capital	<u>165,366</u>	<u>337,549</u>	<u>502,915</u>	<u>116,558</u>
Change in Net Position	<u>66,059</u>	<u>448,007</u>	<u>514,066</u>	<u>293,014</u>
Net Position, Beginning	9,817,906	10,070,205	19,888,111	19,595,097
Prior Period Restatement	(57,292)	57,292	-	-
Net Position, Beginning (As Restated)	<u>9,760,614</u>	<u>10,127,497</u>	<u>19,888,111</u>	<u>19,595,097</u>
Net Position, Ending	<u>\$ 9,826,673</u>	<u>\$ 10,575,504</u>	<u>\$ 20,402,177</u>	<u>\$ 19,888,111</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS -

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	<u>Business-type Activities</u>			
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	
	<u>Fund</u>	<u>Fund</u>	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 1,056,271	\$ 1,075,006	\$ 2,131,277	\$ 2,069,052
Cash Paid to Suppliers	(766,427)	(803,900)	(1,570,327)	(1,076,734)
Cash Paid to Employees	(441,941)	(371,711)	(813,652)	(974,320)
Net Cash Provided by Operating Activities	<u>(152,097)</u>	<u>(100,605)</u>	<u>(252,702)</u>	<u>17,998</u>
Cash Flows From Capital and Related Financing Activities:				
Tap Fees Received	165,366	337,549	502,915	105,690
Debt Principal Payments	-	(311,574)	(311,574)	(279,947)
Grant Proceeds	-	-	-	8,075
Interest Payments	-	(64,386)	(64,386)	(97,904)
Acquisition of Capital Assets	(2,363,071)	(922,245)	(3,285,316)	(1,250,533)
Cash Flows Used by Capital and Related Financing Activities	<u>(2,197,705)</u>	<u>(960,656)</u>	<u>(3,158,361)</u>	<u>(1,514,619)</u>
Cash Flows (Uses) From Noncapital Financing Activities:				
Other Revenues (Expense)	8,380	2,374	10,754	6,724
Tax Revenue	436,015	593,327	1,029,342	1,056,091
Net Cash Provided (Used) by Noncapital Financing Activities	<u>444,395</u>	<u>595,701</u>	<u>1,040,096</u>	<u>1,062,815</u>
Cash Flows (Uses) From Investing Activities:				
Interest Received	15,341	15,340	30,681	18,614
Net Increase (Decrease) in Cash	(1,890,066)	(450,220)	(2,340,286)	(415,192)
Cash - Beginning	4,974,193	4,083,969	9,058,162	9,473,354
Cash - Ending	<u>\$ 3,084,127</u>	<u>\$ 3,633,749</u>	<u>\$ 6,717,876</u>	<u>\$ 9,058,162</u>
Cash				
Total	<u>\$ 3,084,127</u>	<u>\$ 3,633,749</u>	<u>\$ 6,717,876</u>	<u>\$ 9,058,162</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:				
Operating Income (Loss)	\$ (558,940)	\$ (438,434)	\$ (997,374)	\$ (809,077)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	264,205	412,739	676,944	647,117
Changes in Assets and Liabilities Related to Operations:				
(Increase) Decrease in:				
Utility Receivable	(22,402)	(19,965)	(42,367)	4,943
Prepaid Expenses	45	45	90	-
(Increase) Decrease in:				
Accounts Payable	175,900	(52,199)	123,701	163,790
Accrued Compensated Absences	(10,905)	(2,791)	(13,696)	11,225
Total Adjustments	<u>406,843</u>	<u>337,829</u>	<u>744,672</u>	<u>827,075</u>
Net Cash Used for Operating Activities	<u>\$ (152,097)</u>	<u>\$ (100,605)</u>	<u>\$ (252,702)</u>	<u>\$ 17,998</u>

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

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mt. Crested Butte Water & Sanitation District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Reporting Entity

Mt. Crested Butte Water & Sanitation District is a political subdivision of the State of Colorado governed by a board of directors. As required by generally accepted accounting principles, these financial statements present the Mt. Crested Butte Water & Sanitation District (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the foregoing criteria, there are no component units included in the accompanying financial statements.

