

**THUNDERBIRD WATER & SANITATION DISTRICT  
FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2016 AND 2015**



**RECEIVED**

*By the Office of the State Auditor at 4:36 pm, Jul 14, 2017*

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# Green & Associates LLC

Certified Public Accountants & Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Thunderbird Water and Sanitation District

We have audited the accompanying financial statements of the business-type activities of Thunderbird Water and Sanitation District as of and for the year ended December 31, 2016 and 2015, which collectively comprise the District's basic financial statements as listed in the table of contents and the notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Thunderbird Water and Sanitation District as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Other-Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 5 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Thunderbird Water and Sanitation District's basic financial statements as a whole. The other supplemental information, Budgetary Comparison Schedule – Non-GAAP Basis, on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "G. & Associates LLP". The signature is written in black ink and is positioned above the date and location text.

July 14, 2017  
Brighton, CO

## **Management's Discussion and Analysis**

## **Thunderbird Water & Sanitation District Management's Discussion and Analysis**

### **Introduction**

The Thunderbird Water & Sanitation District's management discussion and analysis is intended to provide the reader and user of our financial statements, with (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual, approved budget; and, (e) an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on the 2016 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 6.

### **Overview of the Financial Statements of the District**

The audited financial statements of the District are:

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, Notes to Financial Statements

These statements are on pages 6 through 15. These and the Other Supplementary Information, *Budgetary Comparison Schedule* on page 16 provide information about the District's financial position as of each December 31, its results of operations and the resulting cash flows for each year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the budgetary comparison schedule, these are presented with current year and prior year comparison.

The **Statement of Net Position** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in its assets (Net Position). Over time, the comparison of changes in Net Position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining a status quo.

The **Statement of Revenue, Expenses, and Changes in Net Position** provides information about the components – Operating Revenue, Operating Expenses, Nonoperating Revenue and Expenses, and Capital Contributions – of the District's annual operating activities and how those activities affected Net Position.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating, financing, and investment activities affected the District's cash balances.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The **Budgetary Comparison Schedule** provides information comparing the budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, there will be a comparison of the originally approved budget with the final amended budget.

## **Condensed Comparative Financial Information:**

### **Statement of Net Position**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Current Assets			
Cash and cash equivalents	\$ 301,494	\$ 258,471	\$ 341,943
Other current assets	106,675	95,875	86,369
	<u>408,169</u>	<u>354,346</u>	<u>428,312</u>
Non Current Assets			
Capital assets – net	1,278,905	1,295,990	935,668
Total Assets	<u>1,687,074</u>	<u>1,650,336</u>	<u>1,363,980</u>
Current Liabilities	69,196	59,281	49,613
Long Term Liabilities	411,863	453,626	228,164
Total Liabilities	<u>481,059</u>	<u>512,907</u>	<u>277,777</u>
Deferred Inflows of Resources	<u>80,893</u>	<u>71,358</u>	<u>71,520</u>
Net Position			
Net investment in capital assets	825,279	802,326	669,120
Restricted	29,985	29,977	28,707
Unrestricted	269,858	233,768	316,856
Total Net Position	<u>\$ 1,125,122</u>	<u>\$ 1,066,071</u>	<u>\$ 1,014,683</u>

### **Statement of Revenues, Expenses, and Changes in Net Position**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Operating Revenues	\$ 115,587	\$ 100,549	\$ 83,505
Operating Expenses	113,952	117,766	116,664
Operating Income (Loss)	<u>1,635</u>	<u>(17,217)</u>	<u>(33,159)</u>
Non Operating Revenues (Expenses)	57,416	68,605	64,919
Change in Net Position	<u>59,051</u>	<u>51,388</u>	<u>31,760</u>
Net Position, Beginning of Year	1,066,071	1,014,683	982,923
Net Position, End of Year	<u>\$ 1,125,122</u>	<u>\$ 1,066,071</u>	<u>\$ 1,014,683</u>

### **Statement of Cash Flows**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Cash from (for) Operating Activities	\$ 50,240	\$ 19,208	\$ (10,058)
Cash from (for) Non Capital Financing Activities	76,871	81,883	76,886
Cash from (for) Capital and Related Financing Activities	(84,207)	(184,644)	(94,281)
Cash from (for) Investing Activities	119	81	104
Increase (Decrease)	<u>43,023</u>	<u>(83,472)</u>	<u>(27,349)</u>
Cash and Cash Equivalents, Beginning of Year	258,471	341,943	369,292
Cash and Cash Equivalents, End of Year	<u>\$ 301,494</u>	<u>\$ 258,471</u>	<u>\$ 341,943</u>

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 6.

