

**TABERNASH MEADOWS WATER
AND SANITATION DISTRICT**
Grand County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015



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Independent Auditor's Report

Board of Directors
Tabernash Meadows Water and Sanitation District
Grand County, Colorado

We have audited the accompanying financial statements of Tabernash Meadows Water and Sanitation District (District) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tabernash Meadows Water and Sanitation District, as of December 31,

2016 and 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through IX, the schedule of the proportionate share of the net pension liability on page 22, and the schedule of district contributions on page 23 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
June 20, 2017

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015**

Our discussion and analysis of Tabernash Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2016 and 2015. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

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 them reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. 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. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

Net Position

2016

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, in 2016 the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,117,633 a decrease from 2015 of \$224,862 or 16.8%. Total assets decreased by \$194,562, or 3.3%, primarily due to the net loss for 2016 and its impact on current assets and the depreciation of capital assets. Capital asset activity is discussed below in the capital asset and debt administration section. Deferred outflows of resources related to the loss on bond refunding decreased \$34,989 due to the

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015**

annual amortization, however this decrease was offset by an increase in deferred outflows related to pension of \$90,485, resulting in a net increase in deferred outflows of resource of \$55,496. Current liabilities increased by \$27,724 due to an increase in unearned revenue of \$8,226 and an increase in the current portion of the bonds and loan payable of \$20,000. Long-term obligations activity is discussed below in the capital asset and debt administration section. During 2016, the District's proportionate share of net pension liability in PERA increased by \$120,198 to \$404,193. The District's net investment in capital assets decreased by \$200,831, or 21.5%, due to 2016's depreciation expense exceeding the capital asset additions. The District's restricted net position increased by \$35,599, or 16.8% due to higher cash balances that are restricted for the payment of debt service on the District's outstanding bonds.

2015

As noted in the table below, in 2015 the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,342,495 a decrease from 2014 (as restated) of \$248,432 or 15.6%. Total assets decreased by \$232,023, or 3.8%, primarily due to the net loss for 2015 and its impact on current assets and the depreciation of capital assets. Capital asset activity is discussed below in the capital asset and debt administration section. Deferred outflows of resources related to the loss on bond refunding decreased \$34,988 due to the annual amortization, however this decrease was offset by an increase in deferred outflows related to pension of \$41,824. During 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This new accounting standard changed how the District accounts for the District's defined benefit pension plan, Public Employees' Retirement Association of Colorado ("PERA"). As a result the District recorded a deferred outflow of \$41,824 related to the District's 2015 contributions to PERA. This deferred amount will be recognized as a reduction of the net pension liability in the year ending December 31, 2016.

There was an overall increase in liabilities of \$246,064 from 2014 to 2015 or 6.0%. This increase was primarily due to the District implementing GASB No. 68 as discussed above, which required the District to record a net pension liability in the amount of \$283,995. This increase was offset by a decrease in the District's outstanding bonds and loan payable by \$38,250 due to the District making the 2015 scheduled debt service payments. Long-term obligation activity is discussed below in the capital asset and debt administration section.

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**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015**

NET POSITION

	December 31,		
	2016	2015	2014
ASSETS			(*)
Current assets	\$ 1,084,243	\$ 1,064,713	\$ 1,195,983
Capital assets, net	4,619,304	4,833,396	4,934,149
Total assets	<u>5,703,547</u>	<u>5,898,109</u>	<u>6,130,132</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	102,049	137,038	172,026
Deferred outflows related to pension	132,309	41,824	-
Total deferred outflows of resources	<u>234,358</u>	<u>178,862</u>	<u>172,026</u>
LIABILITIES			
Current liabilities	116,270	88,546	78,227
Long-term bonds and loan liabilities	3,920,500	3,988,750	4,037,000
Net pension liability	404,193	283,995	-
Total liabilities	<u>4,440,963</u>	<u>4,361,291</u>	<u>4,115,227</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	370,657	367,316	346,888
Deferred inflows related to pension	8,652	5,869	-
Total deferred inflows of resources	<u>379,309</u>	<u>373,185</u>	<u>346,888</u>
NET POSITION			
Net investment in capital assets	732,603	933,434	1,030,925
Restricted	369,431	333,832	301,383
Unrestricted	15,599	75,229	507,735
Total net position	<u>\$ 1,117,633</u>	<u>\$ 1,342,495</u>	<u>\$ 1,840,043</u>

(*) - Insufficient information is available related to the implementation of Governmental Accounting Standards Board Statement No. 68 to report the effect of its implementation on the changes in net position information for the year ended December 31, 2014.

Changes in Net Position

2016

As noted in the table below, the District's net position for 2016 decreased by \$224,862. Overall revenue increased by \$9,994. Property taxes increased by \$20,206, or 5.8%, for 2016 due to an increase in the District's assessed valuation and a 5.000 mill levy increase for debt service. Additionally, charges for services decreased by \$6,400, or 1.4%. This decrease was due to lower service charges to Grand County for sewer services. The District's water base rate of \$168 per quarter remained the same as 2015, however the wastewater base rate was increased from \$165 to \$177 per quarter, resulting in an overall increase in the quarterly base rate from \$333 to \$345. Remaining revenues were relatively consistent with 2015's balances.

