



**CRESTED BUTTE SOUTH METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED  
December 31, 2017**

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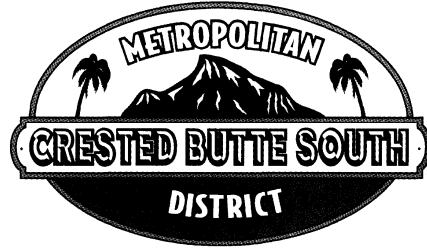
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August 2, 2018

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## **INTRODUCTORY SECTION**



**CRESTED BUTTE SOUTH METROPOLITAN DISTRICT**

**BOARD OF DIRECTORS  
December 31, 2017**

Tom Dill  
Alan Gruber  
Kurt Feltus  
Bill Oliver  
Tom Hein

## TABLE OF CONTENTS

| <b>INTRODUCTORY SECTION</b>  | <b>PAGE</b> |
|--|-------------|
| Board of Trustees  |             |
| Table of Contents  |             |
| <b>FINANCIAL SECTION</b>   |             |
| Management's Discussion and Analysis   | M1 – M7     |
| Independent Auditors' Report   | 1 - 2       |
| <b>BASIC FINANCIAL STATEMENTS</b>  |             |
| Statement of Net Position  | 3           |
| Statement of Activities  | 4 - 5       |
| Balance Sheet - Governmental Funds   | 6           |
| Reconciliation of Governmental Fund Balance to Governmental Activities Net Position                              | 7           |
| Statement of Revenues, Expenditures and Changes in Fund Balances -<br>Governmental Funds                         | 8           |
| Reconciliation of Governmental Funds Change in Fund Balance to Governmental Activities<br>Change in Net Position | 9           |
| Statement of Net Position - Proprietary Funds  | 10          |
| Statement of Revenues, Expenses and Changes in Net Position -<br>Proprietary Funds                               | 11          |
| Statement of Cash Flows - Proprietary Funds  | 12          |
| Notes to the Financial Statements  | 13 - 34     |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>  |             |
| Budgetary Comparison Schedule - General Fund   | 35 – 36     |
| Budgetary Comparison Schedule - Road Fund  | 37          |

**TABLE OF CONTENTS**  
**(continued)**

| <b>OTHER SUPPLEMENTARY INFORMATION</b>   | <b>PAGE</b> |
|--|-------------|
| <u>Enterprise Fund</u>   |             |
| Schedule of Revenues, Expenditures and Changes in Net Position -<br>Budget and Actual - Water Fund | 38          |
| Schedule of Revenues, Expenditures and Changes in Net Position -<br>Budget and Actual - Sewer Fund | 39          |

## **FINANCIAL SECTION**



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## CRESTED BUTTE SOUTH METROPOLITAN DISTRICT **Management's Discussion and Analysis**

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

The District has two separate financial categories or activities - governmental activities, and those activities covered or referred to as business-type activities. Within the governmental activities, the District has a General Fund. The governmental activities are funded primarily through the District's ad-valorem property tax, charges for services, and transfers from the business-type activities. The business-type activities consist of a water fund and a wastewater fund. These business-type activities are funded primarily through charges for services and tap fees.

### **DESCRIPTION OF FINANCIAL STATEMENTS**

This annual report consists of four parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, *Required Supplementary Information*, and *Other Supplemental Schedules*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District government, reporting on the District's operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *Required Supplementary Information* that provides the budget and actual comparison for the general fund. Following that is a section of *Other Supplemental Schedules* that provides budget to actual comparisons for the District's other funds and additional information required by oversight agencies.

### **Government-wide Financial Statements**

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

These two statements report the District's *net position* and changes in net position. The District's net position is one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net position are one indicator of whether its financial health, including liquidity and financial flexibility, is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base, growth prospects, citizen involvement, revisions to laws, and similar indicators need to be reviewed in order to assess the overall health of the District.

The Statement of Net Position reports information by fund type. The Statement of Activities reports information by function, program, or service.

In the Statement of Net Position and the Statement of Activities, the District is divided into two kinds of activities:

- **Governmental Activities** – The governmental activities of the District are reported here. These activities include the activity of the general and road funds as well as general government capital assets and long-term debt. Property taxes, transfers, and charges for services finance most of these activities.
- **Business-Type Activities** – The activities of the District's water and wastewater funds are reported here. These funds are financed by charges for services.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds. The District's two kinds of funds – *governmental and proprietary* – use different accounting approaches.

*Governmental fund* – The District's activities in the General & Road Fund are reported as a governmental fund, which focus on how money flows into and out of the fund. The fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs and services.

*Proprietary (Enterprise) funds* – The activity of the District's enterprise funds, its water and wastewater funds, are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

## **HIGHLIGHTS**

### **Governmental Activities**

- As of December 31, 2017, the District's governmental activities funds held \$733,970 in net governmental capital assets. Net position increased \$58,369.
- During the year the District assessed road fees that raised \$140,901 in 2017.

### **Business-type Activities**

- As of December 31, 2017, total assets were \$6,338,733. Net position increased \$207,762.

## STATEMENT OF NET POSITION

The perspective of the Statement of Net Position is of the District as a whole. The following is a summary of the District's net position for 2017 compared to 2016:

### CONDENSED STATEMENT OF NET POSITION

|                                  | Governmental Activities |                   | Business-type Activities |                     | Total               |                     |
|----------------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
|                                  | 2017                    | 2016              | 2017                     | 2016                | 2017                | 2016                |
| <b>ASSETS</b>                    |                         |                   |                          |                     |                     |                     |
| Current and Other Assets         | \$ 297,851              | \$ 279,506        | \$ 1,377,231             | \$ 946,823          | \$ 1,675,082        | \$ 1,226,329        |
| Capital Assets                   | 733,970                 | 663,210           | 4,961,502                | 5,302,569           | 5,695,472           | 5,965,779           |
| Total Assets                     | 1,031,821               | 942,716           | 6,338,733                | 6,249,392           | 7,370,554           | 7,192,108           |
| <b>LIABILITIES</b>               |                         |                   |                          |                     |                     |                     |
| Current Liabilities              | 43,659                  | 39,670            | 30,130                   | 163,982             | 73,789              | 203,652             |
| Noncurrent Liabilities           | 6,212                   | -                 | 2,287,406                | 2,271,975           | 2,293,618           | 2,271,975           |
| Total Liabilities                | 49,871                  | 39,670            | 2,317,536                | 2,435,957           | 2,367,407           | 2,475,627           |
| DEFERRED INFOWS                  | 284,535                 | 264,000           | -                        | -                   | 284,535             | 264,000             |
| <b>NET POSITION</b>              |                         |                   |                          |                     |                     |                     |
| Net Investment in Capital Assets | 733,970                 | 663,210           | 2,689,526                | 2,536,871           | 3,423,496           | 3,200,081           |
| Restricted                       | 10,000                  | 9,200             | 127,876                  | 340,484             | 137,876             | 349,684             |
| Unrestricted                     | (46,555)                | (33,364)          | 1,203,795                | 936,080             | 1,157,240           | 902,716             |
| <b>Total Net Position</b>        | <b>\$ 697,415</b>       | <b>\$ 639,046</b> | <b>\$ 4,021,197</b>      | <b>\$ 3,813,435</b> | <b>\$ 4,718,612</b> | <b>\$ 4,452,481</b> |

**STATEMENT OF ACTIVITIES**

The perspective of the Statement of Activities is of the District as a whole. The following table reflects the change in net position for 2017 and 2016.

**CONDENSED STATEMENT OF ACTIVITIES**

|                                       | <b>Governmental Activities</b> |                   | <b>Business-type Activities</b> |                     | <b>Total</b>        |                     |
|---------------------------------------|--------------------------------|-------------------|---------------------------------|---------------------|---------------------|---------------------|
|                                       | <b>2017</b>                    | <b>2016</b>       | <b>2017</b>                     | <b>2016</b>         | <b>2017</b>         | <b>2016</b>         |
| <b>PROGRAM REVENUES</b>               |                                |                   |                                 |                     |                     |                     |
| Charges for Services                  | \$ 163,841                     | \$ 131,264        | \$ 735,004                      | \$ 683,132          | \$ 898,845          | \$ 814,396          |
| Operating Grants and Contributions    | -                              | -                 | 256,630                         | 178,492             | 256,630             | 178,492             |
| Total Program Revenues                | <u>163,841</u>                 | <u>131,264</u>    | <u>991,634</u>                  | <u>861,624</u>      | <u>1,155,475</u>    | <u>992,888</u>      |
| <b>GENERAL REVENUES</b>               |                                |                   |                                 |                     |                     |                     |
| Property Taxes                        | 263,270                        | 243,394           | -                               | -                   | 263,270             | 243,394             |
| Specific Ownership Taxes              | 18,666                         | 14,018            | -                               | -                   | 18,666              | 14,018              |
| Sales Taxes                           | -                              | -                 | -                               | -                   | -                   | -                   |
| Franchise Taxes                       | -                              | -                 | -                               | -                   | -                   | -                   |
| Other Taxes                           | 1,682                          | -                 | -                               | -                   | 1,682               | -                   |
| Interest Income                       | 4,300                          | 2,264             | -                               | -                   | 4,300               | 2,264               |
| Gain (Loss) on Capital Assets         | -                              | -                 | -                               | -                   | -                   | -                   |
| Insurance Proceeds                    | -                              | -                 | 120                             | -                   | 120                 | -                   |
| Other Revenues                        | 8,671                          | 4,491             | -                               | -                   | 8,671               | 4,491               |
| Total General Revenues                | <u>296,589</u>                 | <u>264,167</u>    | <u>120</u>                      | <u>-</u>            | <u>296,709</u>      | <u>264,167</u>      |
| <b>TRANSFERS</b>                      |                                |                   |                                 |                     |                     |                     |
| Total Revenues & Transfers            | <u>460,430</u>                 | <u>499,047</u>    | <u>991,754</u>                  | <u>758,008</u>      | <u>1,452,184</u>    | <u>1,257,055</u>    |
| <b>PROGRAM EXPENSES</b>               |                                |                   |                                 |                     |                     |                     |
| General Government                    | 234,062                        | 270,443           | -                               | -                   | 234,062             | 270,443             |
| Public Works                          | 194,809                        | 236,219           | -                               | -                   | 194,809             | 236,219             |
| Water                                 | -                              | -                 | 335,636                         | 260,045             | 335,636             | 260,045             |
| Wastewater                            | -                              | -                 | 434,852                         | 367,902             | 434,852             | 367,902             |
| Total Program Expenses                | <u>428,871</u>                 | <u>506,662</u>    | <u>770,488</u>                  | <u>627,947</u>      | <u>1,199,359</u>    | <u>1,134,609</u>    |
| <b>CHANGE IN NET POSITION</b>         |                                |                   |                                 |                     |                     |                     |
|                                       | <u>31,559</u>                  | <u>(7,615)</u>    | <u>221,266</u>                  | <u>130,061</u>      | <u>252,825</u>      | <u>122,446</u>      |
| Net Position, Beginning               | 639,046                        | 646,661           | 3,813,435                       | 3,683,374           | 4,452,481           | 4,330,035           |
| Prior Period Restatement              | 26,810                         | -                 | (13,504)                        | -                   | 13,306              | -                   |
| Net Position, Beginning (as Restated) | <u>665,856</u>                 | <u>646,661</u>    | <u>3,799,931</u>                | <u>3,683,374</u>    | <u>4,465,787</u>    | <u>4,330,035</u>    |
| <b>NET POSITION, ENDING</b>           | <b>\$ 697,415</b>              | <b>\$ 639,046</b> | <b>\$ 4,021,197</b>             | <b>\$ 3,813,435</b> | <b>\$ 4,718,612</b> | <b>\$ 4,452,481</b> |

**GOVERNMENTAL ACTIVITIES**

The table below presents the cost of each of the District’s governmental programs – general and administrative and public works (primarily street maintenance) as well as each program’s net cost (total cost less revenues generated by the activities). The net cost of services shows the financial contribution by the District’s taxpayers for each of these functions.