### **Analysis of Financial Position and Operating Results**

Net Position increased from \$1,066,071 in 2015 to \$1,125,122 in 2016, a difference of \$59,051 due to revenues exceeding expenses by that amount. For 2016 the District has a net asset reserve for emergencies established by the Board of Directors in the amount of \$5,038.

Cash and cash equivalents for 2016 increased \$43,023. This was related primarily operating revenues exceeding operating expenditures and the collection of property taxes. Cash and cash equivalents represent approximately 18% of the District's total assets at December 31, 2016. Net capital assets decreased \$17,085 in 2016.

The District's Liabilities at December 31, 2016 increased \$9,915 from those at December 31, 2015. This increase was primarily related to the timing of payments. The District's 2016 operating revenues increased from 2015 due to the increase in water rates.

The District's operating expenses decreased in 2016. As a result, the operating income for the year was \$1,635. The decrease in operating expenses was not attributed to one specific item. Net 2016 non-operating revenues decreased by \$11,189.

### **Cash Flows**

Cash and cash equivalents decreased by \$43,023 in 2016. For more information about these changes in Net Position, the operating activities, and cash flows see the accompanying audited financial statements beginning on page 6.

### **Budgetary Discussion**

Actual revenues were \$7,690 more than the 2016 budget relating primarily to charges for services that were higher than expected. Actual expenditures were \$24,276 less than budgeted relating primarily to lower than expected repairs and maintenance.

### **Capital Asset and Long Term Debt Discussion**

The District depreciates its infrastructure assets. See Note 1 of Notes to Financial Statements – *Summary of Significant Accounting Policies – Capital Assets* and Note 4 of Notes to Financial Statements – Capital Assets. The District has various activities in process relating primarily to the acquisition of water rights. The only activity in long term debt for the year was the scheduled repayment of debt.

### **Requests for information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Barry Gager, Treasurer, Thunderbird Water & Sanitation District, P.O. Box 157, Sedalia, CO 80135.

## **Basic Financial Statements**

**Thunderbird Water & Sanitation District**  
**Statements of Net Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 301,494	\$ 258,471
Accounts receivable	21,225	19,960
Prepaid expenses	4,557	4,557
Property taxes receivable	80,893	71,358
Total Current Assets	408,169	354,346
<b>Noncurrent Assets</b>		
Capital Assets		
Nondepreciable	551,644	543,345
Depreciable	1,285,619	1,269,323
Total Capital Assets	1,837,263	1,812,668
Less: Accumulated depreciation	(558,358)	(516,678)
Net Capital Assets	1,278,905	1,295,990
<b>Total Assets</b>	\$ 1,687,074	\$ 1,650,336
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 22,963	\$ 14,773
Accrued interest	4,470	4,470
Long-term debt, current portion	41,763	40,038
Total Current Liabilities	69,196	59,281
<b>Noncurrent Liabilities</b>		
Long-term debt	411,863	453,626
Total Long Term Liabilities	411,863	453,626
Total Liabilities	481,059	512,907
<b>Deferred Inflows of Resources</b>		
Deferred property taxes	80,893	71,358
Total Deferred Inflows of Resources	80,893	71,358
<b>Net Position</b>		
Net Investment in capital assets	825,279	802,326
Restricted for emergencies	5,038	5,038
Restricted for debt service	24,947	24,939
Unrestricted	269,858	233,768
Total Net Position	1,125,122	1,066,071
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	\$ 1,687,074	\$ 1,650,336

The accompanying notes are an integral part of these financial statements

**Thunderbird Water & Sanitation District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Operating Revenues</b>		
Charges for services	\$ 112,437	\$ 98,799
System development charges	3,150	1,750
Total Operating Revenues	115,587	100,549
<b>Operating Expenses</b>		
Repairs and maintenance	9,591	10,488
Professional fees	16,371	14,042
Insurance	5,691	6,235
Meter readings	4,779	4,779
Other	7,359	7,032
Utilities	23,508	22,052
Operating supplies	4,973	12,449
Depreciation expense	41,680	40,689
Total Operating Expenses	113,952	117,766
Operating Profit (Loss)	1,635	(17,217)
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes - operations	24,178	21,119
Property taxes - debt service	47,151	50,401
Specific ownership taxes	6,565	6,879
Investment income	119	81
Miscellaneous income	48	4,557
County treasurer fees	(1,071)	(1,073)
Interest expense	(19,574)	(13,359)
Total Nonoperating Revenues (Expenses)	57,416	68,605
<b>Change in Net Position</b>	59,051	51,388
Net Position, beginning of year	1,066,071	1,014,683
Net Position, end of year	\$ 1,125,122	\$ 1,066,071