Overall expenses decreased from 2015 to 2016 by \$13,576, or 1.3%. Both water and sewer operating expenses both decreased in 2016. Water operating expenses decreased by \$3,971,

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015**

or 2.7%. The largest decrease in water operating expenses was for operating supplies which decreased by \$28,508. In 2015 the District undertook a Source Water Protection Project to protect the District's wells from contamination from infiltration. This project was out of the ordinary, and therefore 2016's operating supplies decreased to more historical levels. Sewer operations expenses decreased by \$18,796 or 6.5%. In 2015 the District incurred additional costs for cleaning and maintenance of the digester basin and for re-use water improvements at the sewer plant. For 2016 the sewer operating expenses decreased to more historical levels. Depreciation expense for 2016 increased by \$12,032, or 5.0% due to the District incurring a full year of depreciation for capital assets that were added in 2015.

2015

As noted in the table below, the District's net position for 2015 decreased by \$248,432. Overall revenue increased by \$46,475. Property taxes increased by \$2,133, or .6%, for 2015 due to an increase in the District's assessed valuation, as the mill levy remained the same for 2014 and 2015. Additionally, charges for services increased by \$33,807, or 8.2%. This increase was due to higher service charges to Grand County for sewer services. The District's combined water and wastewater base rates were the same for 2014 and 2015 at \$333 per quarter. Remaining revenues were relatively consistent with 2014's balances.

Overall expenses increased from 2014 to 2015 with an overall increase of \$92,593, or 9.5%. Both water and sewer operating expenses both increased in 2015. Both water and sewer operations had increases in operating supplies and maintenance. For water operations the District undertook a Source Water Protection Project to protect the District's wells from contamination from infiltration. For sewer operations, the District incurred additional costs for cleaning and maintenance of the digester basin and for re-use water improvements at the sewer plant. Additionally, sewer operations incurred higher wages due to higher staffing levels for the operation of the sewer plant and overall sewer operations. The other expenses remained consistent from 2014 to 2015.

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**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015**

CHANGES IN NET POSITION

	Years Ended December 31,		
	2016	2015	2014
REVENUES			(*)
Operating revenue:			
Charges for services	\$ 439,896	\$ 446,296	\$ 412,489
Nonoperating revenue:			
Property taxes	367,005	346,799	344,666
Specific ownership taxes	22,373	21,644	17,675
Investment earnings	3,407	4,348	1,556
Gain (loss) on disposal of capital assets	-	3,600	(174)
Total revenues	832,681	822,687	776,212
EXPENSES			
Operating expenses:			
Water operations	142,138	146,109	111,802
Sewer operations	271,804	290,600	226,526
Administration	70,356	72,907	74,818
Depreciation	251,376	239,344	241,975
Nonoperating expenses:			
Interest, fiscal charges and other	321,869	322,159	323,405
Total expenses	1,057,543	1,071,119	978,526
CHANGES IN NET POSITION	(224,862)	(248,432)	(202,314)
NET POSITION - BEGINNING OF YEAR	1,342,495	1,590,927	2,042,357
NET POSITION - END OF YEAR	\$ 1,117,633	\$ 1,342,495	\$ 1,840,043

(*) - Insufficient information is available related to the implementation of Governmental Accounting Standards Board Statement No. 68 to report the effect of its implementation on the changes in net position information for the year ended December 31, 2014.

BUDGETARY HIGHLIGHTS

During 2016 the District amended the 2016 budget, lowering the appropriated expenditures from were \$1,461,656 to \$1,196,804. Actual expenditures were \$824,216 or \$372,588 under budget. Budgeted revenues, as amended, were \$826,963 and actual revenues were \$832,681 or \$5,718 more than budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets at December 31, 2016, 2015 and 2014 is as follows:

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015**

CAPITAL ASSETS (net of accumulated depreciation)					
	2014	Change	2015	Change	2016
Land	\$ 56,156	\$ 76,225	\$ 132,381	\$ -	\$ 132,381
Water rights	495,800	-	495,800	-	495,800
Water system	2,041,786	(95,433)	1,946,353	(108,121)	1,838,232
Wastewater system	2,332,177	(113,337)	2,218,840	(96,324)	2,122,516
Vehicles and equipment	8,230	31,792	40,022	(9,647)	30,375
Total	<u>\$ 4,934,149</u>	<u>\$ (100,753)</u>	<u>\$ 4,833,396</u>	<u>\$ (214,092)</u>	<u>\$ 4,619,304</u>

2016

During 2016 the District's capital asset additions amounted to \$37,284 of wastewater system improvements, consisting of the purchase and installation of two pumps for a total of \$15,722 as well as \$21,562 for SCADA system improvements.

2015

During 2015 the District's capital asset additions amounted to \$138,591, which was comprised of the purchase of Lot 19 for \$76,225, water plant remodeling for \$12,257, two pumps at the sewer plant for \$9,290, pressure tank water heater filter for \$4,306, and the purchase of a Chevrolet Silverado 4x4 pickup for \$36,513. The District sold the 2003 Ford Ranger pickup, which was fully depreciated, for \$3,600.

