

Grand County Water and Sanitation District No. 1

Grand County, Colorado

FINANCIAL STATEMENTS

With Independent Auditors' Report

December 31, 2016 and 2015



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Grand County Water and Sanitation District No. 1

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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grand County Water and Sanitation District No. 1
Grand County, Colorado

We have audited the accompanying financial statements of Grand County Water and Sanitation District No. 1 (the District) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand County Water and Sanitation District No. 1, as of December 31, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal requirements, and is not a required part of the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Larner Griggs & Associates, PC

Lakewood, Colorado
June 20, 2017

Grand County Water and Sanitation District No. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Grand County Water and Sanitation District No. 1's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Assets of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,947,958 (net position). Of this amount, \$6,016,571 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizen and creditors.
- The District's total net position increased by \$971,340 from the prior fiscal year.
- Property tax revenues decreased \$16,123 from the prior year. The District collected \$1,410,016 in operating revenues.
- Operating expenses increased \$166,189 or 10.5% from the prior year.
- Tap fees increased \$486,594.

Overview of the Financial Statements

The Grand County Water and Sanitation District No. 1 basic financial statements included in this report are those of a special-purpose government engaged in a business-type activity, providing water and sewer services. The statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between 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 Revenues, Expenses and Changes in Net Position* 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 the 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., earned compensation). The statement reports

Grand County Water and Sanitation District No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

the District's operating and nonoperating revenue by source along with operating and nonoperating expenses and capital contributions.

The *Statement of Cash Flows* reports the District's cash flows from operating activities, investing, capital and noncapital activities.

The *Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

A budgetary comparison schedule has been provided in the *supplemental information* to demonstrate compliance with the budget.

Unlike the basic financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. The fund statements of revenues, expenditures, and changes in fund balances are reconciled to facilitate a comparison between budget-basis fund statements and the basic financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Grand County Water and Sanitation District No. 1, assets exceeded liabilities and deferred inflows of resources by \$20,947, at the close of the most recent fiscal year.

**Grand County Water and Sanitation District No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Statement of Net Position

	December 31,		
	2016	2015	2014
Current assets	\$ 4,900,424	\$ 3,779,679	\$ 3,717,324
Current restricted assets	1,409,820	1,554,255	1,527,807
Capital assets	14,489,338	14,790,537	14,010,352
Long-term investments and other assets	1,957,652	2,111,846	2,733,536
Total assets	<u>22,757,234</u>	<u>22,236,317</u>	<u>21,989,019</u>
Current liabilities	531,837	513,956	493,685
Long-term obligations	498,689	970,961	1,416,277
Total liabilities	<u>1,030,526</u>	<u>1,484,917</u>	<u>1,909,962</u>
Deferred inflows of resources	<u>778,750</u>	<u>774,782</u>	<u>792,044</u>
Net position:			
Net investment in			
capital assets	13,521,567	13,377,450	12,168,119
Restricted	1,409,820	1,554,255	1,527,807
Unrestricted	6,016,571	5,044,913	5,591,087
Net position	<u>\$ 20,947,958</u>	<u>\$ 19,976,618</u>	<u>\$ 19,287,013</u>

- The largest portion of the District's net position (65%) reflects its investment in capital assets (e.g. infrastructure, plant, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending.
- Restricted net position consist of \$43,000 restricted for emergencies under TABOR; \$565,000 for the required operating reserve pursuant to loan agreements; and \$801,820 held in agency for sewer plant costs. The remaining net position of \$6,016,571 is unrestricted and available for on-going obligations of the District.

**Grand County Water and Sanitation District No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Changes in Net Position

	For the Years Ended December 31,		
	2016	2015	2014
Revenues			
Operating revenue			
Water operations	\$ 651,397	\$ 623,596	\$ 610,681
Sewer operations	758,619	588,810	577,765
Nonoperating revenue			
Taxes	822,730	840,827	840,406
Grant revenue	10,301	206,652	-
Net investment income	44,430	41,133	36,874
Gain on sale of equipment	-	43,356	6,782
Capital contributions			
Tap fees	551,412	64,818	331,332
Total revenues	<u>2,838,889</u>	<u>2,409,192</u>	<u>2,403,840</u>
Expenses			
Operating expenses			
Water operations	611,675	541,971	548,778
Sewer operations	639,860	573,127	702,118
Depreciation	502,129	472,377	494,815
Nonoperating expenses			
County Treasurer fees	38,818	39,647	40,060
Loan interest	63,179	78,070	77,878
Unrealized losses (gains)	11,888	14,395	13,722
Total expenses	<u>1,867,549</u>	<u>1,719,587</u>	<u>1,877,371</u>
Change in net position	<u>971,340</u>	<u>689,605</u>	<u>526,469</u>
Net position - beginning	19,976,618	19,287,013	18,760,544
Net position - ending	<u>\$ 20,947,958</u>	<u>\$ 19,976,618</u>	<u>\$ 19,287,013</u>