**THE DISTRICT’S FUNDS**

As the District completed the year, its governmental fund (shown on pages 6 through 9 of the financial statements) reported a fund balance of approximately <\$30,343> compared to a balance of \$2,217 in the previous year.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund actual expenditures were approximately \$3,604 less than budgeted.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

At year-end, the District had \$5,695,472 (net of accumulated depreciation) invested in a broad range of capital assets, including buildings, infrastructure (roads), equipment, water and sewer mains and treatment plants.

|                                       | <u>1/1/17</u>            |                         |                    | <u>12/31/17</u>          |
|---------------------------------------|--------------------------|-------------------------|--------------------|--------------------------|
|                                       | <u>Balance</u>           | <u>Additions</u>        | <u>Deletions</u>   | <u>Balance</u>           |
| <b><u>Governmental Activities</u></b> |                          |                         |                    |                          |
| Capital assets not being depreciated: |                          |                         |                    |                          |
| Land                                  | \$ 35,315                | \$ -                    | \$ -               | \$ 35,315                |
| Capital assets being depreciated:     |                          |                         |                    |                          |
| Buildings                             | 203,337                  | -                       | -                  | 203,337                  |
| Equipment                             | 827,338                  | 59,690                  | -                  | 887,028                  |
| Infrastructure                        | 1,176,658                | 125,116                 | -                  | 1,301,774                |
| Total capital assets                  | <u>2,242,648</u>         | <u>184,806</u>          | <u>-</u>           | <u>2,427,454</u>         |
| Less accumulated depreciation:        |                          |                         |                    |                          |
| Buildings                             | 82,960                   | 4,398                   | -                  | 87,358                   |
| Equipment                             | 729,765                  | 61,366                  | -                  | 791,131                  |
| Infrastructure                        | 766,713                  | 48,282                  | -                  | 814,995                  |
| Total accumulated depreciation        | <u>1,579,438</u>         | <u>114,046</u>          | <u>-</u>           | <u>1,693,484</u>         |
| <b>Net capital assets</b>             | <b><u>\$ 663,210</u></b> | <b><u>\$ 70,760</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 733,970</u></b> |

|                                       | <u>1/1/17</u>              |                            |                    | <u>12/31/17</u>            |
|---------------------------------------|----------------------------|----------------------------|--------------------|----------------------------|
|                                       | <u>Balance</u>             | <u>Additions</u>           | <u>Deletions</u>   | <u>Balance</u>             |
| <b>Business-type Activities</b>       |                            |                            |                    |                            |
| Capital assets not being depreciated: |                            |                            |                    |                            |
| Easements                             | \$ 125,862                 | \$ -                       | \$ -               | \$ 125,862                 |
| Water rights and augmentation         | 210,000                    | -                          | -                  | 210,000                    |
| Capital assets being depreciated:     |                            |                            |                    |                            |
| Buildings                             | 240,275                    | -                          | -                  | 240,275                    |
| Water Plant                           | 656,518                    | -                          | -                  | 656,518                    |
| Water Distribution                    | 2,498,149                  | -                          | -                  | 2,498,149                  |
| Sewer Plant                           | 3,729,413                  | -                          | -                  | 3,729,413                  |
| Sewer Collection                      | 951,176                    | -                          | -                  | 951,176                    |
| Equipment                             | <u>105,595</u>             | <u>-</u>                   | <u>-</u>           | <u>105,595</u>             |
| Total capital assets                  | <u>8,516,988</u>           | <u>-</u>                   | <u>-</u>           | <u>8,516,988</u>           |
| Less accumulated depreciation:        |                            |                            |                    |                            |
| Buildings                             | 18,021                     | 6,007                      | -                  | 24,028                     |
| Water Plant                           | 492,317                    | 21,223                     | -                  | 513,540                    |
| Water Distribution                    | 726,088                    | 69,061                     | -                  | 795,149                    |
| Sewer Plant                           | 1,405,336                  | 119,306                    | -                  | 1,524,642                  |
| Sewer Collection                      | 563,184                    | 29,345                     | -                  | 592,529                    |
| Equipment                             | <u>105,595</u>             | <u>-</u>                   | <u>-</u>           | <u>105,595</u>             |
| Total accumulated depreciation        | <u>3,310,541</u>           | <u>244,942</u>             | <u>-</u>           | <u>3,555,483</u>           |
| <b>Net capital assets</b>             | <b><u>\$ 5,206,447</u></b> | <b><u>\$ (244,942)</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 4,961,505</u></b> |

During 2017 the District had 2 of the gravel roads paved at a cost of \$125,307.

### OUTSTANDING DEBT

The following summarizes the District's debt activity during the year:

|                                   | Restated                   |                    |                          |                            |                          |
|-----------------------------------|----------------------------|--------------------|--------------------------|----------------------------|--------------------------|
|                                   | Balance                    |                    | Balance                  |                            | Current                  |
|                                   | 1/1/17                     | Advances           | Repayments               | 12/31/17                   | Portion                  |
| <b>GOVERNMENTAL ACTIVITIES</b>    |                            |                    |                          |                            |                          |
| Compensated Absences              | \$ 9,590                   | \$ -               | \$ 3,378                 | \$ 6,212                   | \$ -                     |
| <b>BUSINESS - TYPE ACTIVITIES</b> |                            |                    |                          |                            |                          |
| 2009 CWRPDA Sewer Loan            | \$ 1,650,406               | \$ -               | \$ 107,606               | \$ 1,542,800               | \$ 109,774               |
| 2010 CWRPDA Water Loan            | 774,808                    | -                  | 45,633                   | 729,175                    | 46,552                   |
| Compensated Absences              | <u>16,790</u>              | <u>-</u>           | <u>1,359</u>             | <u>15,431</u>              | <u>-</u>                 |
| <b>Total Obligations</b>          | <b><u>\$ 2,442,004</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 154,598</u></b> | <b><u>\$ 2,287,406</u></b> | <b><u>\$ 156,326</u></b> |

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### **ECONOMIC AND OTHER FACTORS AND NEXT YEAR'S BUDGET**

The current Mill Levy of 14.363 mills did not restrict the budget and the Metro District was able to collect the 5.5% allowable increase. The Metro District looks to gain again in assessed value and not only collect the full 5.5% allowable limit, but also retain additional mills for reserves for the 2018 budget year.

2017 was another busy construction season. There was a total of \$256,629 in tap fees. This equates to 18.33 EQRs and is 6.33 more EQRs than was anticipated for the 2017 budget.

We expect a robust real estate market through the summer of 2018. Currently, there have been 15.03 EQR's paid but we have several more on the list that are going through the approval process.

The Board of Directors approved investing \$100,000 into three different CDs and all excess reserves were to be put in Colotrust Plus. The investments earned \$3,487 more than was anticipated for the 2017 budget.

The District negotiated an Intergovernmental Agreement with Gunnison County for them to apply for all road miles in CB South for HUTF. The County currently applies for 3 miles of CB South roads and collects the Highway Users Tax Funds to maintain those 3 miles. As a Special District, we cannot apply for these funds, but with this IGA, the County will reimburse the District for any miles over the 3 they currently collect on. We estimate an annual revenue stream varying between \$10,000 and \$20,000. These funds fluctuate annually based on gas taxes and other factors that drive the availability of these funds. The IGA was drafted and approved in 2016 and then the application for the HUTF was executed in January of 2017. These funds won't be available until the 2018 budget year as they are a year behind their approval.

The District installed almost \$125,307 of pavement in 2017 and did not budget road paving in 2018. Rather, the District budgeted \$20,000 for road drainage analysis & implementation. Other large projects for 2018 will include a new garage at our Wastewater Treatment Plant for our Tanker truck and other general storage. This could total around \$300,000. This District will proceed with engineering, cost estimates, and conceptual design for future Wastewater Treatment Plant expansions and additional wells based on projected growth and development.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

CRESTED BUTTE SOUTH METROPOLITAN DISTRICT  
280 Cement Creek Road (street address)  
P.O. Box 1129 (mailing address)  
Crested Butte, Colorado 81224  
Telephone: (970) 349-5480

# Holscher, Mayberry & Company, LLC

Certified Public Accountants

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

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Board of Directors  
Crested Butte South Metropolitan District  
Crested Butte, Colorado

## Independent Auditors' Report

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Crested Butte South Metropolitan District, the "District", as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the basic financial statements of the District, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Crested Butte South Metropolitan District as of December 31, 2017, and the respective changes in financial position and, where applicable, and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Crested Butte South Metropolitan District 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Emphasis of a Matter***

As discussed in Note 10 to the financial statements, the 2016 financial statements have been restated to reflect the reclassification of the District's accrued compensated absences from a governmental activity liability to a shared liability between the governmental and business-type activities/proprietary funds. In addition certain costs were expended in the 2016 financial statement presentation that should have been reported as prepaid assets. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information – Management Discussion and Analysis*

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M7 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.

*Required Supplementary Information – Budgetary Comparison Schedules and Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on pages 34-36 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. In addition, the budgetary comparison schedules listed as other supplementary information on pages 37-38 are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Holscher, Mayberry + Company, LLC*

Englewood, CO  
June 26, 2018

## ***BASIC FINANCIAL STATEMENTS***

The Basic Financial Statements provide a financial overview of the District's operations. These financial statements present the financial position, operating results, and cash flows, where applicable, of all funds and activities as of December 31, 2017.