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

Long-Term Obligations

The District's long-term obligations at December 31, 2016, 2015 and 2014 are as follows:

LONG-TERM OBLIGATIONS					
	2014	Change	2015	Change	2016
GO Refunding Bonds, Series 2010	\$ 3,765,000	\$ (20,000)	\$ 3,745,000	\$ (30,000)	\$ 3,715,000
CWRPDA Loan	310,250	(18,250)	292,000	(18,250)	273,750
Total	<u>\$ 4,075,250</u>	<u>\$ (38,250)</u>	<u>\$ 4,037,000</u>	<u>\$ (48,250)</u>	<u>\$ 3,988,750</u>

2016

During 2016 the District did not enter into any additional debt. The debt service payments on the bonds and loan were made as scheduled.

2015

During 2015 the District did not enter into any additional debt. The debt service payments on the bonds and loan were made as scheduled.

Additional information on the District's long-term obligations can be found in Note 5 of this report.

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2016 and 2015**

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

For 2017, the District's water and wastewater base rates were not increased and remain at \$168 and \$177, respectively, per quarter. For 2017's property taxes, the District's assessed valuation for property taxes increased by .9%. The District's general operations mill levy remained the same at 6.325 mills, however an additional .0544 mills was levied for prior year refunds and abatements. The District's debt service mill levy remained 58.000 mills, respectively. Total property taxes levied for 2017 are expected to generate approximately \$3,700 more revenue than 2016. The debt service property taxes are restricted for the scheduled payments on the District's outstanding long-term obligations. Total budgeted revenues for 2017 are \$816,009. Total budget expenditures for 2017 are \$782,350, resulting in an expected increase in funds available of \$33,659. Although expenditures are budgeted at \$782,350, the overall appropriation for expenditures (legal level of approved expenditures) was set by the Board of Directors at \$1,491,701.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Tabernash Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, P.O. Box 443, Tabernash, CO 80478, (970) 726-2839.

BASIC FINANCIAL STATEMENTS

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	\$ 326,184	\$ 334,896
Cash and cash equivalents - Restricted	249,579	211,544
Accounts receivable:		
Customers	75,883	76,416
Others	19,630	40,735
Prepaid expenses	16,562	240
Parts inventory	-	7,974
Prepaid tap inventory	24,000	24,000
Property taxes receivable	372,405	368,908
Total current assets	1,084,243	1,064,713
CAPITAL ASSETS		
Capital assets, not being depreciated	628,181	628,181
Capital assets, being depreciated	7,017,212	6,983,116
	7,645,393	7,611,297
Less accumulated depreciation and amortization	(3,026,089)	(2,777,901)
Total capital assets	4,619,304	4,833,396
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	102,049	137,038
Deferred outflows related to pension	132,309	41,824
Total deferred outflows of resources	234,358	178,862
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,937,905	\$ 6,076,971
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 11,247	\$ 11,606
Accrued general leave	6,489	6,454
Unearned revenue	8,226	-
Interest payable	22,058	22,236
Bonds and loan payable - current	68,250	48,250
Total current liabilities	116,270	88,546
NONCURRENT LIABILITIES		
Bonds and loan payable - noncurrent	3,920,500	3,988,750
Net pension liability	404,193	283,995
Total noncurrent liabilities	4,324,693	4,272,745
Total liabilities	4,440,963	4,361,291
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	370,657	367,316
Deferred inflows related to pension	8,652	5,869
Total deferred inflows of resources	379,309	373,185
NET POSITION		
Net investment in capital assets	732,603	933,434
Restricted for:		
Emergencies	1,160	1,110
Debt service	249,579	211,544
Operations and maintenance reserve	118,692	121,178
Unrestricted	15,599	75,229
Total net position	1,117,633	1,342,495
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 5,937,905	\$ 6,076,971

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
Service charges - water	\$ 156,790	\$ 153,463
Service charges - sewer	156,468	146,520
Intergovernmental charges for services	112,683	120,562
Other charges for services	13,955	25,751
Total operating revenue	<u>439,896</u>	<u>446,296</u>
 OPERATING EXPENSES		
Water operations	142,138	146,109
Sewer operations	271,804	290,600
Administration	70,356	72,907
Depreciation	251,376	239,344
Total operating expenses	<u>735,674</u>	<u>748,960</u>
 OPERATING LOSS	<u>(295,778)</u>	<u>(302,664)</u>
 NONOPERATING REVENUE (EXPENSE)		
Property taxes	367,005	346,799
Specific ownership taxes	22,373	21,644
Net investment income	3,407	4,348
Gain on sale of capital asset	-	3,600
County treasurer's fees	(18,385)	(17,477)
Bond interest and fiscal charges	(303,484)	(304,682)
Total nonoperating revenue (expense)	<u>70,916</u>	<u>54,232</u>
 CHANGE IN NET POSITION	(224,862)	(248,432)
 NET POSITION - BEGINNING OF YEAR	<u>1,342,495</u>	<u>1,590,927</u>
 NET POSITION - END OF YEAR	<u>\$ 1,117,633</u>	<u>\$ 1,342,495</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 469,760	\$ 425,503
Payments to vendors	(189,678)	(242,277)
Payments to employees	(270,796)	(255,676)
Net cash provided (required) by operating activities	9,286	(72,450)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital asset purchases	(37,284)	(138,591)
Proceeds from sale of capital asset	-	3,600
Principal paid on capital debt	(48,250)	(38,250)
Interest paid on capital debt	(268,673)	(269,931)
Net cash required by capital financing activities	(354,207)	(443,172)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership taxes received	389,222	367,037
County treasurer's fees paid	(18,385)	(17,477)
Interest received	3,407	4,348
Net cash provided by noncapital financing activities	374,244	353,908
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,323	(161,714)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	546,440	708,154
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 575,763	\$ 546,440
 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES		
Operating loss	\$ (295,778)	\$ (302,664)
Adjustments to reconcile (loss) from operations to net cash provided (required) by operating activities:		
Depreciation	251,376	239,344
Effects of changes in operating assets, deferred outflows, liabilities and deferred inflows		
Accounts receivable	21,638	(20,793)
Prepaid expenses	(16,322)	20,157
Inventory	7,974	(7,974)
Accounts payable	(359)	(837)
Accrued general leave	35	1,393
Unearned revenue	8,226	-
Net pension liability, deferred outflows related to pensions, and deferred inflows related to pensions	32,496	(1,076)
Net cash required by operating activities	\$ 9,286	\$ (72,450)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