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay and debt repayment in addition to operations and nonoperating revenue and expenses and contributions. Depreciation is not reflected in the budget since it does not affect funds available. Funds available (current assets less current liabilities, exclusive of the current portion of long-term obligations, plus noncurrent investments) increased \$831,191 during 2016.

**Grand County Water and Sanitation District No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Capital Assets

The District's net investment in capital assets as of December 31, 2016, 2015 and 2014 was as follows:

	December 31,		
	2016	2015	2014
Land	\$ 544,795	\$ 544,795	\$ 663,795
Water rights	1,969,964	1,969,964	1,969,964
Plant and improvements	15,707,203	15,707,203	15,707,203
Water storage tanks	2,277,466	2,277,466	2,277,466
Infrastructure	3,919,310	3,718,381	2,346,819
Vehicles	206,223	206,223	206,223
Office equipment	124,869	124,869	124,869
Other equipment	237,036	237,036	237,036
Total assets	24,986,866	24,785,937	23,533,375
Accumulated depreciation	(10,497,528)	(9,995,400)	(9,523,023)
Net capital assets	\$ 14,489,338	\$ 14,790,537	\$ 14,010,352

Additional information relating to the District's capital assets activity can be found in Note 4 of this report.

During 2016, the District's major project was the completion of the augmentation pond improvements, totaling \$107,844.

Debt Administration

As of 2016 the District had total debt obligations of \$965,121 in the form of loans from the State of Colorado and the Colorado Water Resources and Power Development Authority.

Additional detail on the District's debt is in Note 5 of this report.

Economic Factors and Next Year's Budget

- Minimal growth in the District is expected in 2016. Tap fees are anticipated to remain constant.
- The District is budgeting for future wastewater treatment plant expansion and improvements to the water delivery system.

**Grand County Water and Sanitation District No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Director of Administration
Grand County Water and Sanitation District No. 1
P.O. Box 3077
50 Vasquez Road
Winter Park, Colorado 80482-3077

BASIC FINANCIAL STATEMENTS

Grand County Water and Sanitation District No. 1

STATEMENTS OF NET POSITION

December, 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,919,931	\$ 1,027,266
Investments	2,033,288	1,632,821
Accounts receivable - users	119,406	101,521
Receivable - County Treasurer	3,689	3,632
Grants receivable	10,333	206,652
Accrued interest receivable	15,766	11,568
Property taxes receivable	778,750	774,782
Prepaid expenses	19,261	21,437
Total current assets	<u>4,900,424</u>	<u>3,779,679</u>
Current restricted assets		
Cash and cash equivalents - restricted	608,000	678,000
Funds held in agency	801,820	876,255
Total current restricted assets	<u>1,409,820</u>	<u>1,554,255</u>
Noncurrent assets		
Investments	1,957,652	2,111,846
Total noncurrent assets	<u>1,957,652</u>	<u>2,111,846</u>
Capital assets, not being depreciated	<u>2,514,759</u>	<u>2,514,759</u>
Capital assets, net of depreciation	<u>11,974,579</u>	<u>12,275,778</u>
Total assets	<u>22,757,234</u>	<u>22,236,317</u>
LIABILITIES		
Current liabilities		
Accounts payable	39,384	43,235
Accrued interest payable	23,152	28,369
Other accrued liabilities	219	226
Current portion of long-term obligations	469,082	442,126
Total current liabilities	<u>531,837</u>	<u>513,956</u>
Long-term liabilities	<u>498,689</u>	<u>970,961</u>
Total liabilities	<u>1,030,526</u>	<u>1,484,917</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	778,750	774,782
Total deferred inflows of resources	<u>778,750</u>	<u>774,782</u>
NET POSITION		
Net investment in capital assets	13,521,567	13,377,450
Restricted	1,409,820	1,554,255
Unrestricted	6,016,571	5,044,913
Total net position	<u>\$ 20,947,958</u>	<u>\$ 19,976,618</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