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CRESTED BUTTE SOUTH METROPOLITAN DISTRICT

**STATEMENT OF NET POSITION**  
DECEMBER 31, 2017

|   | GOVERNMENTAL<br>ACTIVITIES | BUSINESS TYPE<br>ACTIVITIES | TOTAL               |
|---|----------------------------|-----------------------------|---------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                   |                            |                             |                     |
| <b>ASSETS</b>   |                            |                             |                     |
| <b>Current Assets</b>                                 |                            |                             |                     |
| Cash and Investments                                  |                            |                             |                     |
| Cash  | \$ (25,021)                | \$ 1,249,005                | \$ 1,223,984        |
| Receivables   |                            |                             |                     |
| Property Tax Receivable                               | 284,535                    | -                           | 284,535             |
| Utility Receivable                                    | -                          | 100,536                     | 100,536             |
| Cash with Fiscal Agent                                | 1,512                      | -                           | 1,512               |
| Accounts Receivable                                   | 14,614                     | -                           | 14,614              |
| Prepaid Expenses                                      | 22,211                     | 27,690                      | 49,901              |
| Total Current Assets                                  | <u>297,851</u>             | <u>1,377,231</u>            | <u>1,675,082</u>    |
| <b>Noncurrent Assets</b>                              |                            |                             |                     |
| Capital Assets not being Depreciated                  | 35,315                     | 335,862                     | 371,177             |
| Capital Assets being Depreciated                      | 2,392,139                  | 8,181,123                   | 10,573,262          |
| Accumulated Depreciation                              | <u>(1,693,484)</u>         | <u>(3,555,483)</u>          | <u>(5,248,967)</u>  |
| Total Noncurrent Assets                               | <u>733,970</u>             | <u>4,961,502</u>            | <u>5,695,472</u>    |
| TOTAL ASSETS  | <u>\$ 1,031,821</u>        | <u>\$ 6,338,733</u>         | <u>\$ 7,370,554</u> |
| <b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b> |                            |                             |                     |
| <b>LIABILITIES</b>                                    |                            |                             |                     |
| <b>Current Liabilities</b>                            |                            |                             |                     |
| Accounts Payable                                      | \$ 41,254                  | \$ 26,392                   | \$ 67,646           |
| Accrued Salaries and Benefits                         | 2,405                      | 3,738                       | 6,143               |
| Total Current Liabilities                             | <u>43,659</u>              | <u>30,130</u>               | <u>73,789</u>       |
| <b>Noncurrent Liabilities</b>                         |                            |                             |                     |
| Due within one year                                   | -                          | 156,326                     | 156,326             |
| Due in more than one year                             | 6,212                      | 2,131,080                   | 2,137,292           |
| Total Noncurrent Liabilities                          | <u>6,212</u>               | <u>2,287,406</u>            | <u>2,293,618</u>    |
| TOTAL LIABILITIES                                     | <u>49,871</u>              | <u>2,317,536</u>            | <u>2,367,407</u>    |
| <b>DEFERRED INFLOWS OF FINANCIAL RESOURCES</b>        |                            |                             |                     |
| Deferred Property Taxes                               | 284,535                    | -                           | 284,535             |
| <b>NET POSITION</b>                                   |                            |                             |                     |
| Net Investment in Capital Assets                      | 733,970                    | 2,689,526                   | 3,423,496           |
| Restricted Net Position                               | 10,000                     | 127,876                     | 137,876             |
| Unrestricted Net Position                             | <u>(46,555)</u>            | <u>1,203,795</u>            | <u>1,157,240</u>    |
| TOTAL NET POSITION                                    | <u>697,415</u>             | <u>4,021,197</u>            | <u>4,718,612</u>    |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION  | <u>\$ 1,031,821</u>        | <u>\$ 6,338,733</u>         | <u>\$ 7,370,554</u> |

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

**CRESTED BUTTE SOUTH METROPOLITAN DISTRICT**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|  | <u>EXPENSES</u>     | <u>PROGRAM REVENUES</u>     |   |   |
|--|---------------------|-----------------------------|---|---|
|  |                     | <u>CHARGES FOR SERVICES</u> | <u>OPERATING GRANTS AND CONTRIBUTIONS</u> | <u>CAPITAL GRANTS AND CONTRIBUTIONS</u> |
| <b>FUNCTIONS/PROGRAMS</b>              |                     |                             |   |   |
| Government Activities                  |                     |                             |   |   |
| Current:                               |                     |                             |   |   |
| General Government                     | \$ 234,062          | \$ 163,841                  | \$ -                                      | \$ -                                    |
| Public Works                           | 194,809             | -                           | -   | -                                       |
| TOTAL GOVERNMENT ACTIVITIES            | <u>428,871</u>      | <u>163,841</u>              | <u>-</u>                                  | <u>-</u>                                |
| Business-type Activities:              |                     |                             |   |   |
| Current:                               |                     |                             |   |   |
| Water                                  | 335,636             | 343,485                     | -   | 129,415                                 |
| Sewer                                  | 434,852             | 391,519                     | -   | 127,215                                 |
| TOTAL BUSINESS-TYPE ACTIVITIES         | <u>770,488</u>      | <u>735,004</u>              | <u>-</u>                                  | <u>256,630</u>                          |
| TOTAL GOVERNMENT                       | <u>\$ 1,199,359</u> | <u>\$ 898,845</u>           | <u>\$ -</u>                               | <u>\$ 256,630</u>                       |
| GENERAL REVENUES                       |                     |                             |   |   |
| Property Taxes                         |                     |                             |   |   |
| Specific Ownership Taxes               |                     |                             |   |   |
| Other Taxes                            |                     |                             |   |   |
| Interest Income                        |                     |                             |   |   |
| Insurance Proceeds                     |                     |                             |   |   |
| Other Revenues                         |                     |                             |   |   |
| TOTAL GENERAL REVENUES AND TRANSFERS   |                     |                             |   |   |
| CHANGE IN NET POSITION                 |                     |                             |   |   |
| NET POSITION - Beginning               |                     |                             |   |   |
| Prior Period Restatement               |                     |                             |   |   |
| NET POSITION - Beginning (as Restated) |                     |                             |   |   |
| NET POSITION - Ending                  |                     |                             |   |   |

The accompanying notes are an integral part of the financial statements

NET (EXPENSE) REVENUE AND  
CHANGES IN NET POSITION

| GOVERNMENT<br>ACTIVITIES | BUSINESS -<br>TYPE ACTIVITES | TOTAL               |
|--------------------------|------------------------------|---------------------|
| \$ (70,221)              | \$ -                         | \$ (70,221)         |
| <u>(194,809)</u>         | <u>-</u>                     | <u>(194,809)</u>    |
| <u>(265,030)</u>         | <u>-</u>                     | <u>(265,030)</u>    |
| -                        | 137,264                      | 137,264             |
| -                        | 83,882                       | 83,882              |
| <u>-</u>                 | <u>221,146</u>               | <u>221,146</u>      |
| <u>(265,030)</u>         | <u>221,146</u>               | <u>(43,884)</u>     |
| 263,270                  | -                            | 263,270             |
| 18,666                   | -                            | 18,666              |
| 1,682                    | -                            | 1,682               |
| 4,300                    | -                            | 4,300               |
| -                        | 120                          | 120                 |
| <u>8,671</u>             | <u>-</u>                     | <u>8,671</u>        |
| <u>296,589</u>           | <u>120</u>                   | <u>296,709</u>      |
| <u>31,559</u>            | <u>221,266</u>               | <u>252,825</u>      |
| 639,046                  | 3,813,435                    | 4,452,481           |
| <u>26,810</u>            | <u>(13,504)</u>              | <u>13,306</u>       |
| <u>665,856</u>           | <u>3,799,931</u>             | <u>4,465,787</u>    |
| <u>\$ 697,415</u>        | <u>\$ 4,021,197</u>          | <u>\$ 4,718,612</u> |

CRESTED BUTTE SOUTH METROPOLITAN DISTRICT

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

DECEMBER 31, 2017

With Comparative Totals for December 31, 2016

|   | General<br>Fund   | Special Rev Fd<br>Road<br>Fund | Total             |                   |
|---|-------------------|--------------------------------|-------------------|-------------------|
|   |                   |                                | 2017              | 2016              |
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                   |                   |                                |                   |                   |
| <b>ASSETS</b>   |                   |                                |                   |                   |
| <b>Current Assets</b>                                 |                   |                                |                   |                   |
| Cash and Investments                                  |                   |                                |                   |                   |
| Cash  | \$ (29,423)       | \$ 4,402                       | \$ (25,021)       | \$ -              |
| Receivables   |                   |                                |                   |                   |
| Property Tax Receivable                               | 284,535           | -                              | 284,535           | 264,000           |
| Cash with Fiscal Agent                                | 1,512             | -                              | 1,512             | -                 |
| Accounts Receivable                                   | 9,043             | 5,571                          | 14,614            | 15,506            |
| Prepaid Expenses                                      | 16,221            | 5,990                          | 22,211            | -                 |
| Total Current Assets                                  | <u>\$ 281,888</u> | <u>\$ 15,963</u>               | <u>\$ 297,851</u> | <u>\$ 279,506</u> |
| <b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b> |                   |                                |                   |                   |
| <b>LIABILITIES</b>                                    |                   |                                |                   |                   |
| <b>Current Liabilities</b>                            |                   |                                |                   |                   |
| Accounts Payable                                      | \$ 9,716          | \$ 31,538                      | \$ 41,254         | \$ 12,609         |
| Accrued Salaries and Benefits                         | 1,345             | 1,060                          | 2,405             | 680               |
| TOTAL LIABILITIES                                     | <u>11,061</u>     | <u>32,598</u>                  | <u>43,659</u>     | <u>13,289</u>     |
| <b>DEFERRED INFLOWS OF FINANCIAL RESOURCES</b>        |                   |                                |                   |                   |
| Deferred Property Taxes                               | 284,535           | -                              | 284,535           | 264,000           |
| <b>FUND BALANCE</b>                                   |                   |                                |                   |                   |
| Nonspendable Fund Balance                             | 16,221            | 5,990                          | 22,211            | -                 |
| Restricted Fund Balance                               | 10,000            | -                              | 10,000            | (1,500)           |
| Unassigned Fund Balance                               | (39,929)          | (22,625)                       | (62,554)          | 3,717             |
| TOTAL FUND BALANCE                                    | <u>(13,708)</u>   | <u>(16,635)</u>                | <u>(30,343)</u>   | <u>2,217</u>      |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE  | <u>\$ 281,888</u> | <u>\$ 15,963</u>               | <u>\$ 297,851</u> | <u>\$ 279,506</u> |

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

**CRESTED BUTTE SOUTH METROPOLITAN DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE  
TO GOVERNMENTAL ACTIVITIES NET POSITION  
DECEMBER 31, 2017**

|  |    |                    |                |
|--|----|--------------------|----------------|
| <b>Fund Balance - Governmental Funds</b>   |    | \$                 | (30,343)       |
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds |    |                    |                |
| Capital assets, not being depreciated  | \$ | 35,315             |                |
| Capital assets, being depreciated  |    | 2,392,139          |                |
| Accumulated depreciation   |    | <u>(1,693,484)</u> | 733,970        |
| Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.       |    |                    |                |
| Accrued compensated absences   |    |                    | <u>(6,212)</u> |
| <b>Total Net Position - Governmental Activities</b>  |    | \$                 | <u>697,415</u> |