TABERNASH MEADOWS WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – DEFINITION OF REPORTING ENTITY

Tabernash Meadows Water and Sanitation District (District), was created on November 14, 1996, as a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Grand County, Colorado. The District purpose is to provide for the design, acquisition, installation and construction of a complete water and irrigation water system, sanitary sewers, flood and surface drainage, wastewater treatment and disposal works and facilities, and all necessary or proper equipment and appurtenances incident thereto. The District is governed by an elected Board of Directors.

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 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 similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee

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contributions) are recognized when due and payable in accordance with the benefit terms. PERA investments are reported at fair value.

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, 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.

Budgets

In accordance with the Local Government Budget Law of Colorado, 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 appropriation can only be modified upon completion of notification and publication requirements.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is 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 30 or if 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 or 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 and reported as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

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Accounts Receivable

Accounts receivable consist of uncollected water and sewer service revenue. Due to the District's broad powers of collection, no allowance for uncollectible water and sewer service revenue receivables has been reported.

Prepaid Expenses

Certain payments to vendors for goods or services reflect costs which are applicable to future accounting periods are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. 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 capital assets, as applicable. The District's capitalization threshold for depreciable assets is \$2,500. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water system	25 - 30 years
Wastewater	25 - 30 years
Vehicles and equipment	3 - 5 years

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District are recorded as capital contributions and additions to the systems at estimated fair market value when received.

Deferred Loss on Bond Refunding

The loss on bond refunding has been deferred and is being amortized over the remaining term of the refunded bonds using the straight line method. The annual amortization of the deferred loss is reported as a component of bond interest expense in the statement of revenues, expenses and changes in fund net position. The unamortized deferred loss on bond refunding is reported as a deferred outflow of resources.

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NOTE 3 - CASH AND INVESTMENTS

As of December 31, 2016 and 2015 the District's cash and cash equivalents were comprised of the following:

	<u>2016</u>	<u>2015</u>
Deposits	\$ 310,615	\$ 281,137
Investments - CSAFE	265,148	265,303
Total cash and cash equivalents	<u>\$ 575,763</u>	<u>\$ 546,440</u>

The District's cash and cash equivalents as of December 31, 2016 and 2015 are classified in the accompanying financial statements as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents - Unrestricted	\$ 326,184	\$ 334,896
Cash and cash equivalents - Restricted	249,579	211,544
Total cash and cash equivalents	<u>\$ 575,763</u>	<u>\$ 546,440</u>

The restricted cash and cash equivalents at December 31, 2016 and 2015 are restricted for the payment of debt service on the District's general obligation bonds.

Cash Deposits

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. 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 equal to 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.

At December 31, 2016, the District had cash deposits with a bank balance of \$315,961 and a carrying balance of \$310,615. At December 31, 2015, the District had cash deposits with a bank balance of \$284,560 and a carrying balance of \$281,137.

Investments

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities

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- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

At December 31, 2016 and 2015 the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2016</u>	<u>2015</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 265,148</u>	<u>\$ 265,303</u>

CSAFE

At December 31, 2016 and 2015, the District has invested in the Colorado Surplus Asset Fund Trust (CSAFE), 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 CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. CSAFE invests primarily in U.S. Treasury securities, agencies, repurchase agreements, bank deposits, AAAM rated SEC registered money-market funds and highly-rate commercial paper. COLOTRUST is rated AAAM by Standard and Poor's.