Grand County Water and Sanitation District No. 1
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Water operations	\$ 651,397	\$ 623,596
Sewer operations	758,619	588,810
Total operating revenues	1,410,016	1,212,406
OPERATING EXPENSES		
Water operations - administrative	233,236	221,644
Water operations - maintenance	378,439	320,327
Sewer operations - administrative	172,373	161,104
Sewer operations - maintenance	467,487	412,023
Depreciation	502,129	472,377
Total operating expenses	1,753,664	1,587,475
OPERATING INCOME (LOSS)	(343,648)	(375,069)
NONOPERATING REVENUES		
Property taxes	775,214	791,337
Specific ownership taxes	47,516	49,490
Grant revenue	10,301	206,652
Gain on sale of equipment	-	43,356
Net investment income	44,430	41,133
Total nonoperating revenues	877,461	1,131,968
NONOPERATING EXPENSES		
County Treasurer fees	38,818	39,647
Loan interest	63,179	78,070
Unrealized (gains) loss on investments	11,888	14,395
Total nonoperating expenses	113,885	132,112
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	419,928	624,787
CAPITAL CONTRIBUTIONS		
Tap Fees	551,412	64,818
CHANGE IN NET POSITION	971,340	689,605
NET POSITION - beginning of the year	19,976,618	19,287,013
NET POSITION - end of the year	\$ 20,947,958	\$ 19,976,618

The accompanying Notes to the Financial Statements are an integral part of these statements.

Grand County Water and Sanitation District No. 1

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,392,103	\$ 1,207,279
Payments to suppliers for goods and services	(800,255)	(676,797)
Payments to employees for services	(378,531)	(382,328)
Net cash provided (used) by operating activities	<u>213,317</u>	<u>148,154</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	775,157	788,136
Specific ownership taxes	47,516	49,490
County Treasurer's fees	(38,818)	(39,647)
Net cash provided (used) by noncapital financing activities	<u>783,855</u>	<u>797,979</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees	551,412	64,818
Acquisition of capital assets	(200,930)	(1,371,562)
Proceeds from sale of assets	-	162,356
Grant proceeds	206,652	-
Bond principal payments	(442,126)	(425,956)
Interest paid on debt	(71,586)	(84,169)
Net cash provided (used) by capital and related financing activities	<u>43,422</u>	<u>(1,654,513)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of long-term investments	(258,161)	-
Net Maturity of long-term investments	-	593,164
Interest earnings received	40,232	42,214
Net cash provided (used) by investing activities	<u>(217,929)</u>	<u>635,378</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	822,665	(73,002)
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,705,266</u>	<u>1,778,268</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 2,527,931</u>	<u>\$ 1,705,266</u>

(continued)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Grand County Water and Sanitation District No. 1

STATEMENTS OF CASH FLOWS

(continued)

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	<u>\$ (343,648)</u>	<u>\$ (375,069)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	502,129	472,377
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(17,885)	(5,127)
Prepaid expenses	2,176	(1,589)
Funds held in agency	74,435	50,552
Other assets	(32)	
Increase (decrease) in:		
Accounts payable	(3,851)	6,992
Other accrued liabilities	(7)	18
Total adjustments	<u>556,965</u>	<u>523,223</u>
Net cash provided (used) by operating activities	<u><u>\$ 213,317</u></u>	<u><u>\$ 148,154</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

Grand County Water and Sanitation District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 1 – Definition of reporting entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Grand County, Colorado. The District was organized to provide water and sanitation services to property within the District's boundaries.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Note 2 – Summary of significant accounting policies

The more significant accounting policies of the District are described as follows:

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

Basis of Accounting

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and payments on loans are recorded as reductions in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received or collectible.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Operating revenues and expenses

The District distinguishes between operating revenues and expenses from nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sewer services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Cash equivalents

For purposes of the Statement of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Investments

Investments for the District are reported at fair value.

Funds Held in Agency

As part of a joint operating agreement plan with Winter Park Ranch Water and Sanitation District and the Town of Fraser, District funds are being held and administered by the Joint Facilities Oversight Committee for all three participating districts. The District restricts the balance of such funds and the corresponding net position for future sewer plant operating and replacement costs.