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

CRESTED BUTTE SOUTH METROPOLITAN DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**With Comparative Totals for the Year Ended December 31, 2016**

|  | General<br>Fund    | Special Rev Fd     | TOTAL              |                 |
|--|--------------------|--------------------|--------------------|-----------------|
|  |                    | Road<br>Fund       | 2017               | 2016            |
| <b>REVENUES</b>  |                    |                    |                    |                 |
| Taxes  | \$ 283,617         | \$ -               | \$ 283,617         | \$ 258,657      |
| Charges for Services                                   | 22,940             | 140,901            | 163,841            | 131,264         |
| Investment Earnings                                    | 4,300              | -                  | 4,300              | 1,020           |
| Other Revenues   | 8,672              | -                  | 8,672              | 4,491           |
| <b>TOTAL REVENUES</b>                                  | <b>319,529</b>     | <b>140,901</b>     | <b>460,430</b>     | <b>395,432</b>  |
| <b>EXPENDITURES</b>                                    |                    |                    |                    |                 |
| Current:   |                    |                    |                    |                 |
| General Government                                     | 171,572            | -                  | 171,572            | 263,811         |
| Public Works   | 14,648             | 131,791            | 146,439            | 132,740         |
| Capital Outlay   | 159,775            | 25,223             | 184,998            | 87,551          |
| <b>TOTAL EXPENDITURES</b>                              | <b>345,995</b>     | <b>157,014</b>     | <b>503,009</b>     | <b>484,102</b>  |
| <b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b> | <b>(26,466)</b>    | <b>(16,113)</b>    | <b>(42,579)</b>    | <b>(88,670)</b> |
| <b>OTHER FINANCING SOURCES (USES)</b>                  |                    |                    |                    |                 |
| Transfers (In)   | -                  | -                  | -                  | 132,116         |
| Transfers (Out)  | -                  | -                  | -                  | (28,500)        |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>            | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>103,616</b>  |
| <b>NET CHANGE IN FUND BALANCE - GAAP BASIS</b>         | <b>(26,466)</b>    | <b>(16,113)</b>    | <b>(42,579)</b>    | <b>14,946</b>   |
| <b>FUND BALANCE, BEGINNING</b>                         | <b>3,717</b>       | <b>(1,500)</b>     | <b>2,217</b>       | <b>(12,729)</b> |
| Prior Period Restatement                               | 9,041              | 978                | 10,019             | -               |
| <b>FUND BALANCE, BEGINNING (As Restated)</b>           | <b>12,758</b>      | <b>(522)</b>       | <b>12,236</b>      | <b>(12,729)</b> |
| <b>FUND BALANCE, ENDING</b>                            | <b>\$ (13,708)</b> | <b>\$ (16,635)</b> | <b>\$ (30,343)</b> | <b>\$ 2,217</b> |

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

**CRESTED BUTTE SOUTH METROPOLITAN DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS CHANGE IN FUND BALANCE  
TO GOVERNMENTAL ACTIVITIES CHANGE IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

|   |                  |    |               |
|---|------------------|----|---------------|
| <b>Change in Fund Balance - Governmental Funds</b>  |                  | \$ | (42,579)      |
| Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level   |                  |    |               |
| Capitalized Asset Purchases   | 184,806          |    |               |
| Depreciation Expense  | <u>(114,046)</u> |    | 70,760        |
| Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level |                  |    |               |
| Change in accrued compensated absences  |                  |    | <u>3,378</u>  |
| <b>Change in Net Position - Governmental Activities</b>   |                  | \$ | <u>31,559</u> |

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

CRESTED BUTTE SOUTH METROPOLITAN DISTRICT

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

DECEMBER 31, 2017

With Comparative Totals for December 31, 2016

|   | <u>Business-type Activities</u> |                     |                     |                     |
|---|---------------------------------|---------------------|---------------------|---------------------|
|   | <u>Water</u>                    | <u>Sewer</u>        | <u>Total</u>        |                     |
|   | <u>Fund</u>                     | <u>Fund</u>         | <u>2017</u>         | <u>2016</u>         |
| <b>ASSETS AND DEFERRED OUTFLOWS</b>                         |                                 |                     |                     |                     |
| <b>ASSETS</b>   |                                 |                     |                     |                     |
| <b>Current Assets</b>                                       |                                 |                     |                     |                     |
| Cash and Investments  |                                 |                     |                     |                     |
| Cash  | \$ 662,807                      | \$ 586,198          | \$ 1,249,005        | \$ 987,128          |
| Receivables   |                                 |                     |                     |                     |
| Utility Receivable  | 46,015                          | 54,521              | 100,536             | 55,820              |
| Prepaid Expenses  | 13,845                          | 13,845              | 27,690              | -                   |
| Total Current Assets  | <u>722,667</u>                  | <u>654,564</u>      | <u>1,377,231</u>    | <u>1,042,948</u>    |
| <b>Noncurrent Assets</b>                                    |                                 |                     |                     |                     |
| Capital Assets not being depreciated                        | 335,862                         | -                   | 335,862             | 364,644             |
| Capital Assets being depreciated                            | 3,284,152                       | 4,896,971           | 8,181,123           | 8,152,341           |
| Accumulated Depreciation                                    | <u>(1,321,638)</u>              | <u>(2,233,845)</u>  | <u>(3,555,483)</u>  | <u>(3,310,542)</u>  |
| Total Noncurrent Assets                                     | <u>2,298,376</u>                | <u>2,663,126</u>    | <u>4,961,502</u>    | <u>5,206,443</u>    |
| <b>TOTAL ASSETS</b>   | <u>\$ 3,021,043</u>             | <u>\$ 3,317,690</u> | <u>\$ 6,338,733</u> | <u>\$ 6,249,391</u> |
| <b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>       |                                 |                     |                     |                     |
| <b>LIABILITIES</b>  |                                 |                     |                     |                     |
| <b>Current Liabilities</b>                                  |                                 |                     |                     |                     |
| Accounts Payable  | \$ 13,146                       | \$ 13,246           | \$ 26,392           | \$ 10,742           |
| Accrued Salaries and Benefits                               | 1,869                           | 1,869               | 3,738               | -                   |
| Total Current Liabilities                                   | <u>15,015</u>                   | <u>15,115</u>       | <u>30,130</u>       | <u>10,742</u>       |
| <b>Noncurrent Liabilities</b>                               |                                 |                     |                     |                     |
| Due within one year   | 46,552                          | 109,774             | 156,326             | 153,239             |
| Due in more than one year                                   | 690,339                         | 1,440,741           | 2,131,080           | 2,271,975           |
| Total Noncurrent Liabilities                                | <u>736,891</u>                  | <u>1,550,515</u>    | <u>2,287,406</u>    | <u>2,425,214</u>    |
| <b>TOTAL LIABILITIES</b>                                    | <u>751,906</u>                  | <u>1,565,630</u>    | <u>2,317,536</u>    | <u>2,435,956</u>    |
| <b>NET POSITION</b>   |                                 |                     |                     |                     |
| Net Investment in Capital Assets                            | 1,569,200                       | 1,120,326           | 2,689,526           | 2,781,229           |
| Restricted Net Position                                     | 64,163                          | 63,713              | 127,876             | 96,125              |
| Unrestricted Net Position                                   | 635,774                         | 568,021             | 1,203,795           | 936,081             |
| <b>TOTAL NET POSITION</b>                                   | <u>2,269,137</u>                | <u>1,752,060</u>    | <u>4,021,197</u>    | <u>3,813,435</u>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b> | <u>\$ 3,021,043</u>             | <u>\$ 3,317,690</u> | <u>\$ 6,338,733</u> | <u>\$ 6,249,391</u> |

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

CRESTED BUTTE SOUTH METROPOLITAN DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**With Comparative Totals for the Year Ended December 31, 2016**

|  | <u>Business-type Activities</u> |                     |                     |                     |
|--|---------------------------------|---------------------|---------------------|---------------------|
|  | <u>Water</u>                    | <u>Sewer</u>        | <u>Total</u>        |                     |
|  | <u>Fund</u>                     | <u>Fund</u>         | <u>2017</u>         | <u>2016</u>         |
| <b>Operating Revenues</b>                    |                                 |                     |                     |                     |
| Utility Charges                              | \$ 333,466                      | \$ 388,066          | \$ 721,532          | \$ 670,985          |
| Other Charges for Services                   | 10,019                          | 3,453               | 13,472              | 13,096              |
| Total Revenues                               | <u>343,485</u>                  | <u>391,519</u>      | <u>735,004</u>      | <u>684,081</u>      |
| <b>Operating Expenses</b>                    |                                 |                     |                     |                     |
| Personnel Services                           | 164,564                         | 164,935             | 329,499             | 207,390             |
| Commodity Charges                            | 8,635                           | -                   | 8,635               | 7,579               |
| Operating Supplies                           | 9,523                           | 7,105               | 16,628              | 7,296               |
| Professional Fees                            | -                               | 31,674              | 31,674              | 23,311              |
| Repairs and Maintenance                      | 14,540                          | 11,690              | 26,230              | 23,025              |
| Travel and Training                          | 1,951                           | 1,836               | 3,787               | -                   |
| Treatment                                    | 1,043                           | 3,750               | 4,793               | 7,692               |
| Telephone and Utilities                      | 25,310                          | 26,802              | 52,112              | 51,572              |
| Other Operating Expenses                     | 1,394                           | 2,490               | 3,884               | 2,459               |
| Depreciation Expense                         | 93,521                          | 151,420             | 244,941             | 245,307             |
| Other Capital Outlay                         | -                               | 946                 | 946                 | -                   |
| Total Expenditures                           | <u>320,481</u>                  | <u>402,648</u>      | <u>723,129</u>      | <u>575,631</u>      |
| Operating Income (Loss)                      | <u>23,004</u>                   | <u>(11,129)</u>     | <u>11,875</u>       | <u>108,450</u>      |
| <b>Other Income (Expense)</b>                |                                 |                     |                     |                     |
| Other Revenue                                | -                               | 120                 | 120                 | 50                  |
| Interest Expense                             | (15,155)                        | (32,204)            | (47,359)            | (53,315)            |
| Total Other Income (Expense)                 | <u>(15,155)</u>                 | <u>(32,084)</u>     | <u>(47,239)</u>     | <u>(53,265)</u>     |
| Net Income (Loss) before Transfers           | 7,849                           | (43,213)            | (35,364)            | 55,185              |
| <b>Transfers</b>                             |                                 |                     |                     |                     |
| Transfers In/(Out)                           | -                               | -                   | -                   | (103,616)           |
| Net Income (Loss)                            | 7,849                           | (43,213)            | (35,364)            | (48,431)            |
| <b>Contributed Capital</b>                   |                                 |                     |                     |                     |
| Plant Investment Fees                        | 129,415                         | 127,215             | 256,630             | 178,492             |
| <b>Change in Net Position</b>                | <u>137,264</u>                  | <u>84,002</u>       | <u>221,266</u>      | <u>130,061</u>      |
| <b>Net Position, Beginning</b>               | 2,138,862                       | 1,674,573           | 3,813,435           | 3,683,374           |
| Prior Period Restatement                     | (6,989)                         | (6,515)             | (13,504)            | -                   |
| <b>Net Position, Beginning (As Restated)</b> | <u>2,131,873</u>                | <u>1,668,058</u>    | <u>3,799,931</u>    | <u>3,683,374</u>    |
| <b>Net Position, Ending</b>                  | <u>\$ 2,269,137</u>             | <u>\$ 1,752,060</u> | <u>\$ 4,021,197</u> | <u>\$ 3,813,435</u> |

