



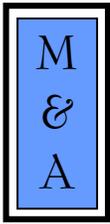
Grand Lake, Colorado

**Financial Statements
December 31, 2016**

**Three Lakes Water and Sanitation District
Financial Report
December 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Three Lakes Water and Sanitation District

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Three Lakes Water and Sanitation District (the "District"), as of and for the year ended December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Member: American Institute of Certified Public Accountants

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Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B 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, economical, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The individual fund budgetary comparison information in Section F is presented for purposes of additional analysis and is not a required part of the basic financial statements. The individual fund budgetary comparison 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
May 23, 2017**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three Lakes Water and Sanitation District

Management's Discussion and Analysis

December 31, 2016

As management of the Three Lakes Water and Sanitation District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities, and deferred inflows, with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District primarily include administration. The business-type activities of the District are the sewer services. The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

Governmental funds (continued): The District adopts an annual appropriated budget for each of its funds. Budgetary comparison schedules have been provided as supplementary information to the financial statements.

Proprietary fund: The District maintains an enterprise fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the sewer services provided by the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the business-type services provided by the District.

The basic proprietary fund financial statements can be found on pages C6 through C8 of this report. The District adopts an annual appropriated budget for its Proprietary Funds and budgetary comparison schedules have been provided on page F1 of this report to demonstrate compliance with these budgets.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found starting on page D1 of this report.

Financial Analysis of the District

Three Lakes Water and Sanitation District's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current assets	\$ 1,311,644	\$ 1,190,118	2,786,245	2,783,087	4,097,889	3,973,205
Capital and other assets	-	-	16,834,567	16,995,497	16,834,567	16,995,497
Total Assets	<u>1,311,644</u>	<u>1,190,118</u>	<u>19,620,812</u>	<u>19,778,584</u>	<u>20,932,456</u>	<u>20,968,702</u>
Liabilities & Deferred Inflows:						
Current liab & def inflows	729,375	747,732	617,595	828,916	1,346,970	1,576,648
Long-term liabilities	-	-	2,224,499	2,343,446	2,224,499	2,343,446
Total Liabilities & Def Inflows	<u>729,375</u>	<u>747,732</u>	<u>2,842,094</u>	<u>3,172,362</u>	<u>3,571,469</u>	<u>3,920,094</u>
Net Position:						
Net investment in capital assets	-	-	14,118,304	14,005,637	14,118,304	14,005,637
Restricted	10,000	8,000	-	-	10,000	8,000
Unrestricted	572,269	434,386	2,660,414	2,600,585	3,232,683	3,034,971
Total Net Position	<u>\$ 582,269</u>	<u>\$ 442,386</u>	<u>16,778,717</u>	<u>16,606,222</u>	<u>17,360,987</u>	<u>17,048,608</u>

The largest portion of the District's net position is reflected in the net investment in capital assets (i.e. land, buildings, machinery, and equipment). At the end of 2016, this accounted for 81% of the total net position. Accordingly, this portion of the net position is not an available source for payment of future spending. Of the remaining net position 3% of the governmental activities annual budget is restricted for use in the event of an emergency.

Financial Analysis of the District (continued)

Three Lakes Water and Sanitation District's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	1,750,514	1,744,920	1,750,514	1,744,920
Operating grants & contributions	-	-	-	-	-	-
Capital grants & contributions	-	-	209,824	590,047	209,824	590,047
General revenues:						
Property taxes	747,419	740,741	-	-	747,419	740,741
Other taxes	45,563	43,510	-	-	45,563	43,510
Interest and other revenue	1,773	1,900	18,445	5,299	20,218	7,199
Total Revenues	794,755	786,151	1,978,783	2,340,266	2,773,538	3,126,417
Expenses:						
Sewer	-	-	2,216,220	2,100,814	2,216,220	2,100,814
General government	159,613	144,537	-	-	159,613	144,537
Interest on long-term debt	-	-	125,327	122,468	125,327	122,468
Proceeds from sale of asset	-	-	(40,000)	-	(40,000)	-
Transfers	495,259	497,699	(495,259)	(497,699)	-	-
Total Expenses	654,872	642,236	1,806,288	1,725,583	2,461,160	2,367,819
Change in Net Position	139,883	143,915	172,495	614,683	312,378	758,598
Net Position - Beginning	442,386	298,471	16,606,222	15,991,539	17,048,608	16,290,010
Net Position - Ending	\$ 582,269	\$ 442,386	16,778,717	16,606,222	17,360,986	17,048,608

Governmental activities: Net position of the governmental activities increased \$139,883 during 2016 after an increase of \$143,915 during 2015. The District is using property taxes collected for administrative costs and to make the scheduled payments on long-term debt.