Nature of Operations

The District provides water and sanitation services to the residents of the District.

Basic Financial Statements

As a special purpose government, basic financial statements are presented at the activity level.

Activity level financial statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position, the Statement of Change in Fund Net Position, and the Statement of Cash Flows.

As a special purpose government, the District has two funds, each an enterprise/proprietary fund which are also considered its business type activity. The District does not present any other fund or activity information.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Enterprise funds are used to account for operations financed and operated similar to businesses using the accrual method of accounting. Enterprise fund revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues include the District are charges to customers for sales and service. Operating expenses 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.

The District follows the provisions of Governmental Accounting Standards Board (*GASB*) *Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. *Statement No. 34* establishes standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components – net investment of capital assets; restricted; and unrestricted.

Budgets

The District adopts an annual budget for all funds which are all prepared on the modified accrual basis of accounting. The District may authorize supplemental appropriations during the budget year. All budgetary appropriations lapse at year-end.

Colorado statutes provide the following timetable which is followed in the adoption of budgets:

- (1) Submission of the proposed budget to the local governing body by October 15 of each year.
- (2) Certification of mill levies to the Board of County Commissioners by December 15.
- (3) Final adoption of budget and appropriations by December 31 of each year.
- (4) Property taxes are due by April 30 of each year if paid in full, or in two installments due February 28 and June 15 of each year.

Encumbrances

The District does not utilize encumbrance accounting.

Cash and Equivalents

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

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which is equal to fair value.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

Governmental funds report deferred inflows of resources, as further described below in connection with receivables for revenues that are deferred for use during the next fiscal year. At the end of the current year, these receivables consisted of property taxes levied in 2016 and due in 2017.

Capital Assets

Capital assets, which include land, buildings, vehicles and equipment, are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and a useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

Plant and lines	15-33 years
Building and improvements	10-50 years
Equipment	5-15 years

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflows of financial resources and deferred inflows of financial resources, represent a usage or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until a future period. Deferred property taxes are reported as a deferred inflow for both the governmental activities presentation and governmental funds balance sheet.

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources (Continued)

The unavailable property taxes are deferred and will be recognized as an outflow or inflow of resources in the period that the amounts become recognizable as an expense or available, respectively. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

Long-Term Obligation

Long-term debt is reported at face value, net of applicable discounts and deferred charge on refunding. Costs related to the issuance of debt are expensed when incurred. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statements of net position.

Net Position/Fund Balances Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position/Fund Balances

In the government-wide financial statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as "nonspendable" include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Amounts are reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balances (Continued)

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors, reported and at their highest level of action are reported as "committed" fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining governmental balances or deficits in other governmental funds are presented as unassigned.

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Accumulated Unused Leave/Compensated Absences

The District permits an employee to carry over unused personal leave to the next calendar year. The District will compensate an employee for any unused vacation and compensatory time at their current rate of pay upon termination or resignation. The District does not payout unused personal leave upon termination.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016**

NOTE 2: CASH AND INVESTMENTS

The District's cash and investment balances as of the year ended December 31, 2016 are as follows:

Cash	\$ 4,185,600
Investments	<u>2,532,276</u>
Total Cash and Investments	<u>\$ 6,717,876</u>

DEPOSITS

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and December 31, 2016, all of the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

At December 31, 2016 the District's deposits are categorized as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 1,000,000	\$ 1,000,000
PDPA Collateralized (not in District's name)	<u>6,370,460</u>	<u>5,717,876</u>
Total	<u>\$ 7,370,460</u>	<u>\$ 6,717,876</u>

INVESTMENTS

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2016 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016**

NOTE 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	Weighted Average Maturity
Distict Invest Pool - Unrestricted	\$ -	\$ 2,532,276	\$ -	\$ 2,532,276	-

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

- **Investment Pools:** Valued at the proportionate share of ownership of the quoted market prices of the underlying assets.