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

**CRESTED BUTTE SOUTH METROPOLITAN DISTRICT**

**STATEMENT OF CASH FLOWS -**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**With Comparative Totals for the Year Ended December 31, 2016**

|  | <u>Business-type Activities</u> |                   |                     |                   |
|--|---------------------------------|-------------------|---------------------|-------------------|
|  | <u>Water</u>                    | <u>Sewer</u>      | <u>Total</u>        |                   |
|  | <u>Fund</u>                     | <u>Fund</u>       | <u>2017</u>         | <u>2016</u>       |
| Cash Flows From Operating Activities:  |                                 |                   |                     |                   |
| Cash Received from Customers   | \$ 322,693                      | \$ 367,595        | \$ 690,288          | \$ 677,481        |
| Cash Paid to Suppliers   | (75,855)                        | (93,213)          | (169,068)           | (116,869)         |
| Cash Paid to and for the Benefit of Employees  | (153,627)                       | (161,866)         | (315,493)           | (202,747)         |
| Net Cash Provided by Operating Activities  | <u>93,211</u>                   | <u>112,516</u>    | <u>205,727</u>      | <u>357,865</u>    |
| Cash Flows From Capital and Related Financing Activities:                                      |                                 |                   |                     |                   |
| Tap Fees Received  | 129,415                         | 127,215           | 256,630             | 178,492           |
| Debt Principal Payments  | (45,633)                        | (107,608)         | (153,241)           | (608,813)         |
| Interest Payments  | (15,155)                        | (32,204)          | (47,359)            | (53,315)          |
| Acquisition of Capital Assets  | -                               | -                 | -                   | (12,326)          |
| Cash Flows Used by Capital and Related Financing Activities                                    | <u>68,627</u>                   | <u>(12,597)</u>   | <u>56,030</u>       | <u>(495,962)</u>  |
| Cash Flows (Uses) From Noncapital Financing Activities:  |                                 |                   |                     |                   |
| Cash from Other Funds  | -                               | -                 | -                   | (103,616)         |
| Other Revenues (Expense)   | -                               | 120               | 120                 | 50                |
| Net Cash Provided (Used) by Noncapital Financing Activities                                    | <u>-</u>                        | <u>120</u>        | <u>120</u>          | <u>(103,566)</u>  |
| Net Increase (Decrease) in Cash  | 161,838                         | 100,039           | 261,877             | (241,663)         |
| Cash - Beginning   | <u>500,969</u>                  | <u>486,159</u>    | <u>987,128</u>      | <u>1,228,791</u>  |
| Cash - Ending  | <u>\$ 662,807</u>               | <u>\$ 586,198</u> | <u>\$ 1,249,005</u> | <u>\$ 987,128</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:           |                                 |                   |                     |                   |
| Operating Income (Loss)  | \$ 23,004                       | \$ (11,129)       | \$ 11,875           | \$ 108,450        |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: |                                 |                   |                     |                   |
| Depreciation Expense   | 93,521                          | 151,420           | 244,941             | 245,307           |
| Changes in Assets and Liabilities Related to Operations:                                       |                                 |                   |                     |                   |
| (Increase) Decrease in:  |                                 |                   |                     |                   |
| Utility Receivable   | (20,792)                        | (23,924)          | (44,716)            | 2,115             |
| Prepaid Expenses   | (13,845)                        | (13,845)          | (27,690)            | -                 |
| (Increase) Decrease in:  |                                 |                   |                     |                   |
| Accounts Payable   | 8,728                           | 6,925             | 15,653              | 10,708            |
| Accrued Salaries and Benefits  | 1,869                           | 1,869             | 3,738               | -                 |
| Accrued Compensated Absences   | 726                             | 1,200             | 1,926               | -                 |
| Other Deferred Inflows   | -                               | -                 | -                   | (8,715)           |
| Total Adjustments  | <u>70,207</u>                   | <u>123,645</u>    | <u>193,852</u>      | <u>249,415</u>    |
| Net Cash Used for Operating Activities   | <u>\$ 93,211</u>                | <u>\$ 112,516</u> | <u>\$ 205,727</u>   | <u>\$ 357,865</u> |

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District was formed to provide roads and water and sewer utilities in the Metropolitan District's service area.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

**REPORTING ENTITY**

The District is a political subdivision of the State of Colorado governed by a five member board of directors and formed under Colorado Revised Statute Title 32-1.

In accordance with Governmental Accounting Standards, the District has considered the possibility of inclusion of additional entities in its basic financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit or burden on the District
- there is fiscal dependency by the organization on the District

Based upon the application of these criteria, no additional organizations are includable within the District's reporting entity.



**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund, while business-type activities incorporate data from the District's enterprise funds.

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS**

The fund financial statements provide information about the government's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

In the fund financial statements, the District reports the following major governmental funds:

**General Fund**

The General Fund uses the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Certain service fees and non-tax revenues are recognized when received or billed. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal sources of revenues are property taxes. Principal expenditures are for District administration costs.



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (Continued)**

In the fund financial statements, the District also reports the following major governmental fund:

**Special Revenue Fund**

This fund accounts for revenues derived from specific taxes or other designated revenues that are legally restricted to expenditures for specific purposes. The District's special revenue fund is as follows:

**Road Fund**

This fund accounts for funds received through the imposition of charges for road maintenance and snow plowing. This fund occasionally receives an allocation of the District's property tax mill levy, although these funds are not specifically dedicated for that purpose.

**Proprietary Funds**

The District also reports the following major proprietary funds:

**Enterprise Funds - Water and Sewer Funds**

This fund accounts for the activities related to offering water and sewer service to the District's residents.



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds 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.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are adopted on a basis that differs from generally accepted accounting principles. The following is a summary of the more significant differences followed by the District in budgeting:

- The District does not budget certain equipment and administrative expenses charged to the enterprise funds.
- The District does not budget depreciation.
- Interfund transfers are not budgeted.

All annual appropriations lapse at fiscal year end. Encumbrances are not employed by the District.

Budgets are adopted based on the requirements of state statutes. The following timetable is used:

- 1) Submission of the proposed budget to the Board of Trustees by October 15 of each year.
- 2) Certification of mill levies to the County Commissioners by December 15 of each year.
- 3) Final adoption of the budget and appropriations by December 31 of each year.



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE**

**Cash and Equivalents**

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

**Allowance for Doubtful Accounts**

Based upon a review of the existing accounts receivable and the fact that any uncollectible utility receivables can be certified to the County Treasurer as such and attached to the tax rolls, no allowance for doubtful accounts is provided.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Infrastructure has been recorded at historical cost and is being depreciated.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

|                           |               |
|---------------------------|---------------|
| Buildings                 | 30 years      |
| Plant                     | 15 – 30 years |
| Water Distribution System | 30 – 50 years |
| Sewer Collection System   | 10 – 30 years |
| Machinery and Equipment   | 7 – 15 years  |
| Infrastructure            | 15 – 20 years |



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE**

**Accumulated Unused Leave/Compensated Absences**

The District permits an employee to carry over unused personal leave to the next calendar year. The District will compensate an employee for any unused personal time upon termination or resignation. The District has reported the change in liability for unused personal time in Note 4.

**Long-term Obligations**

Long-term debt that is considered to be a liability of the governmental activities does not require the use of current resources and is therefore not reported in the fund financial statements but is reported as a liability in the government-wide Statement of Net Position. Long-term debt relating to the District's two enterprise funds is reported as a liability of the applicable fund as well as in the government-wide Statement of Net Position.

**Deferred Outflows and Inflows of Resources**

The Statement of Net Position reports a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (Continued)**

**Net Position/Fund Equity**

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

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

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

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE** (Continued)

**Net Position/Fund Equity Flow Assumptions**

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

**REVENUES AND EXPENDITURES/EXPENSES**

**Program Revenues**

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

**Property Taxes**

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REVENUES AND EXPENDITURES/EXPENSES**

**Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and internal service fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds 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.

**COMPARATIVE DATA**

Comparative total data for the prior year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to understand.

**NOTE 2: CASH AND INVESTMENTS**

A summary of cash and investments is as follows:

|                                   |                           |
|-----------------------------------|---------------------------|
| Cash                              | \$ 60,372                 |
| Investments                       | <u>1,163,612</u>          |
| <b>Total Cash and Investments</b> | <b><u>\$1,223,984</u></b> |



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Deposits**

The District's deposits and cash held are comprised of the following:

|                          | <u>Bank</u><br><u>Balance</u> | <u>Book</u><br><u>Balance</u> |
|--------------------------|-------------------------------|-------------------------------|
| FDIC Insured             | \$ 111,801                    | \$ 60,372                     |
| FDIC Insured Investments | 300,854                       | 300,854                       |
| <b>Total Cash</b>        | <b><u>\$ 412,655</u></b>      | <b><u>\$ 361,226</u></b>      |

Custodial Credit Risk - Deposits

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

**Investments**

Credit Risk

The District has no investment policy that limits its investment choices other than the limitation of state law as follows:



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

Credit Risk (Continued)

- Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged or obligations to the payment of which the full faith and credit of the State is pledged;
- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out of state financial institutions;
- With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations;
- District, municipal, or school district tax supported debt obligations; bond or revenue anticipation notes; money; or bond or revenue anticipation notes of public trusts whose beneficiary is a District, municipality, or school district;
- Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association; and
- Money market funds regulated by the Securities and Exchange Commission in which investments consist of the investments in 1, 2, 3, and 4 above.

During the year ended December 31, 2017, the District invested funds in the Colotrust. As a local government investment pool, it operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. It invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. These funds are rated AAAM by the Standard and Poor's Corporation. The balance of the District's investment at December 31, 2017 was \$862,758.

Interest Rate Risk

State law manages interest rate risk by setting a maximum maturity date no more than five years from the date of purchase.

Concentration of Credit Risk

The District places no limit on the amount it may investment in any one issuer. At December 31, 2017 the District had no concentration of investment credit risk.

The District invests excess funds under the prudent investor rule. Criteria for selection of investments and their order of priority are: 1) Safety; 2) liquidity; and 3) yield.



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2017, the District was utilizing Sigma Financial Corporation for safekeeping of its certificate of deposit investments.