The accompanying notes are an integral part of these financial statements

**Thunderbird Water & Sanitation District**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$ 114,322	\$ 90,881
Cash paid to suppliers	<u>(64,082)</u>	<u>(71,673)</u>
Net cash provided (used) by operating activities	<u>50,240</u>	<u>19,208</u>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Property taxes received	71,329	71,520
Specific ownership taxes received	6,565	6,879
Miscellaneous income	48	4,557
County treasurer fees	<u>(1,071)</u>	<u>(1,073)</u>
Net cash provided (used) by non-capital financing activities	<u>76,871</u>	<u>81,883</u>
<b>Cash Flows From Capital And Related Financing Activities</b>		
Acquisitions and construction of capital assets	(24,595)	(401,011)
Principal paid on loan	(40,038)	(38,384)
Proceeds from loan	-	265,500
Interest paid on loan	<u>(19,574)</u>	<u>(10,749)</u>
Net cash provided (used) in capital and related financing activities	<u>(84,207)</u>	<u>(184,644)</u>
<b>Cash Flows From Investing Activities</b>		
Investment income received	<u>119</u>	<u>81</u>
Net cash provided (used) by investing activities	<u>119</u>	<u>81</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	43,023	(83,472)
Cash and cash equivalents, beginning of year	<u>258,471</u>	<u>341,943</u>
Cash and cash equivalents, end of year	<u><u>\$ 301,494</u></u>	<u><u>\$ 258,471</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Loss	\$ 1,635	\$ (17,217)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation and amortization	41,680	40,689
Changes in assets and liabilities		
Accounts receivable	(1,265)	(5,111)
Prepaid expenses	-	(4,557)
Accounts payable	<u>8,190</u>	<u>5,404</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 50,240</u></u>	<u><u>\$ 19,208</u></u>

The accompanying notes are an integral part of these financial statements

**Thunderbird Water and Sanitation District**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 1 Summary of Significant Accounting Policies**

The Thunderbird Water & Sanitation District (District) is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water and sanitation services within its jurisdictional boundaries.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**Financial Reporting Entity**

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

**Basis of Accounting**

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds are recorded as a reduction of liabilities.

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service of water. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

**Budgets and Budgetary Accounting**

Budgets are adopted on a cash basis except for accrual of current vendor invoices and utility billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

**Thunderbird Water & Sanitation District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note 1 Summary of Significant Accounting Policies (Continued)**

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

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or revised by the District Board.

**Property, Plant and Equipment**

The District records property, plant and equipment at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related assets. All assets are depreciated on a straight-line basis. The estimated useful lives are as follows:

Plant and distribution system	20-50 years
Equipment	3-5 years

**Property Taxes**

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

**Assets and Liabilities**

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets - assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000.

***Net Position***

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Thunderbird Water & Sanitation District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note 1 Summary of Significant Accounting Policies (Continued)**

b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.

c. Unrestricted net position – all other segments of net position that do not meet the definition of “restricted” or “net investment in capital assets.” These items are available for future operations or distributions.

***Cash Equivalents***

For purposes of the statement of cash flows, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The District considers certificates of deposit with maturities of more than three months at date of purchase as investments.

**Deferred Inflows of Resources**

Deferred revenues – deferred revenues include property taxes, which have been certified but not yet collected.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 Cash and Investments**

**Cash Deposits**

As of December 31, 2016 and 2015, the District’s cash deposits had a carrying balance of \$101,815 and \$58,663 and a corresponding bank balance \$99,321 and \$58,464, all of which was insured by the Federal Deposit Insurance Corporation, respectively.

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under 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 uninsured deposits. As of December 31, 2016 and 2015 the District had \$0 and \$0 collateralized under PDPA, respectively.

The Colorado Divisions of Banking 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.

**Thunderbird Water & Sanitation District  
Notes to Financial Statements (Continued)  
December 31, 2016 and 2015**

**Note 2 Cash and Investments (Continued)**

**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 does not have a deposit policy for custodial credit risk. As of December 31, 2016 and 2015, none of the District's bank deposits were exposed to custodial credit risk.

**Investments**

Colorado statutes specify in which investment instruments the units of local government may invest:

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

At December 31, 2016 and 2015 the District's investments consisted of a money market account with UBS Financial Services Inc. The District had \$199,679 and \$199,808 invested in the money market account at December 31, 2016 and 2015, respectively. The UBS money market account was not rated.