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

However, the District's investments are not measured at fair value and are therefore not categorized within the fair value hierarchy. These investments include a 2a7-like external investment pool (CSAFE). These investments are recorded at amortized cost. The District is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

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NOTE 4 - CAPITAL ASSETS

The following is an analysis of the changes in capital assets for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 132,381	\$ -	\$ -	\$ 132,381
Water rights	495,800	-	-	495,800
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>628,181</u>	<u>-</u>	<u>-</u>	<u>628,181</u>
Capital assets, being depreciated:				
Water system	3,274,226	-	-	3,274,226
Wastewater system	3,577,953	37,284	-	3,615,237
Vehicles and equipment	130,937	-	(3,188)	127,749
Total capital assets being depreciated	<u>6,983,116</u>	<u>37,284</u>	<u>(3,188)</u>	<u>7,017,212</u>
Less accumulated depreciation for:				
Water system	(1,327,873)	(108,121)	-	(1,435,994)
Wastewater system	(1,359,113)	(133,608)	-	(1,492,721)
Vehicles and equipment	(90,915)	(9,647)	3,188	(97,374)
Total accumulated depreciation	<u>(2,777,901)</u>	<u>(251,376)</u>	<u>3,188</u>	<u>(3,026,089)</u>
Total capital assets being depreciated, net	<u>4,205,215</u>	<u>(214,092)</u>	<u>-</u>	<u>3,991,123</u>
Total capital assets, net	<u>\$ 4,833,396</u>	<u>\$ (214,092)</u>	<u>\$ -</u>	<u>\$ 4,619,304</u>

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NOTES TO THE FINANCIAL STATEMENTS
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The following is an analysis of the changes in capital assets for the year ended December 31, 2015:

	Balance at December 31, 2014	Additions	Disposals/ Retirements	Balance at December 31, 2015
Capital assets, not being depreciated:				
Land	\$ 56,156	\$ 76,225	\$ -	\$ 132,381
Water rights	495,800	-	-	495,800
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>551,956</u>	<u>76,225</u>	<u>-</u>	<u>628,181</u>
Capital assets, being depreciated:				
Water system	3,261,969	12,257	-	3,274,226
Wastewater system	3,564,357	13,596	-	3,577,953
Vehicles and equipment	110,224	36,513	(15,800)	130,937
Total capital assets being depreciated	<u>6,936,550</u>	<u>62,366</u>	<u>(15,800)</u>	<u>6,983,116</u>
Less accumulated depreciation for:				
Water system	(1,220,183)	(107,690)	-	(1,327,873)
Wastewater system	(1,232,180)	(126,933)	-	(1,359,113)
Vehicles and equipment	(101,994)	(4,721)	15,800	(90,915)
Total accumulated depreciation	<u>(2,554,357)</u>	<u>(239,344)</u>	<u>15,800</u>	<u>(2,777,901)</u>
Total capital assets being depreciated, net	<u>4,382,193</u>	<u>(176,978)</u>	<u>-</u>	<u>4,205,215</u>
Total capital assets, net	<u>\$ 4,934,149</u>	<u>\$ (100,753)</u>	<u>\$ -</u>	<u>\$ 4,833,396</u>

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	Refunded/ Reductions	Balance at December 31, 2016	Due Within One Year
Bonds and loan payable:					
GO Refunding Bonds Series 2010	\$ 3,745,000	\$ -	\$ 30,000	\$ 3,715,000	\$ 50,000
CWRPDA Loan	292,000	-	18,250	273,750	18,250
Total long-term obligations	<u>\$ 4,037,000</u>	<u>\$ -</u>	<u>\$ 48,250</u>	<u>\$ 3,988,750</u>	<u>\$ 68,250</u>

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

	<u>Balance at December 31, 2014</u>	<u>Additions</u>	<u>Refunded/ Reductions</u>	<u>Balance at December 31, 2015</u>	<u>Due Within One Year</u>
Bonds and loan payable:					
GO Refunding Bonds Series 2010	\$ 3,765,000	\$ -	\$ 20,000	\$ 3,745,000	\$ 30,000
CWRPDA Loan	310,250	-	18,250	292,000	18,250
Total long-term obligations	<u>\$ 4,075,250</u>	<u>\$ -</u>	<u>\$ 38,250</u>	<u>\$ 4,037,000</u>	<u>\$ 48,250</u>

General Obligation Refunding Bonds, Series 2010

On March 31, 2010, the District issued \$3,800,000 of General Obligation Refunding Bonds dated March 31, 2010. The bonds are term bonds due December 1, 2034. The bonds are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2013, and on each December 1 thereafter. The bonds bear interest at 7.125%, payable semi-annually on June 1 and December 1. The bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part in integral multiples of \$5,000, on December 1, 2020, and on any date thereafter, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium. The bonds in the aggregate principal amount not to exceed \$500,000 are subject to extraordinary redemption prior to maturity, at the option of the District, as a whole or integral multiples of \$5,000, on any one or more interest payment dates, upon payment of the principal amount of the bonds being redeemed plus accrued interest to the redemption date, without redemption premium. The bonds were issued to refund the General Obligation Bonds, Series 2000.

Security for the bonds is provided by a pledge of the District's property taxes, specific ownership taxes, and other legally available moneys of the District. The District is required to impose a mill levy, without limitation of rate, in the amount sufficient pay the principal and interest on the bonds as they become due. For the years ended December 31, 2016 and 2015, the District levied 58.000 mills and 53.000 mills, respectively, for the payment of the debt service on these bonds. The remaining principal and interest to be paid on the bonds as of December 31, 2016 is \$6,829,338.