Accounts receivable, allowance for doubtful accounts

User fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Property Taxes

Property taxes are levied based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November and December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measureable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Capital assets

Capital assets include land, water rights, water and sewer plants and systems, equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the developer's cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Plant and improvements	7 to 40 years
Water storage tanks	7 to 18 years
Water distribution system	40 years
Vehicles	5 to 7 years
Office and other equipment	5 to 7 years

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Water rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Water rights have a perpetual life, thus the cost is not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Compensated absences

The District has a policy that allows employees to accumulate unused vacation benefits and compensatory time off up to a certain maximum hours. Compensated absences are accrued when incurred in the financial statements. However, at December 31, 2016 and 2015, the District had no liability for accumulated unpaid vacation or sick pay.

Capital contributions

Tap fees are recorded as capital contributions when received. Water and sewer lines contributed to the District by developers are recorded as capital contribution revenue and additions to the water and sewer system when received.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2016 and 2015 Statements of Net Position as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,919,931	\$ 1,027,266
Cash and cash equivalents - restricted	608,000	678,000
Investments	2,033,288	1,632,821
Investments - noncurrent	1,957,652	2,111,846
	<u>\$ 6,518,871</u>	<u>\$ 5,449,933</u>

Cash and investments as of December 31, 2016 and 2015 consist of the following:

Cash on hand	\$ 200	\$ 200
Deposits with financial institutions	2,527,731	1,705,066
Investments	3,990,940	3,744,667
Total cash and investments	<u>\$ 6,518,871</u>	<u>\$ 5,449,933</u>

At December 31, 2016 and 2015, the District's cash deposits had bank balances of \$2,575,673 and \$1,706,969, respectively, and carrying balances of \$2,527,731 and \$1,705,066, respectively.

Deposits with financial institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2016 and 2015, the federal insurance limits were \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. None of the District's deposits at December 31, 2016 were exposed to credit risk. As of December 31, 2016 and 2015, the District's bank balances and carrying balances were insured or collateralized as follows:

	<u>2016</u>	<u>2015</u>
Bank balances		
Federally insured	\$ 2,325,673	\$ 1,541,496
Collateralized	250,000	165,473
Total bank balances	<u>\$ 2,575,673</u>	<u>\$ 1,706,969</u>
Carrying balances		
Federally insured	\$ 2,277,731	\$ 1,541,496
Collateralized	250,000	163,570
Total carrying balances	<u>\$ 2,527,731</u>	<u>\$ 1,705,066</u>

Investments

The District's investment policy restricts investments to only those permitted by state statutes. Additionally, the District's policy is to hold investments until maturity.

The District primarily limits its investments to certain U.S. government agency securities, money market funds and local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest including the following:

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

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

As of December 31, 2016 and 2015, the District had the following investments, recorded at fair value:

<u>Investment</u>	<u>Maturity</u>	<u>2016</u>	<u>2015</u>
U.S. government agency securities	1 to 2 years	\$ 1,957,652	\$ 2,111,846
Colorado Liquid Assets Trust (Colostrust)	Weighted average under 60 days	1,007,801	504,005
Colorado Surplus Asset Fund (CSAFE)	Weighted average under 60 days	1,025,487	1,019,816
Certificate of Deposit	1 to 2 years	-	109,000
Total investments		<u>\$ 3,990,940</u>	<u>\$ 3,744,667</u>

U.S. Government Agency Securities

As of December 31, 2016, the investments in government securities were in U.S. Treasury Notes (\$1,000,801) and U.S. Agency Bonds (\$956,851) rated AAA.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements

Grand County Water and Sanitation District No. 1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2016 and 2015

collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAM by Standard & Poor's.

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

Restricted cash and investments

In accordance with the terms of the Colorado Water Resource and Power Development Authority Loan (see Note 5) the District is required to maintain an operating reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, as budgeted for the then-current fiscal year but in no event greater than \$1,250,000. As of December 31, 2016 and 2015, the required operating reserve was \$565,000 and \$644,000, respectively.