**NOTE 3: CAPITAL ASSETS**

Changes in governmental activities capital assets for the year were as follows:

|                                       | <u>1/1/17</u>            |                         |                    |  | <u>12/31/17</u>          |
|---------------------------------------|--------------------------|-------------------------|--------------------|--|--------------------------|
|                                       | <u>Balance</u>           | <u>Additions</u>        | <u>Deletions</u>   |  | <u>Balance</u>           |
| <b><u>Governmental Activities</u></b> |                          |                         |                    |  |                          |
| Capital assets not being depreciated: |                          |                         |                    |  |                          |
| Land                                  | \$ 35,315                | \$ -                    | \$ -               |  | \$ 35,315                |
| Capital assets being depreciated:     |                          |                         |                    |  |                          |
| Buildings                             | 203,337                  | -                       | -                  |  | 203,337                  |
| Equipment                             | 827,338                  | 59,690                  | -                  |  | 887,028                  |
| Infrastructure                        | <u>1,176,658</u>         | <u>125,116</u>          | -                  |  | <u>1,301,774</u>         |
| Total capital assets                  | <u>2,242,648</u>         | <u>184,806</u>          | -                  |  | <u>2,427,454</u>         |
| Less accumulated depreciation:        |                          |                         |                    |  |                          |
| Buildings                             | 82,960                   | 4,398                   | -                  |  | 87,358                   |
| Equipment                             | 729,765                  | 61,366                  | -                  |  | 791,131                  |
| Infrastructure                        | <u>766,713</u>           | <u>48,282</u>           | -                  |  | <u>814,995</u>           |
| Total accumulated depreciation        | <u>1,579,438</u>         | <u>114,046</u>          | -                  |  | <u>1,693,484</u>         |
| <b>Net capital assets</b>             | <b><u>\$ 663,210</u></b> | <b><u>\$ 70,760</u></b> | <b><u>\$ -</u></b> |  | <b><u>\$ 733,970</u></b> |

Depreciation has been allocated on the statement of activities as follows:

|                               |                          |
|-------------------------------|--------------------------|
| General Government            | \$ 65,764                |
| Public Works                  | <u>48,282</u>            |
| Total Governmental Activities | <b><u>\$ 114,046</u></b> |



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3: CAPITAL ASSETS (Continued)**

A summary of business-type activities capital assets at December 31, 2017 is as follows:

|  | <u>1/1/17</u>             |                           |                    | <u>12/31/17</u>           |
|--|---------------------------|---------------------------|--------------------|---------------------------|
|  | <u>Balance</u>            | <u>Additions</u>          | <u>Deletions</u>   | <u>Balance</u>            |
| <b><u>Business-type Activities</u></b> |                           |                           |                    |                           |
| Capital assets not being depreciated:  |                           |                           |                    |                           |
| Easements                              | \$ 125,862                | \$ -                      | \$ -               | \$ 125,862                |
| Water rights and augmentation          | 210,000                   | -                         | -                  | 210,000                   |
| Capital assets being depreciated:      |                           |                           |                    |                           |
| Buildings                              | 240,275                   | -                         | -                  | 240,275                   |
| Water Plant                            | 656,518                   | -                         | -                  | 656,518                   |
| Water Distribution                     | 2,498,149                 | -                         | -                  | 2,498,149                 |
| Sewer Plant                            | 3,729,413                 | -                         | -                  | 3,729,413                 |
| Sewer Collection                       | 951,176                   | -                         | -                  | 951,176                   |
| Equipment                              | 105,595                   | -                         | -                  | 105,595                   |
| Total capital assets                   | <u>8,516,988</u>          | <u>-</u>                  | <u>-</u>           | <u>8,516,988</u>          |
| Less accumulated depreciation:         |                           |                           |                    |                           |
| Buildings                              | 18,021                    | 6,007                     | -                  | 24,028                    |
| Water Plant                            | 492,317                   | 21,223                    | -                  | 513,540                   |
| Water Distribution                     | 726,088                   | 69,061                    | -                  | 795,149                   |
| Sewer Plant                            | 1,405,336                 | 119,306                   | -                  | 1,524,642                 |
| Sewer Collection                       | 563,184                   | 29,345                    | -                  | 592,529                   |
| Equipment                              | 105,595                   | -                         | -                  | 105,595                   |
| Total accumulated depreciation         | <u>3,310,541</u>          | <u>244,942</u>            | <u>-</u>           | <u>3,555,483</u>          |
| <b>Net capital assets</b>              | <b><u>\$5,206,447</u></b> | <b><u>\$(244,942)</u></b> | <b><u>\$ -</u></b> | <b><u>\$4,961,505</u></b> |

Depreciation has been allocated on the statement of activities as follows:

|                                |                          |
|--------------------------------|--------------------------|
| Water Fund                     | \$ 93,522                |
| Sewer Fund                     | <u>151,420</u>           |
| Total Business-type Activities | <b><u>\$ 244,942</u></b> |



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4: NON-CURRENT LIABILITIES**

**GOVERNMENTAL ACTIVITIES**

The following is a schedule of changes in accrued compensated absences for the year ended December 31, 2017:

|                         | Restated          |          |            | Balance<br>12/31/17 | Current<br>Portion | Interest<br>Expense |
|-------------------------|-------------------|----------|------------|---------------------|--------------------|---------------------|
|                         | Balance<br>1/1/17 | Advances | Repayments |                     |                    |                     |
| GOVERNMENTAL ACTIVITIES |                   |          |            |                     |                    |                     |
| Compensated Absences    | \$ 9,590          | \$ -     | \$ 3,378   | \$ 6,212            | \$ -               | \$ -                |

The District previously reported all accrued compensated absences as a governmental activity liability. The December 31, 2016 balance has been restated and allocated between the District's governmental and business-type activities.

**BUSINESS-TYPE ACTIVITIES**

The following is a schedule of changes in non-current liabilities for the year ended December 31, 2017:

| BUSINESS - TYPE ACTIVITIES | Balance             | Advances    | Repayments        | Balance             | Current<br>Portion | Interest<br>Expense | Accrued<br>Interest |
|----------------------------|---------------------|-------------|-------------------|---------------------|--------------------|---------------------|---------------------|
|                            | 1/1/17              |             |                   | 12/31/17            |                    |                     |                     |
| 2009 CWRPDA Sewer Loan     | \$ 1,650,406        | \$ -        | \$ 107,606        | \$ 1,542,800        | \$ 109,774         | \$ 32,028           | \$ 2,572            |
| 2010 CWRPDA Water Loan     | 774,808             | -           | 45,633            | 729,175             | 46,552             | 15,079              | 1,215               |
| Compensated Absences       | 16,790              | -           | 1,359             | 15,431              | -                  | -                   | -                   |
| <b>Total Obligations</b>   | <b>\$ 2,442,004</b> | <b>\$ -</b> | <b>\$ 154,598</b> | <b>\$ 2,287,406</b> | <b>\$ 156,326</b>  | <b>\$ 47,107</b>    | <b>\$ 3,787</b>     |

Business-type activity notes payable consist the following:

**Note Payable - Colorado Resource & Power Development Authority - 2009**

The District borrowed \$2,300,000 from the Colorado Water Resources and Power Development Authority for upgrades to the wastewater treatment plant. The note carries an interest rate of 2%. Principal and interest is payable quarterly at \$34,953 per quarter beginning September 1, 2010. The note is due on June 1, 2030. This debt is paid by the Sewer Fund.

The note contains various restrictive provisions including a pledge of revenues, rate covenants and the establishment of a three-month operation and maintenance reserve. As of December 31, 2017, the District had funded the required reserve of \$63,713 by restricting net position in the Sewer Fund.



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4: BONDS, NOTES AND LEASES PAYABLE (Continued)**

**BUSINESS-TYPE ACTIVITIES (Continued)**

**Note Payable - Colorado Resource & Power Development Authority – 2009 (Continued)**

Payments will be due as follows on the note:

| <u>Year</u>  | <u>Principal</u>           | <u>Interest</u>          | <u>Total</u>               |
|--------------|----------------------------|--------------------------|----------------------------|
| 2018         | \$ 109,774                 | \$ 30,039                | \$ 139,813                 |
| 2019         | 111,986                    | 27,827                   | 139,813                    |
| 2020         | 114,243                    | 25,570                   | 139,813                    |
| 2021         | 116,545                    | 23,268                   | 139,813                    |
| 2022         | 118,893                    | 20,920                   | 139,813                    |
| 2023-2027    | 631,381                    | 67,681                   | 699,062                    |
| 2028-2030    | <u>339,978</u>             | <u>9,423</u>             | <u>349,401</u>             |
| <b>Total</b> | <b><u>\$ 1,542,800</u></b> | <b><u>\$ 204,728</u></b> | <b><u>\$ 1,747,528</u></b> |

**Note Payable - Colorado Resource & Power Development Authority - 2010**

The District borrowed \$1,000,000 from the Colorado Water Resources and Power Development Authority for a 300,000 gallon water tank. The note carries an interest rate of 2%. Principal and interest is payable quarterly at \$15,197 per quarter beginning December 1, 2011. The note is due on September 1, 2031. This debt is paid by the Water Fund.

The note contains various restrictive provisions including a pledge of revenues, rate covenants and the establishment of a three-month operation and maintenance reserve. As of December 31, 2017, the District had funded the required reserve of \$64,163 by restricting net position in the Water Fund.

Payments will be due as follows on the note:

| <u>Year</u>  | <u>Principal</u>         | <u>Interest</u>          | <u>Total</u>             |
|--------------|--------------------------|--------------------------|--------------------------|
| 2018         | \$ 46,552                | \$ 14,236                | \$ 60,788                |
| 2019         | 47,490                   | 13,298                   | 60,788                   |
| 2020         | 48,447                   | 12,341                   | 60,788                   |
| 2021         | 49,424                   | 11,365                   | 60,789                   |
| 2022         | 50,419                   | 10,369                   | 60,788                   |
| 2023-2027    | 267,753                  | 36,187                   | 303,940                  |
| 2028-2031    | <u>219,090</u>           | <u>8,866</u>             | <u>227,956</u>           |
| <b>Total</b> | <b><u>\$ 729,175</u></b> | <b><u>\$ 106,662</u></b> | <b><u>\$ 835,837</u></b> |



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5: EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**DEFINED CONTRIBUTION PENSION PLANS**

The District has adopted a defined contribution plan for all salaried employees. The plan is named Colorado County Officials and Employees Retirement Association. Employees become eligible to participate in the plan after one year of service. Participation in the plan is mandatory for eligible employees. Benefits are authorized by the Board of Directors, and the Board of Directors are also the ones authorized to amend the terms of the plan.

Employees vest in the District's contribution at 20% per year. The employee contributes between 3% and 10% of earnings and the District contributes a matching amount. The District is not liable for amounts over the match. All contributions were current. During 2017 the District contributed \$13,802 and the employees contributed \$13,802. The District's total payroll is \$312,790 of which \$312,790 or 100% is covered under the plan.

Under the plan employees may also contribute to a deferred compensation plan (457 plan). Employee contributions during 2017 were \$11,077.

**NOTE 6: COMMITMENTS AND CONTINGENCIES**

The District receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of the District, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at December 31, 2017.



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7: FUND BALANCE/NET POSITION APPROPRIATIONS AND RESTRICTIONS**

**Tax Spending and Debt Limitations**

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

The District's financial activity for the year ended December 31, 2017 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 1992, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retention of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases and new debt.

At a November 3, 1993 general election, the District passed the following ballot question:

Shall the Crested Butte South Metropolitan District be authorized to collect and expend the full non-tax revenues generated during 1993 and each subsequent year from the following described sources:

- a. All tap fees for water and sewer connections to the District's water and sewer lines;
- b. Main line extension fees charged for the extension of water and sewer mains to properties not previously served thereby;
- c. Water and sewer service fees, and all penalties and interest charged thereon;
- d. Fees from the rental of District equipment and operators, including fees charged for snowplowing;
- e. Sale of water meters by the District;
- f. Sale of maps of District boundaries and facilities;
- g. Reimbursement to the District for cost of labor provided by District employees to other parties;

and to expend such non-tax revenues collected from those sources in the District's general fund, without limiting in any year the amount of other revenues that may be collected and spent by the Crested Butte South Metropolitan District?