Business-type activities: Net position of the business-type activities increased \$172,495 during 2016 after an increase of \$614,683 during 2015. The increase is largely due to a reduction in debt paid by a transfer of property taxes from the debt service fund, but is lower from last year due to a decrease in grants received.

As mentioned early, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$582,269. Of this balance, \$10,000 is restricted for emergencies as required by TABOR, and the remaining \$572,269 is unassigned.

Proprietary funds: The District's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

The sewer fund operating revenues of \$1,750,514 were exceeded by operational expenses of \$2,216,220, resulting in an operating loss of \$465,704. Tap fees of \$144,450, grants of \$65,374, and a transfer of debt service property taxes to pay principal and interest on the District's outstanding loans caused the change in net position to total an increase of \$172,945.

As of the end of the current fiscal year, the District's sewer fund reported an ending net position balance of \$16,778,717 which consisted of \$14,118,304 in net investment in capital assets and the remaining \$2,660,414 being unrestricted for use by the District in future years.

Budget variances: Variances in the general fund were mostly positive and netted to \$3,199. The sewer fund also had mostly positive variances. These positive variances netted to \$670,951. The large overall positive variance was due largely to \$500,000 budgeted for contingencies. Details of the variances by fund can be seen on pages E1 through F1 of this report.

Capital assets: The District's total capital assets decreased by \$160,930 as a result of depreciation expense and capital deletions being more than capital additions. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements.

Long-term debts: During 2016 the District continued to make scheduled payments on its long-term debts. Details of the District's long term obligations are contained in the Notes to the Financial Statements.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Three Lakes Water and Sanitation District, PO Box 899, Grand Lake, CO 80447, phone 970-627-3544.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Three Lakes Water and Sanitation District
Statement of Net Position
December 31, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments	582,269	2,298,326	2,880,595
Cash and investments - restricted	-	364,000	364,000
Accounts receivable, net of allowance for uncollectibles	-	37,658	37,658
Taxes receivable - ensuing year	729,375	-	729,375
Inventory	-	79,208	79,208
Capital assets, not being depreciated	-	381,526	381,526
Capital assets, net	-	16,453,041	16,453,041
Other assets	-	7,053	7,053
Total Assets	<u>1,311,644</u>	<u>19,620,811</u>	<u>20,932,456</u>
Liabilities:			
Accounts payable	-	24,476	24,476
Accrued liabilities	-	39,637	39,637
Accrued interest payable	-	35,848	35,848
Unearned user fees	-	25,870	25,870
Noncurrent liabilities:			
Due within one year	-	520,142	520,142
Due in more than one year	-	2,196,121	2,196,121
Total Liabilities	<u>-</u>	<u>2,842,094</u>	<u>2,842,094</u>
Deferred Inflow of Resources:			
Deferred taxes receivable	729,375	-	729,375
Total Deferred Inflow of Resources	<u>729,375</u>	<u>-</u>	<u>729,375</u>
Net Position:			
Net investment in capital assets	-	14,118,304	14,118,304
Restricted for emergencies	10,000	-	10,000
Unrestricted	572,269	2,660,414	3,232,683
Total Net Position	<u>582,269</u>	<u>16,778,717</u>	<u>17,360,986</u>

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

**Three Lakes Water and Sanitation District
Statement of Activities
For the Year Ended December 31, 2016**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs:							
Governmental Activities:							
General government	159,613	-	-	-	(159,613)		(159,613)
Total Governmental Activities	<u>159,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(159,613)</u>		<u>(159,613)</u>
Business-type Activities:							
Sewer	2,216,220	1,750,514	-	209,824		(255,882)	(255,882)
Interest on long-term debt and related costs	125,327	-	-	-		(125,327)	(125,327)
Total Business-type Activities	<u>2,341,547</u>	<u>1,750,514</u>	<u>-</u>	<u>209,824</u>		<u>(381,209)</u>	<u>(381,209)</u>
General Revenues:							
Taxes:							
Property tax					226,039	-	226,039
Property tax - Bonds					521,380	-	521,380
Specific ownership tax					45,563	-	45,563
Investment earnings					1,773	18,445	20,218
Gain on sale of asset					-	40,000	40,000
Appropriated transfer (to) from other funds for payment of general obligation debt					(495,259)	495,259	-
Total General Revenues and Transfers					<u>299,496</u>	<u>553,704</u>	<u>853,200</u>
Change in Net Position					139,883	172,495	312,378
Net Position - Beginning					<u>442,386</u>	<u>16,606,222</u>	<u>17,048,608</u>
Net Position - Ending					<u>582,269</u>	<u>16,778,717</u>	<u>17,360,986</u>

