

**Three Springs Metropolitan District No. 3  
Durango, Colorado  
Financial Statements  
December 31, 2015**

**Three Springs Metropolitan District No. 3  
Financial Statements  
December 31, 2015**

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Board of Directors  
Three Springs Metropolitan District No. 3  
City of Durango, Colorado

### Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Three Springs Metropolitan District No. 3, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 and each major fund of the Three Springs Metropolitan District No. 3 as of December 31, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other-Matters***

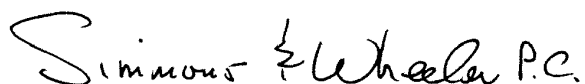
*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Three Springs Metropolitan District No. 3's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Englewood, CO  
June 13, 2016

# Three Springs Metropolitan District No. 3

Management's Discussion and Analysis  
December 31, 2015

As management of the Three Springs Metropolitan District No. 3 (the "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, 2015.

## **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 are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The District is a special-purpose government, quasi-municipal corporation, and political subdivision of the State of Colorado engaged in a single governmental program and as such the fund financial statements and the government-wide statements have been combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statement.

**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 of resources, liabilities, and deferred inflows of resources with the difference between the four 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 District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The governmental activity of the District is primarily construction, operation and maintenance of parks and parks related drainage systems within the District. The District does not operate any business-type activities.

**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. The District currently has three funds; the General Fund, the Capital Projects Fund, and the Debt Service Fund which are governmental 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

## Overview of Financial Statements (continued)

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. Both expenditures and changes in fund balances/net position provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**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 on pages 10 through 23 of this report.

**Supplementary Information.** Supplementary information is contained on pages 24 and 25 and provides additional insight into how the District's actual operations compared to the budgeted operations and also provide information on the District's assessed value and property taxes levied.

**Government-wide Financial Analysis.** The District's primary source of revenue is property taxes levied by Three Springs Metropolitan Districts Nos. 1 and 2 and transferred to the District under the terms of an Inter-District Financing Agreement approved in 2007. Property taxes levied by Districts No. 1 and 2 in 2014 are payable by property owners in 2015. The District has also negotiated a payment in lieu of taxes agreement with a major property owner.

The following tables show the District's condensed Statement of Net Position and Condensed Statement of Activities for 2015 with comparative numbers for 2014.

<b>Three Springs Metropolitan District No. 3 - Net Position</b>		
	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current and other assets	\$ 2,191,381	\$ 2,713,725
Capital assets	7,474,725	7,272,264
<b>Total assets</b>	<u>\$ 9,666,106</u>	<u>\$ 9,985,989</u>
<b>Liabilities</b>		
Developer advances	\$ 977,202	\$ 708,264
Developer advances interest payable	500,897	402,426
Junior revenue series 2013 note payable	8,969,082	8,559,324
Junior revenue series 2013 interest payable	1,877,995	1,112,823
Other liabilities	13,138	12,134
Bond interest payable	109,081	109,114
Bonds payable	16,885,000	16,890,000
<b>Total liabilities</b>	<u>\$ 29,332,395</u>	<u>\$ 27,794,085</u>
<b>Net Position</b>		
Net investment in capital assets	\$ (23,159,062)	\$ (21,871,457)
Restricted for emergencies	6,680	5,976
Restricted for capital projects	(284)	80,699
Restricted for debt service	2,029,332	2,591,926
Unrestricted	1,457,045	1,384,760
<b>Total net position</b>	<u>\$ (19,666,289)</u>	<u>\$ (17,808,096)</u>

## Overview of the Financial Statements (continued)

### Three Springs Metropolitan District No. 3 - Change in Net Position

	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>		
General revenues:		
Transfer from Three Springs Metro No. 1	\$ 705,821	\$ 640,037
Transfer from Three Springs Metro No. 2	22,660	13,031
Payment in lieu of taxes	102,943	102,843
Interest and other revenue	4,017	3,357
<b>Total Revenues</b>	<u>835,441</u>	<u>759,268</u>
<b>Expenses:</b>		
General government	61,356	60,004
Community operations	167,291	147,403
Interest on developer advances	80,551	66,565
Interest on junior revenue note	613,554	446,344
Bond interest expense	1,308,948	1,309,363
Depreciation and amortization expense	117,675	149,671
Assets transferred to state and local government	344,259	1,602,860
<b>Total Expenses</b>	<u>2,693,634</u>	<u>3,782,210</u>
<b>Change in Net Position</b>	(1,858,193)	(3,022,942)
<b>Net Position - Beginning</b>	(17,808,096)	(14,785,154)
<b>Net Position - Ending</b>	<u>\$ (19,666,289)</u>	<u>\$ (17,808,096)</u>

The District's overall financial position, as measured by net position, decreased by \$1,858,193 during 2015. Decreases in net position are primarily the result of debt service expense on bonds issued in 2010 and on developer debt. Cash and other assets decreased as debt funds were used to pay bond principal and interest. The developer advanced a total of \$268,938 consisting of \$80,000 in operating advances receivable from the prior year, \$180,000 in current year operating advances and \$8,938 in current year services.