A summary of cash and cash equivalents at December 31, 2016 and 2015 is as follows:

	2016	2015
Cash deposits	\$ 101,815	\$ 58,663
Money markets	199,679	199,808
Total cash and cash equivalents	\$ 301,494	\$ 258,471

**Note 3 Accounts Receivable**

Accounts receivable balance at December 31, 2016 and 2015, was comprised of the following:

	2016	2015
Charges for services	\$ 19,548	\$ 18,321
IREA capital credits	1,122	1,023
Taxes receivable	555	616
Less: Allowance for doubtful accounts	-	-
Total	\$ 21,225	\$ 19,960

**Thunderbird Water & Sanitation District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note 4 Capital Assets**

A summary of changes to capital assets for 2016 is as follows:

	Balance at 12/31/2015	Additions	Deletions	Balance at 12/31/2016
Business Type Activities:				
Nondepreciable				
Water rights	\$ 543,345	\$ -	\$ -	\$ 543,345
Construction in progress	-	8,299	-	8,299
Total Nondepreciable	<u>543,345</u>	<u>8,299</u>	<u>-</u>	<u>551,644</u>
Depreciable				
Plant and equipment	1,269,323	16,296	-	1,285,619
Total Depreciable	<u>1,269,323</u>	<u>16,296</u>	<u>-</u>	<u>1,285,619</u>
TOTAL	<u>1,812,668</u>	<u>24,595</u>	<u>-</u>	<u>1,837,263</u>
Less Accumulated Depreciation				
Plant and equipment	(516,678)	(41,680)	-	(558,358)
Total Accumulated Depreciation	<u>(516,678)</u>	<u>(41,680)</u>	<u>-</u>	<u>(558,358)</u>
Net Capital Assets	<u>\$ 1,295,990</u>	<u>\$ (17,085)</u>	<u>\$ -</u>	<u>\$ 1,278,905</u>

Depreciation expense for the year ended December 31, 2016 was \$41,680.

A summary of changes to capital assets for 2015 is as follows:

	Balance at 12/31/2014	Additions	Deletions	Balance at 12/31/2015
Business Type Activities:				
Nondepreciable				
Water rights	\$ 209,405	\$ 333,940	\$ -	\$ 543,345
Total Nondepreciable	<u>209,405</u>	<u>333,940</u>	<u>-</u>	<u>543,345</u>
Depreciable				
Plant and equipment	1,202,252	67,071	-	1,269,323
Total Depreciable	<u>1,202,252</u>	<u>67,071</u>	<u>-</u>	<u>1,269,323</u>
TOTAL	<u>1,411,657</u>	<u>401,011</u>	<u>-</u>	<u>1,812,668</u>
Less Accumulated Depreciation				
Plant and equipment	(475,989)	(40,689)	-	(516,678)
Total Accumulated Depreciation	<u>(475,989)</u>	<u>(40,689)</u>	<u>-</u>	<u>(516,678)</u>
Net Capital Assets	<u>\$ 935,668</u>	<u>\$ 360,322</u>	<u>\$ -</u>	<u>\$ 1,295,990</u>

Depreciation expense for the year ended December 31, 2015 was \$40,689.

**Note 5 Long-term Debt**

The Colorado Water Resources and Power Development Authority issued the District revolving loans in 1999 and 2002 for water system improvements. The loans are being amortized over 20 years with installments of \$12,155 and \$12,411 due semi-annually, including interest at a 4.00 percent and 4.50 percent, respectively. A summary of changes in long-term debt for 2016 and 2015 are as follows:

**Thunderbird Water & Sanitation District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note 5 Long-term Debt (Continued)**

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Amounts Due Within One Year
1999 Revolving fund loan	\$ 77,918	\$ -	\$ (21,038)	\$ 56,880	\$ 21,996
2002 Revolving fund loan	150,246	-	(19,000)	131,246	19,767
2011 Loan St. of CO	265,500	-	-	265,500	-
<b>Total Long-term Debt</b>	<b>\$ 493,664</b>	<b>\$ -</b>	<b>\$ (40,038)</b>	<b>\$ 453,626</b>	<b>\$ 41,763</b>

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Amounts Due Within One Year
1999 Revolving fund loan	\$ 98,041	\$ -	\$ (20,123)	\$ 77,918	\$ 21,038
2002 Revolving fund loan	168,507	-	(18,261)	150,246	19,000
2011 Loan St. of CO	-	265,500	-	265,500	-
<b>Total Long-term Debt</b>	<b>\$ 266,548</b>	<b>\$ 265,500</b>	<b>\$ (38,384)</b>	<b>\$ 493,664</b>	<b>\$ 40,038</b>