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

FUND FINANCIAL STATEMENTS

**Three Lakes Water and Sanitation District
Balance Sheet
Governmental Funds
December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	582,269	-	582,269
Property tax receivable - ensuing year	226,822	502,553	729,375
Total Assets	<u>809,091</u>	<u>502,553</u>	<u>1,311,644</u>
Liabilities and Fund Balances:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflow of Resources:			
Unavailable property tax revenue	226,822	502,553	729,375
Total Deferred Inflow of Resources	<u>226,822</u>	<u>502,553</u>	<u>729,375</u>
Fund Balances:			
Restricted for TABOR reserve	10,000	-	10,000
Unassigned	572,269	-	572,269
Total Fund Balances	<u>582,269</u>	<u>-</u>	<u>582,269</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>809,091</u>	<u>502,553</u>	<u>1,311,644</u>
Net Position of Governmental Activities			<u>582,269</u>

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

Three Lakes Water and Sanitation District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Debt Service	Total
Revenues:			
Property taxes	226,039	521,380	747,419
Specific ownership taxes	45,563	-	45,563
Interest income	1,773	-	1,773
Total Revenues	273,375	521,380	794,755
Expenditures:			
Car and mileage allowance	1,026	-	1,026
Bank charges	554	-	554
County Treasurer's fees	11,343	26,121	37,464
Director's fees	12,838	-	12,838
Dues and seminars	1,771	-	1,771
Employee benefits	13,262	-	13,262
Election expense	39	-	39
Professional fees	22,688	-	22,688
Property repair and maintenance	446	-	446
Other repair and maintenance	4,921	-	4,921
Office	2,379	-	2,379
Payroll taxes	138	-	138
Retirement	7,755	-	7,755
Salaries	52,179	-	52,179
Utilities and telephone	2,153	-	2,153
Total Expenditures	133,492	26,121	159,613
Excess (Deficiency) of Revenues Over Expenditures	139,883	495,259	635,142
Other Financing Sources (Uses):			
Appropriated transfer to other fund for payment of general obligation debt	-	(495,259)	(495,259)
Total Other Financing Sources	-	(495,259)	(495,259)
Change in Fund Balances	139,883	-	139,883
Fund Balances - Beginning	442,386	-	442,386
Fund Balances - Ending	582,269	-	582,269
Change in Net Position of Governmental Activities			139,883

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

Three Lakes Water and Sanitation District
Statement of Net Position
Enterprise Fund
December 31, 2016

Assets:	
Cash	2,298,326
Restricted cash	364,000
Accounts receivable, net of allowance for uncollectibles	37,658
Inventory	79,208
Capital assets, not being depreciated	381,526
Capital assets, net of depreciation	16,453,041
Other assets	7,053
Total Assets	<u>19,620,811</u>
 Liabilities:	
Accounts payable	24,477
Accrued liabilities	39,637
Unearned user fees	25,870
Accrued interest payable	35,845
Noncurrent liabilities:	
Due within one year	520,142
Due in more than one year	2,196,121
Total Liabilities	<u>2,842,092</u>
 Net Position:	
Net investment in capital assets	14,118,304
Unrestricted	2,660,414
Total Net Position	<u><u>16,778,717</u></u>

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

Three Lakes Water and Sanitation District
Statement of Revenues, Expenses and Changes in Net Position
Enterprise Fund
For the Year Ended December 31, 2016