Colorado Water Resources and Power Development Authority Loan

On April 15, 2011, the District entered into a \$365,000 Loan Agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) dated April 15, 2011. The loan bears an interest rate of 0%. The loan requires semi-annual principal only payments of \$9,125 on May 1 and November 1 beginning on May 1, 2012 and continuing through November 1, 2031. The loan was entered into to fund capital improvements consisting of a dewatering press and headworks screening enhancements in order to convert liquid sludge into biosolids which can be composted and/or hauled away.

Security for the loan is provided by a pledge of the net revenue of the District, excluding certain revenues as defined in the loan agreement. Additionally the District has covenanted to establish and collect such rates, fees and charges, together with other available revenues will be at least sufficient to pay the sum of: a) operation and maintenance expenses, b) 110% of the

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debt services on the loan, c) the amount, if any, to be paid into any debt service reserve account in connection with any obligations secured by a lien on the net revenue which lien is on a parity with the lien of this loan agreement on the net revenue, d) a sum equal to the debt service on any obligations secured by a lien on the net revenue which lien is subordinate to the lien of this loan agreement on the net revenue, and e) amounts necessary to pay and discharge all charges and liens or other indebtedness not described above and payable out of the gross revenue of the District. As of December 31, 2016, the remaining principal to be paid on the loan from the pledged net revenue is \$273,750. For the year ended December 31, 2015 the District was not in compliance with the revenue requirement described in b) above. Effective January 1, 2016 the District increased the combined water and sewer rates to customers from \$333 to \$345 per quarter. For the year ended December 31, 2016 the District was in compliance with the revenue requirement as described in b) above.

The District's general obligation bonds and loan will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 68,250	\$ 264,694	\$ 332,944
2018	118,250	261,131	379,381
2019	128,250	254,006	382,256
2020	138,250	246,169	384,419
2021	148,250	237,619	385,869
2022-2026	951,250	1,029,919	1,981,169
2027-2031	1,381,250	666,544	2,047,794
2032-2034	1,055,000	154,256	1,209,256
	<u>\$ 3,988,750</u>	<u>\$ 3,114,338</u>	<u>\$ 7,103,088</u>

Authorized Debt

On November 4, 1997, a majority of the District's voters authorized the issuance of general obligation indebtedness in an amount not to exceed the following amounts and for the following purposes: \$5,000,000 for a sanitary sewage collection and transmission system; \$3,000,000 for a complete potable and non-potable water supply, treatment, storage, transmission, and distribution system; \$8,000,000 for the purpose of refunding, paying or defeasing other financial obligations of the District; for a total authorization of \$16,000,000. As of December 31, 2016, the District had utilized \$5,300,000 of the total authorized debt, resulting in \$10,700,000 of authorized but unissued general obligation indebtedness.

NOTE 6 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

The net investment in capital assets, net of accumulated depreciation and if applicable reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016 and 2015, the District had net investments in capital assets of \$732,603 and \$933,434, respectively.

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Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed through constitutional provisions or enabling legislation. The District had restricted net position of \$1,160 and \$1,110 as of December 31, 2016 and 2015, respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 11).

At December 31, 2016 and 2015 the District had restricted net position of \$249,579 and \$211,544, respectively, representing accumulated cash and cash equivalents in the bond surplus account, which is restricted for the payment of debt service on the District's General Obligation Refunding Bonds, Series 2010 (See Note 5).

At December 31, 2016 and 2015 the District had restricted net position of \$118,692 and \$121,178, respectively, representing the operations and maintenance reserve required by the Loan Agreement with the Colorado Water Resources and Power Development Authority (See Note 5).

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 – INTERGOVERNMENTAL AGREEMENT

Effective June 14, 2004 and as amended on April 26, 2016, District has entered into an intergovernmental agreement with Grand County (County) related to the operation of a wastewater treatment system. The District has the capacity to treat 200,000 gallons of wastewater influent and 418 pounds of BOD organic material per day. The amended 1041 permit allows the plan to service 714 single-family taps. The District and the County have agreed that the allocation of these 714 single-family taps, including tap trades in prior years, is 467 for the District and 247 for the County. As of December 31, 2016, the District has issued 275 taps of which 221 were being billed for service. The County has reported to the District that it has sold 140.2 taps. The County is responsible for billing and collection related to the taps it has sold.

Total costs associated with the facility, including construction, land purchase, engineering and inspection fees, developer expenses and organization costs, legal and accounting costs were borne by the District and the County at 66.7% and 33.3%, respectively. Ownership of the facility is to be shared by the District and the County based on the same percentages of shared costs. With the completion of the wastewater treatment plant in 2001 and the upgrade in 2005, the District and the County agreed to share the operating expenses of the plant in the same ratio of ownership.

For the years ended December 31, 2016 and 2015, the District billed the County \$100,267 and \$109,459, respectively, for the County's share of the operational costs of the facilities and also billed the County \$12,416 and \$11,103, respectively, for the County's share of the capital improvements to the facilities.