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District's management believes it is in compliance with the TABOR amendment.

The Article requires an emergency reserve be set aside for 2017 in the amount of 3% or more of its fiscal year spending. At December 31, 2017, the District has reserved the following for emergencies:

|              |                  |
|--------------|------------------|
| General Fund | <u>\$ 10,000</u> |
|--------------|------------------|



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7: FUND BALANCE/NET POSITION APPROPRIATIONS AND RESTRICTIONS (Continued)**

**Tax Spending and Debt Limitations (Continued)**

By state statute the General Fund is required to set aside 3% of current year revenues as an emergency reserve. However, the District does not have sufficient fund balance for the reserve. As a result, the general fund/governmental activities shows a negative balance for unassigned fund balance and unrestricted net position. Should the need arise, the District has available resources in its other operating funds to satisfy any declared emergencies related to this reserve.

**Other Restrictions**

The District has also restricted the fund balance in its Water and Sewer Funds to meet operating reserve requirements as further described in Note 4.



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8: RISK MANAGEMENT**

The District is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability and property coverages and to assist members to prevent and reduce losses and injuries to municipal property and to persons and property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

CIRSA is a separate legal entity and the District does not approve budgets nor does it have ability to significantly affect the operations of the unit.

The District has not materially changed its coverage from previous years. Based on the lack of previous loss occurrences, the District has not recorded any liability for unpaid claims at December 31, 2017.



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9: RATE MAINTENANCE**

The 2009 and 2010 Colorado Water Resources and Power Development Authority sewer and water loan agreements require that Net Revenues shall represent a sum equal to 110% of the maximum amount necessary to pay when due the principal and interest on the loan and any parity debt coming due.

The computation of both the Water and Wastewater rate maintenance is as follows:

|                                    | <u>Water Fund</u>        | <u>Sewer Fund</u>        |
|------------------------------------|--------------------------|--------------------------|
| Gross operating revenue            | \$ 343,485               | \$ 391,520               |
| Other revenue                      | -                        | 120                      |
| Capital contributions              | <u>129,415</u>           | <u>127,215</u>           |
| Total revenue                      | <u>472,900</u>           | <u>518,855</u>           |
| Operations and maintenance expense | 320,481                  | 402,648                  |
| Less: Depreciation                 | <u>(93,521)</u>          | <u>(151,420)</u>         |
| Adjusted O&M                       | <u>226,960</u>           | <u>251,228</u>           |
| Net revenue                        | <u>\$ 245,940</u>        | <u>\$ 267,627</u>        |
| Total debt service                 |                          |                          |
| 2009 CWRPDA Loan                   | \$ -                     | \$ 139,813               |
| 2010 CWRPDA Loan                   | <u>60,788</u>            | <u>-</u>                 |
|                                    | 60,788                   | 139,813                  |
| Required rate                      | <u>110.00%</u>           | <u>110.00%</u>           |
| Net revenue required               | <u>66,867</u>            | <u>153,794</u>           |
| <b>Excess (deficit)</b>            | <b><u>\$ 179,073</u></b> | <b><u>\$ 113,833</u></b> |



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 10: PRIOR YEAR RESTATEMENTS**

For the December 31, 2016 financial statement presentation, the District reported \$26,379 of accrued compensated absences in the governmental activities as noncurrent liabilities. This balance should have been allocated among the various operations. The December 31, 2016 governmental activities net position has been increased by \$16,790, the business-type activities net position has been decreased by \$16,790, the Water Fund net position has been decreased by \$8,395 and the Sewer Fund net position has been decreased by \$8,395 as a result of this restatement.

For the December 31, 2016 financial statement presentation, the District reported a health insurance amount payable when the District should have recorded prepaid premiums. The December 31, 2016 governmental activities net position has been increased by \$10,019 and the business-type activities net position has been increased by \$3,286. In addition, the fund balance/net position has been increased by \$9,041, \$978, \$1,406, and \$1,880 in the General, Road, Water and Sewer Funds respectively as part of this restatement.

**NOTE 11: DEFICIT FUND BALANCE**

The General and Road Funds have a deficit fund balance of \$13,708 and \$16,635 respectively.

**BUDGETARY COMPARISON SCHEDULES**  
**(Required Supplementary Information)**

CRESTED BUTTE SOUTH METROPOLITAN DISTRICT

**BUDGETARY COMPARISON SCHEDULE**

**General Fund**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**With Comparative Totals for the Year Ended December 31, 2016**

|                               | 2017               |                 |                |                                  |                |
|-------------------------------|--------------------|-----------------|----------------|----------------------------------|----------------|
|                               | Original<br>Budget | Final<br>Budget | Actual         | Variance<br>With Final<br>Budget | 2016<br>Actual |
| <b>REVENUES</b>               |                    |                 |                |                                  |                |
| <b>Taxes</b>                  |                    |                 |                |                                  |                |
| Property Taxes                | \$ 264,000         | \$ 263,000      | \$ 263,270     | \$ 270                           | \$ 243,395     |
| Specific Ownership Taxes      | 15,000             | 16,000          | 18,666         | 2,666                            | 14,018         |
| Other Taxes                   | 800                | 1,700           | 1,682          | (18)                             | 1,244          |
| Total Tax Revenue             | <u>279,800</u>     | <u>280,700</u>  | <u>283,618</u> | <u>2,918</u>                     | <u>258,657</u> |
| <b>Charges for Services</b>   |                    |                 |                |                                  |                |
| Other Charges for Services    | 15,000             | 23,000          | 22,940         | (60)                             | 42,413         |
| <b>Investment Earnings</b>    | 1,050              | 6,150           | 4,300          | (1,850)                          | 1,020          |
| <b>Other Revenues</b>         |                    |                 |                |                                  |                |
| Other Miscellaneous Revenue   | 1,500              | 10,000          | 8,672          | (1,328)                          | 4,491          |
| TOTAL REVENUES                | <u>297,350</u>     | <u>319,850</u>  | <u>319,530</u> | <u>(320)</u>                     | <u>306,581</u> |
| <b>EXPENDITURES</b>           |                    |                 |                |                                  |                |
| <b>General Government</b>     |                    |                 |                |                                  |                |
| Personnel Services            | 99,250             | 83,200          | 84,047         | (847)                            | 191,576        |
| Equipment Rentals             | -                  | 3,200           | 3,117          | 83                               | 2,992          |
| Fuel and Automotive           | 8,000              | 10,000          | 9,458          | 542                              | 7,343          |
| Professional Fees             | 11,000             | 13,800          | 13,237         | 563                              | 8,923          |
| Supplies                      | 5,000              | 5,000           | 5,024          | (24)                             | 5,732          |
| Telephone and Utilities       | 7,500              | 7,500           | 7,136          | 364                              | 9,658          |
| Travel and Training           | -                  | -               | -              | -                                | 3,655          |
| Other Expenses                | 44,000             | 51,100          | 49,554         | 1,546                            | 33,932         |
| Total General Government      | <u>174,750</u>     | <u>173,800</u>  | <u>171,573</u> | <u>2,227</u>                     | <u>263,811</u> |
| <b>Public Works</b>           |                    |                 |                |                                  |                |
| Contract Labor                | 4,500              | 7,300           | 7,317          | (17)                             | 3,257          |
| Repairs and Maintenance       | 2,500              | 6,000           | 5,530          | 470                              | 4,243          |
| Supplies                      | 2,000              | 1,000           | 879            | 121                              | 4,935          |
| Other Expenses                | 1,500              | 1,000           | 922            | 78                               | 491            |
| Total Public Works/Comm Devel | <u>10,500</u>      | <u>15,300</u>   | <u>14,648</u>  | <u>652</u>                       | <u>12,926</u>  |

See accompanying Independent Auditors' Report.

(Continued)

CRESTED BUTTE SOUTH METROPOLITAN DISTRICT

**BUDGETARY COMPARISON SCHEDULE**

**General Fund**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**With Comparative Totals for the Year Ended December 31, 2016**

|  | 2017               |                    |                    | Variance             | 2016            |
|--|--------------------|--------------------|--------------------|----------------------|-----------------|
|  | Original<br>Budget | Final<br>Budget    | Actual             | With Final<br>Budget | Actual          |
| (Continued)  |                    |                    |                    |                      |                 |
| <b>Capital Outlay</b>                                  |                    |                    |                    |                      |                 |
| General Government Capital Outlay                      | 34,500             | 34,500             | 34,467             | 33                   | 3,975           |
| Public Works Capital Outlay                            | <u>70,000</u>      | <u>126,000</u>     | <u>125,308</u>     | <u>692</u>           | <u>83,576</u>   |
| Total Capital Outlay                                   | <u>104,500</u>     | <u>160,500</u>     | <u>159,775</u>     | <u>725</u>           | <u>87,551</u>   |
| TOTAL EXPENDITURES                                     | <u>289,750</u>     | <u>349,600</u>     | <u>345,996</u>     | <u>3,604</u>         | <u>364,288</u>  |
| <b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b> | 7,600              | (29,750)           | (26,466)           | 3,284                | (57,707)        |
| <b>OTHER FINANCING SOURCES (USES)</b>                  |                    |                    |                    |                      |                 |
| Transfers In (Out)                                     | -                  | -                  | -                  | -                    | 102,653         |
| Transfers In (Out)                                     | <u>(8,790)</u>     | <u>-</u>           | <u>-</u>           | <u>-</u>             | <u>(28,500)</u> |
| TOTAL OTHER FINANCING SOURCES (USES)                   | <u>(8,790)</u>     | <u>-</u>           | <u>-</u>           | <u>-</u>             | <u>74,153</u>   |
| <b>NET CHANGE IN FUND BALANCE - BUDGET BASIS</b>       | <u>\$ (1,190)</u>  | <u>\$ (29,750)</u> | <u>(26,466)</u>    | <u>\$ 3,284</u>      | <u>16,446</u>   |
| <b>FUND BALANCE, BEGINNING</b>                         |                    |                    | 3,717              |                      | (12,729)        |
| Prior Period Restatement                               |                    |                    | <u>9,041</u>       |                      | <u>-</u>        |
| <b>FUND BALANCE, BEGINNING (As Restated)</b>           |                    |                    | <u>12,758</u>      |                      | <u>(12,729)</u> |
| <b>FUND BALANCE, ENDING</b>                            |                    |                    | <u>\$ (13,708)</u> |                      | <u>\$ 3,717</u> |

See accompanying Independent Auditors' Report.