Revenues:	
Charges for sewer services	1,612,495
Other service revenue	21,205
Service contract revenue	77,758
Miscellaneous revenue	39,056
Total Revenues	<u>1,750,514</u>
Operating Expenses	
Depreciation and amortization	1,026,682
Dues, training, licensing	9,141
Engineering	6,391
Fuel	9,572
Insurance	62,091
Lab expense	28,132
Office and administrative expense	8,279
Professional fees	52,938
Other operating expense	10,391
Plant chemicals	9,315
Plant telephone	2,045
Repair and maintenance	158,097
Salaries and benefits	583,677
Sludge hauling	15,189
Small tools and supplies	4,908
Utilities	229,372
Total Operating Expenses	<u>2,216,220</u>
Operating Income (Loss)	<u>(465,706)</u>
Nonoperating Revenues (Expenses)	
Tap fees	144,450
Grants received	65,374
Interest income	18,445
Interest expense	(125,327)
Proceeds from sale of asset	40,000
Total Nonoperating Revenues (Expenses)	<u>142,942</u>
Net Income (Loss) Before Transfers	(322,764)
Appropriated transfers from debt service fund for general obligation debt	<u>495,259</u>
Change in Net Position	172,495
Net Position - Beginning	<u>16,606,222</u>
Net position - end of year	<u><u>16,778,717</u></u>

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

Three Lakes Water and Sanitation District
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2016

Cash Flows from Operating Activities:	
Cash received from customers	1,749,640
Cash paid for goods and services	(682,210)
Cash paid to employees	(564,499)
Net Cash Provided by Operating Activities	502,931
 Cash Flows from Capital and Related Financing Activities:	
Tap fees received	144,450
Loan proceeds	223,679
Appropriated transfers from debt service fund for payment of general obligation debt	495,259
Loan payments	(497,275)
Interest paid on debt	(141,350)
Acquisition of capital assets	(865,752)
Proceeds from sale of asset	40,000
Grants received	65,374
Net Cash Provided (Used) by Capital and Related Financing Activities	(535,615)
 Cash Flows from Investing Activities:	
Investment earnings received	18,445
Net Cash Provided by Investing Activities	18,445
 Net Increase in Cash and Cash Equivalents	(14,239)
Cash and Cash Equivalents - Beginning	2,676,565
Cash and Cash Equivalents - Ending	2,662,326
 Financial Statement Captions:	
Cash	2,298,326
Restricted cash	364,000
Cash and Cash Equivalents - Ending	2,662,326
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	(465,706)
Adjustments:	
(Increase) decrease in accounts receivable	(9,547)
Increase (decrease) in accounts payable and accrued liabilities	(68,500) 19,177
Increase (decrease) in unearned user fees	8,673
Increase (decrease) in inventory	(796)
Increase (decrease) in other assets	(7,053)
Depreciation	1,026,682
Total Adjustments	968,637
 Net Cash Provided by Operating Activities	502,931

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

NOTES TO THE FINANCIAL STATEMENTS

Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016

I. Summary of Significant Accounting Policies

Three Lakes Water and Sanitation District (the "District") was formed in 1971 to provide sanitary services located in the northeastern portion of Grand County, Colorado.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's administration and debt service are classified as governmental activities. The District's sewer operations are classified as business-type activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government revenues (property and specific ownership taxes, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with a function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016**

I. Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

The *General Fund* is the District's administration fund. It accounts for property taxes and a portion of the costs of administration of the District.

The *Debt Service Fund* accounts for property taxes collected for the payment of principal and interest on bonds and related costs.

The District reports the following proprietary or business-type funds:

The *Enterprise Fund* accounts for sewer operations and a portion of administration.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016

I. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers and applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 District's enterprise fund 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 non-operating revenues and expenses.

E. Financial Statement Accounts and Accounting Policies

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers cash on hand, demand deposits, U.S. government obligations and other highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

2. Investments

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

3. Receivables

User charges constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by Statute, or certified to the Grand County Treasurer for collection on its tax rolls, as provided by Statute. Therefore, no provision for uncollectible accounts has been made in the financial statements.

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as unavailable property tax revenue.

**Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016**

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts and Accounting Policies

5. Inventory

Inventory is determined at the lower of cost (determined on the first-in, first-out basis) or market.

6. Capital Assets

Capital assets, which include land, water rights, construction in progress, buildings and improvements, sewer lines, lift stations, treatment plant, vehicles and equipment, are reported in the financial statements. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed, if applicable.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Buildings and improvements, infrastructure, vehicles, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Vehicles and equipment	5 to 7 years
Buildings and improvements	15 to 30 years
Lift stations	10 years
Sewer system	30 to 40 years

7. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows (outflows) of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and increased by any unspent proceeds from related borrowings. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016**

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts and Accounting Policies (continued)

8. Compensated Absences

Earned but unused vacation benefits are accrued when incurred in the financial statements. The District accrued \$9,478 for accumulated unpaid vacation pay at December 31, 2016.

9. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated for payment early in the following year. Long-term obligations for proprietary funds are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

10. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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. Property taxes levied in 2016 for collection in 2017 are reported as deferred inflows of resources.

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

12. Categories and Classification of Fund Balance

The District classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority which is the Board of Directors

Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts and Accounting Policies (continued)

12. Categories and Classification of Fund Balance

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of a targeted reserve positions and management calculates targets and reports them annually to Board of Directors.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The budget is adopted on a non-GAAP basis and is reconciled to GAAP in Section E of this report. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2016.

1. For the 2016 budget year, prior to August 25, 2015, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10 only once by a single notification to the District.
2. The District submitted, on or before October 15, 2015, a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

**Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016**

II. Stewardship, Compliance, and Accountability

A. Budgetary Information (continued)

3. Prior to December 15, 2015, after a required publication of "Notice of Proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; b) approve emergency appropriations; and c) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2015 were collected in 2016 and taxes certified in 2016 will be collected in 2017. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (no later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at varying rates per month until paid.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. For this purpose, the District has set aside \$10,000.

On May 2, 2000, the District's voters approved the following ballot question:

"Shall Three Lakes Water and Sanitation District debt be increased by \$6.5 million, with a repayment cost of \$10.6 million and shall the District taxes be increased \$560,000 annually (all of the foregoing amounts being maximums) for the purpose of expanding the District's wastewater treatment plant subject to the following:

1. *The District has been pre-approved to obtain a loan from the Colorado Water Resources and Power Development Authority;*
2. *The mill levy may be increased in any year, without limitation of rate or amount, to pay the principal of, premium, if any, and interest on such debt (or to create a reserve for such payment);*

**Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016**

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

3. *Such debt may be evidenced by loans, bonds, or other forms of indebtedness including loans, bonds, or indebtedness issued to refund such debt as may be issued in the discretion of the Board of Directors of the District, bearing interest at a maximum net effective interest rate not to exceed 5.5%;*
4. *Such debt may be sold at a price above, below or equal to the principal amount of such debt and on such terms and conditions and with such maturities as permitted by law and as the Board of Directors of the District may determine, including provisions for redemption prior to maturity with or without payment of premium;*

And shall the proceeds of such debt and the revenues from such taxes and any earnings from the investment of such proceeds and revenues be collected and spent as a voter approved revenue change under Article X, Section 20 of the Colorado Constitution?"

The District believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits and qualification as an enterprise, will require judicial interpretation.

III. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by the Federal Deposit Insurance Corporation ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures depositors up to \$250,000 for all accounts. Deposit balances over \$250,000 are collateralized as required by PDPA.

At December 31, 2016, the District had the following cash and investments with the following maturities:

	Standard & Poors Rating	Carrying Amounts	Maturities	
			Less than one year	1 - 5 years
Petty cash	Not rated	\$ 200	200	
Deposits:				
Checking	Not rated	231,435	231,435	
Escrow	Not rated	10,000	10,000	
Certificates of deposit	Not rated	200,011		200,011
Investments:				
Colostrust	AAAm	2,802,949	2,802,949	
Total		<u>\$3,244,595</u>	<u>3,044,584</u>	<u>200,011</u>

**Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016**

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk. Colorado Revised Statutes limit the District's investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from changes in interest rates. As a result of the limited length of maturities, the District has limited its interest rate risk.

Credit Risk. The District follows Colorado statutes regarding its investments. Colorado statutes specify instruments in which local governments may invest, including:

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

Cash, cash equivalents, and investments are reflected on the December 31, 2016, Statement of Net Position as follows:

	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 582,269	2,298,326	2,880,595
Cash and investments -- restricted	-	364,000	364,000
	\$ 582,269	2,662,326	3,244,595

The District has invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"). COLOTRUST is a 2a7-like pool. The trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The trust operates similarly to a money market fund and each share is equal in value to \$1. Investments of the trust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to the trusts in connection with their direct investment and withdrawal functions. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the trusts. Investments in pools are not categorized since the underlying investments are not specifically identifiable to the District.

**Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016**

III. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital asset activity for 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	103,699	-	-	103,699
Rights and easements	101,428	-	-	101,428
Water rights	29,000	-	-	29,000
Construction in Progress	-	147,399	-	147,399
Total capital assets, not being depreciated	234,127	147,399	-	381,526
Capital assets being depreciated				
Building and improvements	1,348,663	-	-	1,348,663
Sewer system	25,979,654	366,318	-	26,345,972
Plant expansion	10,008,589	-	-	10,008,589
Vehicles and equipment	1,420,788	352,035	180,120	1,592,703
Furniture and office equipment	155,510	-	-	155,510
CAD maps	170,606	-	-	170,606
Total capital assets being depreciated	39,083,811	718,353	180,120	39,622,044
Less accumulated depreciation for				
Building improvements	883,214	37,783	-	920,996
Sewer system	16,568,581	668,740	-	17,237,320
Plant expansion	3,199,169	250,215	-	3,449,384
Vehicles and equipment	1,364,370	61,216	180,120	1,245,466
Furniture and office equipment	153,169	396	-	153,564
CAD maps	153,940	8,333	-	162,273
Total accumulated depreciation	22,322,441	1,026,682	180,120	23,169,003
Total capital assets being depreciated, net	16,761,370			16,453,041
Capital assets, net	16,995,497			16,834,567

All depreciation expense was charged to sewer operations.

C. Long-Term Obligations

Colorado Water Resources and Power Development Authority Loan

On May 2, 2000, the District's voters authorized the District to levy up to \$560,000 in additional property taxes to pay debt service on up to \$6.5 million in debt to expand the wastewater treatment plant.

In 2001, the Colorado Water Resources and Power Development Authority (CWRPDA) loaned the District \$6,498,576 to finance the construction of the District's sewer treatment plant. The loan bears interest at an average annual rate of 4.642%, and requires payments in varying amounts of principal and interest due on February 1 and August 1, through August 1, 2019. In addition, the loan requires payment of an annual administrative fee equal to 0.8% of the initial loan amount and reduces to 0.7% and 0.4% of the initial loan amount effective August 1, 2017 and August 1, 2018, respectively. These administrative fees are included in debt interest expense.

**Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016**

III. Detailed Notes on All Funds (continued)

C. Long-Term Obligations (continued)

During 2005 and 2013, the CWRPDA refinanced a portion of the bond issue that supplied the funds for the District's loan. The effect of this refinancing provided a savings on future loan payments of approximately \$238,000. During 2016, the CWRPDA again refinanced the bond issue, resulting in an additional \$70,783 savings to the District. The loan agreement with the CWRPDA requires the District to establish and maintain an operation and maintenance reserve fund. The loan agreement is secured by the District's covenant to levy property taxes in amounts necessary to pay the principal and interest on the loan, not to exceed \$560,000. The District levied 3.662 mills to generate approximately \$502,000 in property taxes for collection during 2016.

In 2014, CWRPDA and the District, acting through its enterprise, entered into a \$2,000,000 loan agreement to finance lift station improvements. The District draws against the loan as improvement costs are incurred. As of December 31, 2015, the District had drawn \$1,202,689. During 2016, the District drew an additional \$223,679, for a total of \$1,426,368. The loan bears interest at an annual rate of 2%, and requires payments of \$61,971 for principal and interest due on May 1 and November 1, commencing on May 1, 2016 and terminating on May 1, 2035. The District pledges net revenues from enterprise system user fees to repay the loan.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
CWRPDA Loan 2001	1,793,988	-	412,776	1,381,212	433,944
CWRPDA Loan 2014	1,195,871	223,679	84,499	1,335,051	86,198
	<u>\$ 2,989,859</u>	<u>223,679</u>	<u>497,275</u>	<u>2,716,263</u>	<u>520,142</u>

Annual debt service requirements for the loans (based on \$2 million principal on the loan) are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	520,142	127,893	648,034
2018	543,042	105,989	649,031
2019	581,854	65,426	647,280
2020	91,500	32,442	123,942
2021	93,340	17,603	110,943
2022-2026	495,406	124,106	619,512
2027-2032	547,457	72,255	619,712
2033-2035	416,954	16,844	433,798
Total	<u>\$ 3,289,695</u>	<u>562,558</u>	<u>3,852,253</u>

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

Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016

IV. Other Information

A. Intergovernmental Agreements

The District entered into separate intergovernmental agreements with three other special districts whereby the District serves as the Operator of Record of the three water systems and performs all operational duties. Pursuant to three of these agreements, the District also provides administrative functions. During 2016, the District received \$77,758 for operational and administrative services under these agreements.