The District had restricted cash of \$43,000 and \$34,000, for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9), as of December 31, 2016 and 2015, respectively.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Note 4 – Capital assets

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

	December 31, 2015	Additions	Deletions	December 31, 2016
Capital assets, not being depreciated				
Land	\$ 544,795	\$ -	\$ -	\$ 544,795
Water rights	1,969,964	-	-	1,969,964
Total capital assets, not being depreciated	<u>2,514,759</u>	<u>-</u>	<u>-</u>	<u>2,514,759</u>
Capital assets being depreciated				
Plant and improvements	15,707,203	-	-	15,707,203
Water storage tanks	2,277,466	-	-	2,277,466
Infrastructure	3,718,381	200,929	-	3,919,310
Vehicles	206,223	-	-	206,223
Office equipment	124,869	-	-	124,869
Other equipment	237,036	-	-	237,036
Total capital assets being depreciated	<u>22,271,178</u>	<u>200,929</u>	<u>-</u>	<u>22,472,107</u>
Less accumulated depreciations for				
Plant and improvements	6,824,463	385,177	-	7,209,640
Water storage tanks	2,277,466	-	-	2,277,466
Infrastructure	400,976	92,818	-	493,794
Vehicles	154,436	15,678	-	170,114
Office equipment	125,505	3,526	-	129,031
Other equipment	212,554	4,929	-	217,483
Total accumulated depreciation	<u>9,995,400</u>	<u>502,128</u>	<u>-</u>	<u>10,497,528</u>
Total capital assets being depreciated, net	<u>12,275,778</u>	<u>(301,199)</u>	<u>-</u>	<u>11,974,579</u>
Capital assets, net	<u>\$ 14,790,537</u>	<u>\$(301,199)</u>	<u>\$ -</u>	<u>\$ 14,489,338</u>

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance at December 31, 2014	Additions	Deletions	Balance at December 31, 2015
Capital assets, not being depreciated				
Land	\$ 663,795	\$ -	\$ 119,000	\$ 544,795
Water rights	1,969,964	-	-	1,969,964
Total capital assets, not being depreciated	<u>2,633,759</u>	<u>-</u>	<u>119,000</u>	<u>2,514,759</u>
Capital assets being depreciated				
Plant and improvements	15,707,203	-	-	15,707,203
Water storage tanks	2,277,466	-	-	2,277,466
Infrastructure	2,346,819	1,371,562	-	3,718,381
Vehicles	206,223	-	-	206,223
Office equipment	124,869	-	-	124,869
Other equipment	237,036	-	-	237,036
Total capital assets being depreciated	<u>20,899,616</u>	<u>1,371,562</u>	<u>-</u>	<u>22,271,178</u>
Less accumulated depreciations for				
Plant and improvements	6,439,286	385,177	-	6,824,463
Water storage tanks	2,277,466	-	-	2,277,466
Infrastructure	342,306	58,670	-	400,976
Vehicles	134,361	20,075	-	154,436
Office equipment	121,979	3,526	-	125,505
Other equipment	207,625	4,929	-	212,554
Total accumulated depreciation	<u>9,523,023</u>	<u>472,377</u>	<u>-</u>	<u>9,995,400</u>
Total capital assets being depreciated, net	<u>11,376,593</u>	<u>899,185</u>	<u>-</u>	<u>12,275,778</u>
Capital assets, net	<u>\$ 14,010,352</u>	<u>\$ 899,185</u>	<u>\$ 119,000</u>	<u>\$ 14,790,537</u>

Depreciation expense of \$502,129 and \$472,377 for the years ended December 31, 2016 and 2015, respectively, was charged to water and sewer operations.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Note 5 – Long term obligations

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	Balance at December 31, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
Water Fund Loan CWRPDA	\$ 599,714	\$ -	\$ 189,098	\$ 410,616	\$ 199,904
Sewer Fund Loan CWRPDA	807,533	-	253,028	554,505	269,177
	<u>1,407,247</u>	<u>\$ -</u>	<u>\$ 442,126</u>	<u>965,121</u>	<u>469,081</u>
Unamortized loan premium	5,840			2,650	
	<u>\$ 1,413,087</u>			<u>\$ 967,771</u>	

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2015:

	Balance at December 31, 2014	Additions	Reductions	Balance at December 31, 2015	Due Within One Year
Water Fund Loan CWRPDA	\$ 783,410	\$ -	\$ 183,696	\$ 599,714	\$ 189,098
Sewer Fund Loan CWRPDA	1,049,793	-	242,260	807,533	253,028
	<u>1,833,203</u>	<u>\$ -</u>	<u>\$ 425,956</u>	<u>1,407,247</u>	<u>442,126</u>
Unamortized loan premium	9,030			5,840	
	<u>\$ 1,842,233</u>			<u>\$ 1,413,087</u>	