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NOTE 9 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. Section 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

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- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

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	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f) ¹	-1.02%
Amount apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

¹Rates are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from District were \$26,622 and \$26,423 for the years ended December 31, 2016 and 2015, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 and 2015, the District reported liabilities of \$404,193 and \$283,995, respectively, for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of December 31, 2015 and 2014, respectively, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2014 and 2013, respectively. Standard update procedures were used to roll forward the total pension liabilities to December 31, 2015 and 2014, respectively. The District proportion of the net pension liabilities were based on District contributions to the LGDTF for the calendar year 2015 and 2014, respectively, relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the District proportion was 0.0366921 percent, which was an increase of .0050072 percent from its proportion measured as of December 31, 2014. At December 31, 2014, the District proportion was 0.0316849 percent, which was a decrease of .0012625 percent from its proportion measured as of December 31, 2013.

For the years ended December 31, 2016 and 2015, the District recognized pension expense of \$59,118 and \$26,604, respectively. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,033	\$ 14
Net difference between projected and actual earnings on pension plan investments	77,810	-
Change in proportion and differences between contributions recognized and proportionate share of contributions	24,844	1,235
Changes in Assumptions or Other Inputs	-	7,403
Contributions subsequent to the measurement date	<u>26,622</u>	<u>-</u>
Total	<u>\$ 132,309</u>	<u>\$ 8,652</u>

\$26,622 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31

2017	\$ 35,829
2018	24,529
2019	20,567
2020	<u>16,109</u>
	<u>\$ 97,034</u>

Actuarial assumptions. The total pension liabilities in the December 31, 2014 and 2013 actuarial valuations were determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 and 2013 valuations were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return *</u>
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015**

of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	6.50%	7.50%	8.50%
Proportionate share of the net pension liability	\$ 619,670	\$ 404,193	\$ 225,477

Pension plan fiduciary net position. Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Defined Contribution Pension Plans

Plan Description - Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the District does not match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the years ended December 31, 2016 and 2015, program members contributed \$5,208 and \$13,572, respectively, to the Voluntary Investment Program.

NOTE 10 – POST RETIREMENT HEALTHCARE BENEFITS

Plan Description – The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

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Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2016, 2015, and 2014, the District contributions to the HCTF were \$2,142, \$2,126 and \$1,771, respectively, equal to their required contributions for each year.

NOTE 11 - 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 that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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.

On November 7, 1995 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District be authorized to collect, retain and spend developer contributions, rates, fees, tolls and charges, and any other revenues not derived from ad valorem taxes in 1996 and each year thereafter, and shall such revenues and any investment income thereon be collected and spent as a voter-approved revenue change, without regard to any spending, revenue-raising or other limitation of Article X, Section 20 of the Colorado Constitution, or any other law?

On November 5, 1996 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District be increased \$15,000 annually, commencing with a total mill levy not to exceed 6.325 mills certified in 1996, and by whatever additional amounts are raised each year thereafter from a total mill levy not to exceed 6.325 mills, for the purpose of funding any lawful expenses of the District, and shall such revenues and any investment income thereon be collected and spent as a voter-approved revenue change without regard to and spending, revenue-raising or other limitation of Article X Section 20 of the Colorado Constitution or any other law; and shall the revenue from such taxes and any investment income thereon also be approved for 1997 and each year thereafter as an increased levy under section 29-1-302, C.R.S.?

On November 4, 1997 a majority of the District's voters approved the following ballot questions:

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Shall Tabernash Meadows Water and Sanitation District taxes be increased \$500,000 annually, or by such lesser annual amount as may be necessary to pay the District's operations, maintenance, and other expenses: such taxes to consist of an ad valorem mill levy imposed without limitation of rate or with such limitations as may be determined by the Board, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary, to be used for the purpose of paying the District's operations, maintenance, and other expenses; and shall the proceeds of such taxes and investment income thereon constitute voter-approved revenue changes and be collected and spent by the District each year without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, Colorado Revised Statutes?

Shall Tabernash Meadows Water and Sanitation District, for purposes other than enterprises, and as a voter-approved revenue change, be authorized to collect, retain, and spend the amount of \$500,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District?

On November 3, 1998 a majority of the District's voters approved the following ballot question:

Shall Tabernash Meadows Water and Sanitation District, for the purposes other than enterprises, and as a voter-approved revenue change, be authorized to collect, retain, and spend the amount of \$2,000,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues, be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting, in 1998 or any year thereafter, the amount of other revenues that may be collected and spent by the District under Section 29-1-301, C.R.S. or any other statute or law?

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 the District's activities qualify as an Enterprise within the meaning of TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA PENSION PLAN - LOCAL GOVERNMENT DIVISION TRUST FUND
LAST THREE FISCAL YEARS(1)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.0366921%	0.0316849%	0.0329474%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 404,193	\$ 283,995	\$ 271,131
District's Covered Employee Payroll	\$ 208,383	\$ 173,619	\$ 175,777
Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	193.97%	163.57%	154.25%
Calculation of Collectvie Net Pension Liability:			
Total Pension Liability	\$ 4,762,090,000	\$ 4,647,777,000	\$ 4,331,233,000 (2)
Plan Fiduciary Net Position	<u>3,660,509,000</u>	<u>3,751,468,000</u>	<u>3,508,312,000</u>
Net Pension Liability	<u>\$ 1,101,581,000</u>	<u>\$ 896,309,000</u>	<u>\$ 822,921,000</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.87%	80.72%	81.00%

(1) - The amounts presented for each fiscal year were determined as of 12/31.