B. Deferred Compensation Plan and Trust

All employees of the District participate in a Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with respect to service for State and Local Governments). The Plan is administered by ICMA Retirement Corporation.

The Deferred Compensation Plan is available to all employees of the District. Under the Plan, the District contributes 7.65% of each employee's gross salary on a monthly basis. The employees may elect to defer a portion of their salaries and avoid paying income taxes on the deferred portion. Invested monies are not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency, but does have a loan component.

In accordance with Internal Revenue Code Section 457(b), all plan assets and income are held in trust for the exclusive benefit of the participants and their beneficiaries. During the year ended December 31, 2016, there was \$35,073 in benefits remitted to the Trustee. No part of the corpus or income of the Trust shall revert to the Employer or be used for or diverted to purposes other than the exclusive benefit of Participants and their beneficiaries. The District has no liability for losses under the 457 Deferred Compensation Plan. Accordingly, it is not a part of the District's financial statements.

C. 401(a) Money Purchase Plan and Trust

The District provides a Defined Contribution Plan (401 Plan) under Section 401(a) of the Internal Revenue Code. The 401 Plan is administered by ICMA Retirement Corporation.

The 401 Plan is available to all full time employees of the District. Under the 401 Plan, the District contributes 7% of each full time and salaried employee's gross salary on a monthly basis. This is a "District contribution only" plan. The District's contributions do not vest until after the first two years of employment. Half of the contributions are vested through the third year, and an additional 25% are vested in the fourth and fifth year, each.

In accordance with Internal Revenue Code Section 401(a), all plan assets and income are held in trust for the exclusive benefit of the participants and their beneficiaries. During the year ended December 31, 2016, the District remitted \$32,632 in benefits to the Trustee, which represents its cost and required contribution. No part of the corpus or income of the Trust shall revert to the Employer or be used for or diverted to purposes other than the exclusive benefit of Participants and their beneficiaries. The District has no liability for losses under the 401(a) Money Purchase Plan. Accordingly, it is not a part of the District's financial statements.

**Three Lakes Water and Sanitation District
Notes to the Financial Statements
December 31, 2016**

IV. Other Information (continued)

D. Operating Lease

The District leases a supervisory control and data acquisition (SCADA) system under a non-cancellable operating lease that started August 8, 2016, with 60 monthly payments of \$1,327. Total remaining minimum lease payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2017	16,464
2018	16,464
2019	16,464
2020	16,464
2021	<u>15,092</u>
	<u><u>49,392</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Three Lakes Water and Sanitation District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)

	2016		Final Budget Variance Positive (Negative)	2015
	Original and Final Budget	Actual		Actual
Revenues:				
Taxes:				
Property taxes	227,418	226,039	(1,379)	217,152
Specific ownership taxes	25,000	45,563	20,563	43,510
Investment income	100	1,773	1,673	1,900
Total Taxes	252,518	273,375	20,857	262,562
Expenditures:				
Car and mileage allowance	1,080	1,026	54	1,383
Bank charges	600	554	46	944
County treasurer's fees	11,320	11,343	(23)	11,242
Director's fees	13,500	12,838	662	12,253
Dues and seminars	2,500	1,771	729	2,175
Employee benefits	14,036	13,262	774	16,451
Election expense	4,000	39	3,961	0
Professional fees	6,075	22,688	(16,613)	2,100
Property repair and maintenance	3,000	446	2,554	4,628
Other repair and maintenance	13,495	4,921	8,574	294
Office	2,375	2,379	(4)	9,934
Payroll taxes	135	138	(3)	371
Retirement	7,861	7,755	106	7,580
Salaries	54,442	52,179	2,263	46,798
Utilities and telephone	2,272	2,153	119	2,494
Total Expenditures	136,691	133,492	3,199	118,647
Net Change in Fund Balance	115,827	139,883	24,056	143,915
Fund Balance - Beginning	241,502	442,386	599,868	298,471
Fund Balance - Ending	357,329	582,269	623,924	442,386