Colorado Water Resources and Power Development Authority Loans

Water Fund - On May 1, 1999, the District entered into a \$2,998,556 loan agreement with the Colorado Water Resource and Power Development Authority (the Authority). The loan was to be used for the construction and improvements of the District's water treatment plant, a treated water storage tank, and supply line improvements and replacement. Payments of principal and interest are to be made semi-annually on February 1 and August 1 through August 1, 2018. Total annual payments of interest

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

and principal vary from \$157,396 to \$233,909. The interest on this loan is subsidized by a federal grant. The targeted subsidized yield on the loan is 3.78%.

Sewer Fund - On July 1, 1999, the District entered into a \$3,999,978 loan agreement with the Authority. The loan was to be used for a new sludge wastewater treatment plant and solids treatment/disposal facility. Payments of principal and interest are due semi-annually on February 1 and August 1 through August 1, 2018. Total annual payments of interest and principal vary from \$256,685 to \$310,358. The interest on this loan is subsidized by a federal grant. The targeted subsidized yield on the loan is 4.17%.

A portion of the Sewer Fund loan was refinanced through the partial refunding of the Authority's bonds associated with the loan. The effect of this refinancing was to provide a credit to the District on future loan payments.

The loan agreements with the Authority require the District to establish an operation and maintenance reserve fund, set service rates above minimum levels relative to debt service, and meet other requirements. The District has complied with these requirements under the loan agreement.

Annual debt service requirements for the loans, including loan administration fees, are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$ 469,083	\$ 61,086	\$ 530,169
2018	496,038	28,201	524,239
	<u>\$ 965,121</u>	<u>\$ 89,287</u>	<u>\$ 1,054,408</u>

Debt authorization

At December 31, 2016, the District had no authorized but unissued indebtedness.

Note 6 – Occupancy Costs

During 2010, the District renewed its lease with the Town of Winter Park for a term of 60 months. The lease agreement requires the Town to provide office space to the District in the Town's office facility through 2015. The annual lease payments to the Town are \$36,000. The lease stipulates that the Town can receive from the District one water and one sewer tap every six months currently valued at \$18,000 in lieu of paying rent to the Town. If tap fee rates being charged by the District increase, at that point the annual rent amount being charged by the Town will be recalculated.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Note 7 – Deferred compensation plan

Employees of the District may participate in a deferred compensation plan adopted under the provisions of the Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying income taxes on the deferred portion until the withdrawal date. The deferred compensation is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

In accordance with Internal Revenue Code Section 457(b), all plan assets and income are held in trust for the exclusive benefit of the participants and their beneficiaries. During the years ended December 31, 2016 and 2015, \$10,809 and 10,840, respectively, was deferred at the request of the plan participants and remitted to the trustee on their behalf.

Note 8 – Risk management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for these risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three fiscal years.

Note 9 – Tax, spending and debt limitations

Article X, Section 20 of the Colorado constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's fiscal year spending as adjusted for allowable increases for inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless retention of such revenue has been approved by the voters.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

During 1998, the District's voters authorized the District to collect, retain and expend all revenues derived from water and sewer rates, fees, tolls, and charges and tap fees, property taxes, state grants and all other sources during the year 1996 and each year thereafter notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution provided that no property tax rate or mill levy shall be increased without voter approval.

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SUPPLEMENTAL INFORMATION

Grand County Water and Sanitation District No. 1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - BUDGETARY BASIS**

WATER FUND

For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Charges for services	\$ 564,408	\$ 642,163	\$ 77,755
Property taxes	387,431	387,607	176
Specific ownership taxes	15,000	23,758	8,758
Net investment income	12,500	22,215	9,715
Tap fees	108,000	275,706	167,706
Proceeds from sale of assets	-	-	-
Miscellaneous income	750	9,234	8,484
Total revenues	<u>1,088,089</u>	<u>1,360,683</u>	<u>272,594</u>
Expenditures			
Administrative			
Salaries	68,262	68,562	(300)
Benefits	26,809	27,506	(697)
County Treasurer's fees	19,372	19,409	(37)
Directors fees and meetings	3,400	3,424	(24)
Engineering	50,000	22,127	27,873
Legal	75,000	39,791	35,209
Audit	3,500	3,433	67
Insurance	25,000	27,555	(2,555)
Supplies and expense	48,520	45,834	2,686
Total administrative	<u>319,863</u>	<u>257,641</u>	<u>62,222</u>