The District recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2016, there were no changes in the methods or assumptions utilized to derive the fair value of the District's assets and liabilities.

Credit Risk

Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of the U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District 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, other than those contained in state statutes.

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2: CASH AND INVESTMENTS (Continued)

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2016, the District did not have any investments requiring safekeeping.

NOTE 3: CAPITAL ASSETS

Changes in governmental activities capital assets for the year ended December 31, 2016 was as follows:

	Balance				Balance
	<u>1/1/16</u>	<u>Additions</u>	<u>Deletions</u>		<u>12/31/16</u>
Business - Type Activities:					
Assets not being depreciated					
Land	\$ 32,248	\$ -	\$ -		\$ 32,248
Water Rights	212,405	-	-		212,405
Construction in Progress	<u>918,618</u>	<u>3,132,858</u>	<u>(44,970)</u>		<u>4,006,506</u>
Total assets not being depreciated	<u>1,163,271</u>	<u>3,132,858</u>	<u>(44,970)</u>		<u>4,251,159</u>
Assets being depreciated					
Buildings and Improvements	925,622	-	-		925,622
Treatment plants	19,517,440	98,702	-		19,616,142
Collection and distribution systems	5,075,848	128,305	-		5,204,153
Equipment	<u>717,538</u>	<u>64,518</u>	<u>-</u>		<u>782,056</u>
Total assets being depreciated	<u>26,236,448</u>	<u>291,525</u>	<u>-</u>		<u>26,527,973</u>
Less: Accumulated depreciation					
Buildings and Improvements	(167,378)	(17,021)	-		(184,399)
Treatment plants	(10,854,064)	(457,237)	-		(11,311,301)
Collection and distribution systems	(3,026,159)	(149,215)	-		(3,175,374)
Equipment	<u>(417,977)</u>	<u>(53,471)</u>	<u>-</u>		<u>(471,448)</u>
Total accumulated depreciation	<u>(14,465,578)</u>	<u>(676,944)</u>	<u>-</u>		<u>(15,142,522)</u>
Net Capital Assets	<u>\$ 12,934,141</u>	<u>\$ 2,747,439</u>	<u>\$ (44,970)</u>		<u>\$ 15,636,610</u>

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016**

NOTE 4: LONG-TERM OBLIGATIONS

The following is a schedule of changes in debt for the year ended December 31, 2016:

	<u>Balance</u> <u>1/1/16</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/16</u>	<u>Current</u> <u>Portion</u>	<u>Interest</u> <u>Expense</u>	<u>Accrued</u> <u>Interest</u>
2001 CWRPDA Note Payable	\$ 1,909,814	\$ -	\$ 286,371	\$ 1,623,443	\$ 296,643	\$ 138,892	\$ 38,099
Compensated Absences	112,205	-	13,696	98,509	-	-	-
Total Obligations	<u>\$ 2,022,019</u>	<u>\$ -</u>	<u>\$ 300,067</u>	<u>\$ 1,721,952</u>	<u>\$ 296,643</u>	<u>\$ 138,892</u>	<u>\$ 38,099</u>

In May, 2001 the District took out a loan for \$5,161,580 for capital improvements. Loan payments are due semi-annually on February 1 and August 1. Principal payments started at \$90,000 beginning in 2001 and increase to \$167,500 by 2021. The net effective interest rate is 4%.

Scheduled payments on the loan is follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 296,643	\$ 91,438	\$ 388,081
2018	307,430	81,196	388,626
2019	318,217	70,582	388,799
2020	339,791	51,116	390,907
2021	361,362	25,868	387,230
Total	<u>\$ 1,623,443</u>	<u>\$ 320,200</u>	<u>\$ 1,943,643</u>

NOTE 5: PENSION PLANS

The District is a member of the Colorado County Officials and Employees Retirement Association (CCOERA) which offers a defined contribution plan. Required contributions are established by the governing board of the Association.

Under a defined contribution plan the benefits a participant will receive depend solely on the amount contributed to the participant’s account plus the investment returns of those contributions.