Future debt service requirements are as follows:

Year ending December 31,	Principal	Interest	Total
2017	41,763	7,369	49,132
2018	43,562	5,570	49,132
2019	33,284	3,692	36,976
2020	22,261	2,560	24,821
2021	23,160	1,661	24,821
2022	24,096	726	24,822
<b>Total</b>	<b>\$ 188,126</b>	<b>\$ 21,578</b>	<b>\$ 209,704</b>

On September 8, 2011 the District entered into a general obligation promissory note with State of Colorado in an amount not to exceed \$318,150 for the purchase of water rights. The District maintains the right to draw on the loan until the completion of the project, at which time the amortization of the loan will begin over a period of 20 years at a rate of 4.25%. On September 22, 2015 the District drew \$265,500 on the loan. The loan is secured by all pledged revenues of the District. Due to the nature of the loan an amortization schedule is not available and will be presented once it is able to be determined.

**Note 6 Tax, Spending, and Debt Limitation**

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

The District has created a Water and Wastewater statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution.

**Thunderbird Water & Sanitation District**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**Note 6 Tax, Spending, and Debt Limitation (Continued)**

Based on the results of general elections the District has the right to issue additional debt to fund various projects. On November 6, 2001 the voters approved the issuance of debt in the amount of \$1,040,000 to finance the acquisition of surface water rights and construction of facilities related thereto.

On November 2, 2013 the voters of the District approved the issuance of debt in the amount of \$875,000 to finance the purchase of ground water, ground water rights, water supply, water distribution and water facilities. The obligations shall not exceed a rate of 6.5% and shall have a maximum repayment cost of \$1,200,000. The voters have approved a property tax increase of \$80,000 per year to fund the repayment of these obligations.

**Note 7 Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disaster. The District has taken steps to mitigate the risk of loss which includes carrying commercial liability insurance. Actual claims have not exceeded commercial coverage in any of the last three years.

**Note 8 Restricted Net Position**

The District has established an emergency reserve of \$5,038 and \$5,038, to comply with Article X, Section 20 of the Colorado Constitution and \$24,947 and \$24,939 related to the collection of property taxes for the payment of long term debt as of December 31, 2016 and 2015, respectively.

**Note 9 Reclassifications**

Certain items have been reclassified from the previous year to conform with the presentation of the current years financial statements.

## **Other Supplemental Information**

**Thunderbird Water & Sanitation District**  
**Budgetary vs. Actual Comparison - Non GAAP Basis**  
**For the Year Ended December 31, 2016**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Charges for services	\$ 100,000	\$ 112,437	\$ 12,437
Interest earnings and FMV adjustments	100	119	19
Property taxes	71,358	71,329	(29)
Specific ownership taxes	12,000	6,565	(5,435)
System improvement fees	2,500	3,150	650
Miscellaneous	-	48	48
Bond Proceeds	1,143,000	-	(1,143,000)
<b>Total Revenues</b>	<u>1,328,958</u>	<u>193,648</u>	<u>(1,135,310)</u>
<b>Expenses</b>			
Accounting	7,200	7,200	-
Director fees	5,500	5,800	(300)
Insurance	5,200	5,691	(491)
Legal, audit and other professional fees	6,000	9,171	(3,171)
Meter reading	5,000	4,779	221
Miscellaneous	2,500	1,560	940
Repairs & Maintenance	35,000	9,160	25,840
Supplies	6,000	4,973	1,027
Training	500	-	500
Utilities	28,000	23,508	4,492
Water test fees	1,500	430	1,070
County treasurer fees	1,200	1,071	129
Water rights and perfection	1,040,000	-	1,040,000
Ordinary capital assets	70,000	24,595	45,405
Loan principal	49,132	40,038	9,094
Loan interest	9,094	19,574	(10,480)
<b>Total Expenditures</b>	<u>1,271,826</u>	<u>157,550</u>	<u>1,114,276</u>
<b>Revenues over (under) Expenditures</b>	<u>\$ 57,132</u>	<u>\$ 36,098</u>	<u>\$ (21,034)</u>
<b>Reconciliation to Net Income</b>			
Add Capital Outlay		24,595	
Add Principal paid on loan		40,038	
Less Depreciation Expense		(41,680)	
<b>Net Income</b>		<u>\$ 59,051</u>	

See the Independent Auditor's Report