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

SUPPLEMENTARY INFORMATION

Three Lakes Water and Sanitation District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Debt Service Fund
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	2016		Final Budget Variance Positive (Negative)	2015
	Original and Final Budget	Actual		Actual
Revenues:				
Taxes:				
Property taxes	521,314	521,380	(66)	523,589
Total Taxes	<u>521,314</u>	<u>521,380</u>	<u>(66)</u>	<u>523,589</u>
Expenditures:				
County treasurer's fees	26,065	26,121	(56)	25,890
Total Expenditures	<u>26,065</u>	<u>26,121</u>	<u>(56)</u>	<u>25,890</u>
Other Financing (Uses)				
Appropriated transfer to other fund for payment of general obligation debt	(521,314)	(495,259)	26,055	(497,699)
Total Other Financing (Uses)	<u>(521,314)</u>	<u>(495,259)</u>	<u>26,055</u>	<u>(497,699)</u>
Net Change in Fund Balance	(26,065)	-	(26,065)	-
Fund Balance - Beginning	249,808	-	249,808	-
Fund Balance - Ending	<u>223,743</u>	<u>-</u>	<u>223,743</u>	<u>-</u>

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

Three Lakes Water and Sanitation District
Schedule of Revenues, Expenditures, and Changes in Funds Available
Budget and Actual (Budgetary Basis) - Enterprise Fund
Enterprise Fund
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	<u>2016</u>			<u>2015</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
User charges	1,598,760	1,612,495	13,735	1,614,363
Other service revenue	15,200	21,205	6,005	18,610
Service contract revenue	76,848	77,758	910	89,866
Tap fees	75,200	144,450	69,250	84,600
Miscellaneous revenue	24,400	39,056	14,656	22,081
Interest income	2,000	18,445	16,445	5,299
Total Revenues	<u>1,792,408</u>	<u>1,913,409</u>	<u>121,001</u>	<u>1,834,819</u>
Expenditures:				
Operating:				
Dues, training, licensing	14,000	9,141	4,859	9,647
Engineering	10,000	6,391	3,609	4,318
Fuel	20,000	9,572	10,428	9,157
Insurance	61,584	62,091	(507)	52,018
Lab expense	33,000	28,132	4,868	29,105
Office and administrative expense	13,775	8,279	5,496	19,985
Professional fees	34,175	52,938	(18,763)	24,228
Other operating expense	13,020	10,391	2,629	10,624
Plant chemicals	15,000	9,315	5,685	8,280
Plant telephone	2,000	2,045	(45)	1,968
Repair and maintenance	306,135	158,097	148,038	156,643
Sludge hauling	26,000	15,189	10,811	20,387
Salaries and benefits	607,472	583,677	23,795	528,791
Small tools and supplies	3,400	4,908	(1,508)	4,847
Utilities	228,641	229,372	(731)	224,185
Contingency	500,000	-	500,000	-
Debt service:				
Principal	-	497,275	(497,275)	403,719
Interest	123,943	125,327	(1,384)	130,070
Capital outlay	1,336,698	865,752	470,946	1,254,551
Total Expenditures	<u>3,348,843</u>	<u>2,677,892</u>	<u>670,951</u>	<u>2,892,523</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,556,435)	(764,483)	791,952	(1,057,704)
Other Financing Sources (Uses)				
Proceeds from long-term debt	797,310	223,679	(573,631)	736,481
Proceeds on sale of asset	-	40,000	40,000	-
Grants	62,196	65,374	3,178	505,447
Appropriated transfers from government fund for payment of general obligation debt	-	495,259	495,259	497,699
Total Other Financing Sources (Uses)	<u>859,506</u>	<u>824,312</u>	<u>(35,194)</u>	<u>1,739,627</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(696,929)	59,829	756,758	681,923
Funds Available - Beginning	<u>1,064,967</u>	<u>2,600,586</u>	<u>1,535,619</u>	<u>1,918,663</u>
Funds Available - Ending	<u>368,038</u>	<u>2,660,414</u>	<u>2,292,376</u>	<u>2,600,586</u>
Reconciliation of Budget to GAAP Basis:				
Excess of Revenues over Expenditures		59,829		
Loan proceeds		(223,679)		
Loan principal paid		497,275		
Capital outlay		865,752		
Depreciation		(1,026,682)		
Change in Net Position		<u>172,495</u>		

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