Participation is mandatory for all employees after one year of employment. Eligible employees contribute four percent (4%) of their base pay, which is matched by the District. The plan has a five year vesting period and is distributed upon the employee’s termination or retirement.

During the year the District’s and employees’ required contributions were \$23,758 each, which was 4% of covered payroll totaling \$593,948. Total Payroll for the year ending December 31, 2016 was \$799,956.

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 6: FUND BALANCE RESERVATIONS/APPROPRIATIONS

Emergency Reserve

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado, all local governments, and special districts.

The District's financial activity for the year ended December 31, 2016 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 2016, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retention of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

At a November 4, 1997 election, the electors of the District authorized the District to collect, retain and expend the full amount of the revenues from all sources during 1997, as well as the full amount of all revenues generated by all sources for each subsequent year. This election authorized the spending of such revenues in each year without limitation under Article X, Section 20 of the Colorado Constitution.

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

The Article requires an emergency reserve be set aside for 2016 in the amount of 3% or more of its fiscal year spending. At December 31, 2016, the District has restricted the following for emergencies:

Water Fund	\$ 51,200
Sanitation Fund	<u>61,400</u>
Total Emergency Reserve	<u>\$112,600</u>

The District believes it is in compliance with the provisions of the TABOR Amendment.

NOTE 7: RISK MANAGEMENT

The District carries insurance coverage for all foreseeable risks of loss. These include, but are not necessarily limited to, worker's compensation, property and liability, bond, and errors and omissions.

The District carries liability, property and bond coverage through commercial insurance carriers. Risk of loss is transferred to these carriers.

The District has not materially changed its coverage from previous years. Based on the lack of previous loss occurrences, the District has not recorded any liability for unpaid claims at December 31, 2016.

Other Supplementary Information

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL

Water Fund

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016		Variance with Final Budget	2015
	Final Budget	Actual		Actual
Operating Revenues				
Utility Charges	\$ 1,083,231	\$ 1,078,673	\$ (4,558)	\$ 1,011,297
Operating Expenses				
Personnel Services	489,873	473,029	16,844	471,558
Administrative/Office Expenses	53,800	49,171	4,629	45,342
Insurance	166,750	153,619	13,131	142,351
Operating Supplies	198,800	162,000	36,800	114,109
Professional Fees	62,250	84,217	(21,967)	41,224
Repairs and Maintenance	201,500	222,474	(20,974)	181,220
Travel and Training	7,900	6,589	1,311	2,074
Engineering	589,888	47,326	542,562	118,825
Telephone and Utilities	115,625	123,733	(8,108)	115,708
Other Operating Expenses	26,489	25,952	537	15,903
Other Capital Outlay	2,073,728	2,451,493	(377,765)	51,177
Contingency Reserve	144,791	-	144,791	-
Total Expenditures	<u>4,131,394</u>	<u>3,799,603</u>	<u>331,791</u>	<u>1,299,491</u>
Operating Income (Loss)	<u>(3,048,163)</u>	<u>(2,720,930)</u>	<u>327,233</u>	<u>(288,194)</u>
Other Income (Expense)				
Tax Revenue	513,259	436,061	(77,198)	449,390
Intergovernmental Revenue	-	-	-	8,075
Investment Earnings	12,500	15,192	2,692	9,307
Other Revenue	6,000	8,380	2,380	5,349
Debt Service	(68,943)	-	68,943	57,292
Total Other Income (Expense)	<u>462,816</u>	<u>459,633</u>	<u>(3,183)</u>	<u>529,413</u>
Net Income (Loss), Budget Basis	<u>(2,585,347)</u>	<u>(2,261,297)</u>	<u>324,050</u>	<u>241,219</u>
Contributed Capital				
Plant Investment Fees	165,962	165,366	(596)	40,105
Cash in Lieu of Fees	-	-	-	10,868
Change in Net Position (Budget Basis)	<u>\$ (2,419,385)</u>	<u>(2,095,931)</u>	<u>\$ 323,454</u>	<u>292,192</u>
Budget to GAAP Reconciliation				
Depreciation Expense		(264,205)		(262,646)
Capital Outlay		<u>2,426,195</u>		<u>26,124</u>
Change in Net Position - GAAP Basis		<u>66,059</u>		<u>55,670</u>
Net Position, Beginning		9,817,906		9,762,236
Prior Period Restatement		(57,292)		-
Net Position, Beginning (As Restated)		<u>9,760,614</u>		<u>9,762,236</u>
Net Position, Ending		<u>\$ 9,826,673</u>		<u>\$ 9,817,906</u>