Grand County Water and Sanitation District No. 1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - BUDGETARY BASIS**

**WATER FUND
(continued)**

For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Maintenance			
Salaries	76,397	66,415	9,982
Benefits	34,770	31,200	3,570
Vehicle expenses	5,000	3,421	1,579
Utilities	55,000	51,038	3,962
Existing facilities maintenance	500,000	106,163	393,837
Outside services - testing	25,000	14,540	10,460
Maintenance and repairs	80,000	65,842	14,158
Supplies and expense	55,000	34,820	20,180
Total maintenance	831,167	373,439	457,728
Debt service - principal	189,099	189,099	-
Debt service - interest	25,516	20,017	5,499
Capital outlay	1,952,500	143,222	1,809,278
Loan reserve	134,000	-	134,000
Emergency reserve	1,058,415	-	1,058,415
Total expenditures	4,510,560	983,418	3,527,142
Excess (deficit) of revenues over (under) expenditures	(3,422,471)	377,265	3,799,736
Funds available - beginning of year	3,422,471	1,846,546	(1,575,925)
Funds available - end of year	\$ -	\$ 2,223,811	\$ 2,223,811

Grand County Water and Sanitation District No. 1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL - BUDGETARY BASIS**

SEWER FUND

For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Charges for services	\$ 666,900	\$ 753,307	\$ 86,407
Property taxes	387,431	387,607	176
Specific ownership taxes	15,000	23,758	8,758
Net investment income	12,500	22,215	9,715
Grant revenue	-	10,301	10,301
Tap fees	108,000	275,706	167,706
Miscellaneous income	750	5,312	4,562
Total revenues	<u>1,190,581</u>	<u>1,478,206</u>	<u>287,625</u>
Expenditures			
Administrative			
Salaries	68,262	68,562	(300)
Benefits	26,809	27,506	(697)
County Treasurer's fees	19,372	19,409	(37)
Directors fees meetings	3,400	3,424	(24)
Engineering	35,000	15,526	19,474
Legal	14,000	-	14,000
Audit	3,500	3,433	67
Insurance	25,000	27,555	(2,555)
Supplies and expense	34,020	26,360	7,660
Total administrative	<u>229,363</u>	<u>191,775</u>	<u>37,588</u>

Grand County Water and Sanitation District No. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS

**SEWER FUND
(continued)**

For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Maintenance			
Salaries	76,397	66,415	9,982
Benefits	34,770	31,200	3,570
Vehicle expenses	7,000	2,730	4,270
Utilities	1,000	740	260
Existing facilities maintenance	50,000	11,066	38,934
Outside services - testing	1,500	433	1,067
Maintenance and repairs	362,500	45,238	317,262
Sewer plant management	344,813	309,346	35,467
Supplies and expense	3,000	330	2,670
Total maintenance	<u>880,980</u>	<u>467,498</u>	<u>413,482</u>
Debt service - principal	253,027	253,027	-
Debt service - interest	46,070	43,162	2,908
Capital outlay	1,791,396	57,707	1,733,689
Loan reserve	134,000	-	134,000
Emergency reserve	1,058,415	-	1,058,415
Total expenditures	<u>4,393,251</u>	<u>1,013,169</u>	<u>3,380,082</u>
Excess (deficit) of revenues over (under) expenditures	<u>(3,202,670)</u>	<u>465,037</u>	<u>3,667,707</u>
Funds available - beginning of year	<u>3,202,670</u>	<u>4,830,730</u>	<u>1,628,060</u>
Funds available - end of year	<u>\$ -</u>	<u>\$ 5,295,767</u>	<u>\$ 5,295,767</u>

Grand County Water and Sanitation District No. 1

**RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION**

For the Year Ended December 31, 2016

Revenues (budgetary basis)	<u>\$ 2,838,889</u>
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>2,838,889</u>
Expenditures (budgetary basis)	1,996,587
Unrealized losses	11,888
Depreciation and amortization	502,129
Debt service - principal	(442,126)
Capital outlay	<u>(200,929)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>1,867,549</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 971,340</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.