(2) - December 31, 2013 amount reduced by the \$186,006,000 specific liability adjustment resulting from the termination of the affiliation of Memorial Health Systems. This specific liability was paid in October 2014 by the City of Colorado Springs.

NOTE: Information for the prior seven years was not available to report.

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA PENSION PLAN - LOCAL GOVERNMENT DIVISION TRUST FUND
LAST FOUR FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 26,623	\$ 26,423	\$ 22,015	\$ 22,289
Contributions in Relation to the Contractually Required Contribution	(26,623)	(26,423)	(22,015)	(22,289)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 209,952	\$ 208,383	\$ 173,619	\$ 175,777
Contributions as a Percentage of Covered Employee Payroll	12.68%	12.68%	12.68%	12.68%

NOTE: Information for the prior six years was not available to report.

SUPPLEMENTAL INFORMATION

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2016**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 36,100	\$ 36,100	\$ 36,247	\$ 147
Bond property taxes	331,039	331,039	330,758	(281)
Specific ownership tax	17,900	22,000	22,373	373
County portion of operations	103,292	100,008	100,267	259
County portion of capital	12,607	12,018	12,416	398
Interest income	1,250	1,250	3,407	2,157
Other income	9,000	13,000	13,955	955
Service charges	311,548	311,548	313,258	1,710
Total revenues	<u>822,736</u>	<u>826,963</u>	<u>832,681</u>	<u>5,718</u>
EXPENDITURES				
Salaries and benefits	269,526	276,583	270,831	5,752
HR development	4,500	2,983	2,344	639
Contract/professional services	15,000	19,000	19,102	(102)
Vehicle expense	7,000	2,759	3,434	(675)
Operating supply/equipment	24,000	25,000	24,259	741
Operating supply non-reimburse	-	450	748	(298)
Lab testing	8,000	5,881	4,868	1,013
Biosolids removal	6,000	7,900	7,243	657
Utilities	32,319	35,492	32,524	2,968
Snow removal	1,250	870	865	5
Communication	9,000	7,167	7,079	88
Office supply	7,000	12,466	14,189	(1,723)
Permits	2,700	2,500	2,415	85
Dues and subscriptions	3,000	1,430	824	606
Audit and accounting	21,150	23,301	23,291	10
Treasurer fees	18,357	17,983	18,385	(402)
General and water rights legal	30,000	11,700	15,273	(3,573)
Board of directors/election	250	50	86	(36)
General liability insurance	20,000	21,250	22,427	(1,177)
Capital expenditures	74,512	36,091	37,284	(1,193)
Bond administration	1,900	1,800	1,842	(42)
Bond interest	266,832	266,832	266,653	179
Bond principal	48,250	48,250	48,250	-
Contingency	591,110	369,066	-	369,066
Total expenditures	<u>1,461,656</u>	<u>1,196,804</u>	<u>824,216</u>	<u>372,588</u>
NET CHANGE IN FUNDS AVAILABLE	(638,920)	(369,841)	8,465	378,306
FUNDS AVAILABLE - BEGINNING OF YEAR	654,438	657,104	657,101	(3)
FUNDS AVAILABLE - END OF YEAR	<u>\$ 15,518</u>	<u>\$ 287,263</u>	<u>\$ 665,566</u>	<u>\$ 378,303</u>

Funds available is computed as follows:

Current assets	\$ 1,084,243
Current liabilities	(116,270)
Deferred property taxes	(370,657)
Add back current portion of bonds payable	68,250
	<u>\$ 665,566</u>

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2016**

Revenue (budgetary basis)	<u>\$</u>	832,681
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>832,681</u>
Expenditures (budgetary basis)		824,216
Depreciation		251,376
Amortization of deferred loss on bond refunding		34,989
Net effect of changes in: net pension liability; deferred inflows related to pensions; and deferred outflows related to pensions		32,496
Capital outlay		(37,284)
Bond and loan principal		<u>(48,250)</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>1,057,543</u>
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>\$</u>	<u>(224,862)</u>

OTHER INFORMATION

**TABERNASH MEADOWS WATER AND SANITATION DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>Operations</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2009	\$ 6,834,210	6.325	20.000	\$ 179,911	\$ 174,395	96.9%
2010	\$ 7,884,250	6.325	30.000	\$ 286,395	\$ 346,799	121.1%
2011	\$ 8,090,390	6.325	30.000	\$ 293,883	\$ 293,884	100.0%
2012	\$ 6,707,960	6.325	42.000	\$ 324,162	\$ 324,162	100.0%
2013	\$ 6,786,890	6.325	45.000	\$ 348,337	\$ 349,544	100.3%
2014	\$ 5,831,820	6.325	53.000	\$ 345,973	\$ 344,666	99.6%
2015	\$ 5,847,250	6.325	53.000	\$ 346,888	\$ 346,799	100.0%
2016	\$ 5,707,570	6.356 (A)	58.000	\$ 367,316	\$ 367,005	99.9%
Estimated for year ending December 31, 2017	\$ 5,757,420	6.379 (B)	58.000	\$ 370,657		

(A) - Includes .031 mill levy for refunds and abatements of prior years taxes

(B) - Includes .054 mill levy for refunds and abatements of prior years taxes

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.