CRESTED BUTTE SOUTH METROPOLITAN DISTRICT

**BUDGETARY COMPARISON SCHEDULE**

**Road Fund**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**With Comparative Totals for the Year Ended December 31, 2016**

|  | <b>2017</b>                |                         |                    |   | <b>2016</b><br><b>Actual</b> |
|--|----------------------------|-------------------------|--------------------|---|------------------------------|
|  | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>      | <b>Variance<br/>With Final<br/>Budget</b> |                              |
| <b>REVENUES</b>  |                            |                         |                    |   |                              |
| <b>Charges for Services</b>                            |                            |                         |                    |   |                              |
| Other Charges for Services                             | \$ 122,000                 | \$ 141,000              | \$ 140,901         | \$ (99)                                   | \$ 88,851                    |
| <b>Other Revenues</b>                                  |                            |                         |                    |   |                              |
| Other Miscellaneous Revenue                            | <u>500</u>                 | <u>500</u>              | <u>-</u>           | <u>(500)</u>                              | <u>-</u>                     |
| <b>TOTAL REVENUES</b>                                  | <u>122,500</u>             | <u>141,500</u>          | <u>140,901</u>     | <u>(599)</u>                              | <u>88,851</u>                |
| <b>EXPENDITURES</b>                                    |                            |                         |                    |   |                              |
| <b>Public Works</b>                                    |                            |                         |                    |   |                              |
| Personnel Services                                     | 65,800                     | 69,800                  | 73,883             | (4,083)                                   | 80,468                       |
| Contract Labor   | 500                        | 4,000                   | 2,993              | 1,007                                     | -                            |
| Fuel and Automotive                                    | 12,000                     | 12,000                  | 11,175             | 825                                       | 7,346                        |
| Repairs and Mainenance                                 | <u>52,990</u>              | <u>49,490</u>           | <u>43,740</u>      | <u>5,750</u>                              | <u>32,000</u>                |
| Total Public Works/Comm Devel                          | 131,290                    | 135,290                 | 131,791            | 3,499                                     | 119,814                      |
| <b>Capital Outlay</b>                                  |                            |                         |                    |   |                              |
| Public Works Capital Outlay                            | <u>-</u>                   | <u>25,250</u>           | <u>25,223</u>      | <u>27</u>                                 | <u>-</u>                     |
| <b>TOTAL EXPENDITURES</b>                              | <u>131,290</u>             | <u>160,540</u>          | <u>157,014</u>     | <u>3,526</u>                              | <u>119,814</u>               |
| <b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b> | (8,790)                    | (19,040)                | (16,113)           | 2,927                                     | (30,963)                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                  |                            |                         |                    |   |                              |
| Transfers In   | <u>8,790</u>               | <u>8,790</u>            | <u>-</u>           | <u>8,790</u>                              | <u>29,463</u>                |
| <b>NET CHANGE IN FUND BALANCE - BUDGET BASIS</b>       | <u>\$ -</u>                | <u>\$ (10,250)</u>      | <u>(16,113)</u>    | <u>\$ 11,717</u>                          | <u>(1,500)</u>               |
| <b>FUND BALANCE, BEGINNING</b>                         |                            |                         |                    |   |                              |
| Prior Period Restatement                               |                            |                         | (1,500)            |   | -                            |
| <b>FUND BALANCE, BEGINNING (As Restated)</b>           |                            |                         | <u>(522)</u>       |   | <u>-</u>                     |
| <b>FUND BALANCE, ENDING</b>                            |                            |                         | <u>\$ (16,635)</u> |   | <u>\$ (1,500)</u>            |

See accompanying Independent Auditors' Report.

## **OTHER SUPPLEMENTARY INFORMATION**

CRESTED BUTTE SOUTH METROPOLITAN DISTRICT

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**BUDGET AND ACTUAL**

**Water Fund**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**With Comparative Totals for the Year Ended December 31, 2016**

|                                       | 2017              |                     | Variance<br>with Final<br>Budget | 2016                |
|---------------------------------------|-------------------|---------------------|----------------------------------|---------------------|
|                                       | Final<br>Budget   | Actual              |                                  | Actual              |
| <b>Operating Revenues</b>             |                   |                     |                                  |                     |
| Utility Charges                       | \$ 313,000        | \$ 333,466          | \$ 20,466                        | \$ 309,903          |
| Other Charges for Services            | 10,700            | 10,019              | (681)                            | 6,947               |
| Total Revenues                        | <u>323,700</u>    | <u>343,485</u>      | <u>19,785</u>                    | <u>316,850</u>      |
| <b>Operating Expenses</b>             |                   |                     |                                  |                     |
| Personnel Services                    | 171,600           | 164,564             | 7,036                            | 92,334              |
| Commodity Charges                     | 10,000            | 8,635               | 1,365                            | 7,579               |
| Operating Supplies                    | 12,000            | 9,523               | 2,477                            | 5,081               |
| Professional Fees                     | 500               | -                   | 500                              | 104                 |
| Repairs and Maintenance               | 20,000            | 14,540              | 5,460                            | 13,788              |
| Travel and Training                   | 3,500             | 1,951               | 1,549                            | -                   |
| Treatment                             | 1,500             | 1,043               | 457                              | 3,197               |
| Telephone and Utilities               | 25,000            | 25,310              | (310)                            | 24,836              |
| Other Operating Expenses              | 2,800             | 1,394               | 1,406                            | 833                 |
| Other Capital Outlay                  | -                 | -                   | -                                | 12,326              |
| Total Expenditures                    | <u>246,900</u>    | <u>226,960</u>      | <u>19,940</u>                    | <u>160,078</u>      |
| Operating Income (Loss)               | <u>76,800</u>     | <u>116,525</u>      | <u>39,725</u>                    | <u>156,772</u>      |
| <b>Other Income (Expense)</b>         |                   |                     |                                  |                     |
| Other Revenue                         | 500               | -                   | (500)                            | -                   |
| Debt Service                          | (60,900)          | (142,119)           | (81,219)                         | (522,316)           |
| Total Other Income (Expense)          | <u>(60,400)</u>   | <u>(142,119)</u>    | <u>(81,719)</u>                  | <u>(522,316)</u>    |
| Net Income (Loss) before Transfers    | 16,400            | (25,594)            | (41,994)                         | (365,544)           |
| <b>Transfers</b>                      |                   |                     |                                  |                     |
| Transfers In (Out)                    | -                 | -                   | -                                | (59,996)            |
| Net Income (Loss), Budget Basis       | 16,400            | (25,594)            | (41,994)                         | (425,540)           |
| <b>Contributed Capital</b>            |                   |                     |                                  |                     |
| Plant Investment Fees                 | <u>129,000</u>    | <u>129,415</u>      | <u>415</u>                       | <u>89,796</u>       |
| Change in Net Position (Budget Basis) | <u>\$ 145,400</u> | <u>103,821</u>      | <u>\$ (41,579)</u>               | <u>(335,744)</u>    |
| <b>Budget to GAAP Reconciliation</b>  |                   |                     |                                  |                     |
| Principal Paid                        |                   | 126,964             |                                  | 503,203             |
| Depreciation Expense                  |                   | (93,521)            |                                  | (93,179)            |
| Capital Outlay                        |                   | -                   |                                  | 12,326              |
| Change in Net Position - GAAP Basis   |                   | <u>137,264</u>      |                                  | <u>86,606</u>       |
| Net Position, Beginning               |                   | 2,138,862           |                                  | 2,052,256           |
| Prior Period Restatement              |                   | (6,989)             |                                  | -                   |
| Net Position, Beginning (As Restated) |                   | <u>2,131,873</u>    |                                  | <u>2,052,256</u>    |
| Net Position, Ending                  |                   | <u>\$ 2,269,137</u> |                                  | <u>\$ 2,138,862</u> |

See accompanying Independent Auditors' Report.

CRESTED BUTTE SOUTH METROPOLITAN DISTRICT

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL**

**Sewer Fund**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**With Comparative Totals for the Year Ended December 31, 2016**

|                                       | 2017             |                     |                                  | 2016<br>Actual      |
|---------------------------------------|------------------|---------------------|----------------------------------|---------------------|
|                                       | Final<br>Budget  | Actual              | Variance<br>with Final<br>Budget |                     |
| <b>Operating Revenues</b>             |                  |                     |                                  |                     |
| Utility Charges                       | \$ 364,300       | \$ 388,066          | \$ 23,766                        | \$ 361,082          |
| Other Charges for Services            | 3,700            | 3,453               | (247)                            | 6,149               |
| Total Revenues                        | <u>368,000</u>   | <u>391,519</u>      | <u>23,519</u>                    | <u>367,231</u>      |
| <b>Operating Expenses</b>             |                  |                     |                                  |                     |
| Personnel Services                    | 172,100          | 164,935             | 7,165                            | 115,056             |
| Operating Supplies                    | 6,500            | 7,105               | (605)                            | 2,215               |
| Professional Fees                     | 35,000           | 31,674              | 3,326                            | 23,207              |
| Repairs and Maintenance               | 16,100           | 11,690              | 4,410                            | 9,237               |
| Travel and Training                   | 3,500            | 1,836               | 1,664                            | -                   |
| Treatment                             | 4,000            | 3,750               | 250                              | 4,495               |
| Telephone and Utilities               | 29,000           | 26,802              | 2,198                            | 26,736              |
| Other Operating Expenses              | 5,500            | 2,490               | 3,010                            | 1,626               |
| Other Capital Outlay                  | -                | 946                 | (946)                            | -                   |
| Total Expenditures                    | <u>271,700</u>   | <u>251,228</u>      | <u>20,472</u>                    | <u>182,572</u>      |
| Operating Income (Loss)               | <u>96,300</u>    | <u>140,291</u>      | <u>43,991</u>                    | <u>184,659</u>      |
| <b>Other Income (Expense)</b>         |                  |                     |                                  |                     |
| Other Revenue                         | 500              | 120                 | (380)                            | 50                  |
| Debt Service                          | (139,900)        | (139,813)           | 87                               | (139,813)           |
| Total Other Income (Expense)          | <u>(139,400)</u> | <u>(139,693)</u>    | <u>(293)</u>                     | <u>(139,763)</u>    |
| Net Income (Loss) before Transfers    | (43,100)         | 598                 | 43,698                           | 44,896              |
| <b>Transfers</b>                      |                  |                     |                                  |                     |
| Transfers In/(Out)                    | -                | -                   | -                                | (43,620)            |
| Net Income (Loss), Budget Basis       | (43,100)         | 598                 | 43,698                           | 1,276               |
| <b>Contributed Capital</b>            |                  |                     |                                  |                     |
| Plant Investment Fees                 | <u>127,500</u>   | <u>127,215</u>      | <u>(285)</u>                     | <u>88,696</u>       |
| Change in Net Position (Budget Basis) | <u>\$ 84,400</u> | <u>127,813</u>      | <u>\$ 43,413</u>                 | <u>89,972</u>       |
| <b>Budget to GAAP Reconciliation</b>  |                  |                     |                                  |                     |
| Principal Paid                        |                  | 107,609             |                                  | 105,611             |
| Depreciation Expense                  |                  | (151,420)           |                                  | (152,128)           |
| Change in Net Position - GAAP Basis   |                  | <u>84,002</u>       |                                  | <u>43,455</u>       |
| Net Position, Beginning               |                  | 1,674,573           |                                  | 1,631,118           |
| Prior Period Restatement              |                  | (6,515)             |                                  | -                   |
| Net Position, Beginning (As Restated) |                  | <u>1,668,058</u>    |                                  | <u>1,631,118</u>    |
| Net Position, Ending                  |                  | <u>\$ 1,752,060</u> |                                  | <u>\$ 1,674,573</u> |

See accompanying Independent Auditors' Report.