See accompanying Independent Auditors' Report.

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL

Sanitation Fund

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	2016		Variance with Final Budget	2015
	Final Budget	Actual		Actual
Operating Revenues				
Utility Charges	\$ 1,038,530	\$ 1,094,971	\$ 56,441	\$ 1,041,956
Operating Expenses				
Personnel Services	406,700	409,276	(2,576)	327,183
Administrative/Office Expenses	54,850	45,007	9,843	37,346
Insurance	139,710	154,434	(14,724)	120,967
Operating Supplies	187,500	158,569	28,931	178,603
Professional Fees	121,991	71,506	50,485	19,977
Repairs and Maintenance	95,000	71,877	23,123	99,289
Travel and Training	7,900	9,531	(1,631)	3,588
Engineering	128,830	24,879	103,951	32,850
Telephone and Utilities	118,075	118,452	(377)	124,632
Other Operating Expenses	23,038	20,723	2,315	8,279
Other Capital Outlay	829,453	989,630	(160,177)	6,124
Contingency Reserve	77,938	-	77,938	-
Total Expenditures	2,190,985	2,073,884	117,101	958,838
Operating Income (Loss)	(1,152,455)	(978,913)	173,542	83,118
Other Income (Expense)				
Tax Revenue	513,258	593,373	80,115	611,502
Investment Earnings	12,500	15,191	2,691	9,307
Other Revenue	6,000	2,374	(3,626)	8,291
Debt Service	(396,093)	(373,620)	22,473	1,772,906
Total Other Income (Expense)	135,665	237,318	101,653	2,402,006
Plant Investment Fees	336,953	337,549	596	65,585
Change in Net Position (Budget Basis)	\$ (679,837)	(404,046)	\$ 275,791	2,550,709
Budget to GAAP Reconciliation				
Principal Paid		311,574		(1,935,018)
Depreciation Expense		(412,739)		(384,471)
Capital Outlay		953,218		6,124
Change in Net Position - GAAP Basis		448,007		237,344
Net Position, Beginning		10,070,205		9,832,861
Prior Period Restatement		57,292		-
Net Position, Beginning (As Restated)		10,127,497		9,832,861
Net Position, Ending		\$ 10,575,504		\$ 10,070,205

See accompanying Independent Auditors' Report.

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

INCOME AND EXPENSES BY DIVISION

MERIDIAN LAKE PARK

FOR THE YEAR ENDED DECEMBER 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	Water	Sanitation	Total	
	Fund	Fund	2016	2015
Operating Revenues				
Utility Charges	\$ 130,494	\$ 62,274	\$ 192,768	\$ 186,228
Operating Expenses				
Administration	1,135	-	1,135	2,370
Personnel Services	30,297	9,732	40,029	29,159
Administrative/Office Expenses	378	-	378	290
Operating Supplies	12,844	-	12,844	23,899
Professional Fees	-	-	-	11
Repairs and Maintenance	19,440	1,904	21,344	17,732
Telephone and Utilities	13,956	2,171	16,127	13,996
Depreciation Expense	47,853	54,201	102,054	47,853
Total Expenditures	125,903	68,008	193,911	135,310
Operating Income (Loss)	4,591	(5,734)	(1,143)	50,918
Other Income (Expense)				
Debt Service	-	(15,512)	(15,512)	(26,205)
Net Income (Loss)	4,591	(21,246)	(16,655)	24,713

See accompanying Independent Auditors' Report.