Depreciation expense was \$117,675 for the year ended December 31, 2015.

### Financial Analysis of the District's Funds

As noted previously, the District uses governmental fund accounting to ensure and demonstrate the 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 expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The District's combined fund balances decreased \$603,349 in 2015 from 2014 compared to a decrease of \$702,081 in 2014 from 2013. General governmental revenues increased in 2015 compared to 2014 due to an increase in property tax collections of \$75,413. Other financing sources decreased in 2015 compared to 2014 due to a decrease in developer advances of \$1,093,249. Governmental expenses for 2015 decreased from 2014 primarily due to a decrease in capital outlay of \$1,138,993. The combined fund balance at the end of the year for 2015 and 2014 was \$2,178,390 and \$2,781,739, respectively.

## **Financial Analysis of the District's Funds (continued)**

**Capital Assets.** The District's depreciable capital assets are \$1,793,864 as of December 31, 2015 and 2014. Construction in progress increased by \$320,136.

**Debt.** The District issued bonds in 2010 in the amount of \$16,900,000. There were associated issuance and underwriting costs of \$882,536. Of the bond proceeds, \$10,622,544 was used to pay principal and interest due to the developer and the remaining net proceeds are in cash reserve accounts held by the District.

As of December 31, 2015 developer advances has a remaining principal balance due of \$977,202 plus accrued interest of \$500,987 compared to a December 31, 2014 principal balance of \$708,264 plus accrued interest \$402,426. Developer advances accrue interest at 8%.

As of December 31, 2015, the Junior Revenue Note Series 2013 has a remaining principal balance due of \$8,969,082 plus accrued interest of \$1,877,995 compared to a December 31, 2014 principal balance of \$8,559,324 plus accrued interest of \$1,112,823. The Series 2013 Note accrues interest at 7.75% and matures on December 31, 2042. On December 30, 2014, the District Board amended the issued amount to \$11,500,000.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Pat Morrissey, President Three Springs Metropolitan District No 3, 175 Mercado Street, Suite 240, Durango, CO 81301, pmorrissey@sugf.com.



**Three Springs Metropolitan District No. 3**  
**Governmental Funds Balance Sheet/Statement of Net Position**  
**December 31, 2015**

<b>Asset</b>	General	Capital Projects	Debt Service	Total	Adjustments	Statement of Net Position
<b>Current assets</b>						
Cash and investments	\$ 44,643	\$ -	\$ 2,123,951	\$ 2,168,594	\$ -	\$ 2,168,594
Due from other funds	284	-	-	284	(284)	-
Accounts receivable	148	-	-	148	(148)	-
Prepaid expenses	7,860	-	-	7,860	-	7,860
Due from Three Springs Metropolitan District No. 1 & 2	465	-	14,462	14,927	-	14,927
<b>Capital assets</b>						
Parks & Drainage Improvements, net of accumulated depreciation of \$ 1,249,884	-	-	-	-	4,573,015	4,573,015
Construction in progress	-	-	-	-	2,901,710	2,901,710
<b>Total assets</b>	<b>\$ 53,400</b>	<b>\$ -</b>	<b>\$ 2,138,413</b>	<b>\$ 2,191,813</b>	<b>\$ 7,474,293</b>	<b>\$ 9,666,106</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 13,138	-	-	13,138	-	13,138
Due to other funds	-	284	-	284	(284)	-
Bond interest payable	-	-	-	-	109,081	109,081
<b>Other long-term liabilities</b>						
Bonds payable-current	-	-	-	-	5,000	5,000
Developer advance interest payable	-	-	-	-	500,897	500,897
Junior revenue series 2013 note interest payable	-	-	-	-	1,877,995	1,877,995
Developer advance note payable	-	-	-	-	977,202	977,202
Junior revenue series 2013 note payable	-	-	-	-	8,969,082	8,969,082
Bonds payable	-	-	-	-	16,880,000	16,880,000
<b>Total liabilities</b>	<b>13,138</b>	<b>284</b>	<b>-</b>	<b>13,422</b>	<b>29,318,973</b>	<b>29,332,395</b>
<b>Fund balance/net position</b>						
<b>Nonspendable</b>						
Prepaid expenses	7,860	-	-	7,860	(7,860)	-
<b>Restricted for</b>						
Emergencies	6,680	-	-	6,680	(6,680)	-
Capital projects	-	(284)	-	(284)	284	-
Debt service	-	-	2,138,413	2,138,413	(2,138,413)	-
<b>Unassigned reported in</b>						
General fund	25,722	-	-	25,722	(25,722)	-
<b>Total fund balances</b>	<b>40,262</b>	<b>(284)</b>	<b>2,138,413</b>	<b>2,178,391</b>	<b>(2,178,391)</b>	
<b>Total liabilities and fund balance</b>	<b>\$ 53,400</b>	<b>\$ -</b>	<b>\$ 2,138,413</b>	<b>\$ 2,191,813</b>		
<b>Net position</b>						
Net investment in capital assets					(23,159,062)	(23,159,062)
<b>Restricted for</b>						
Emergencies					6,680	6,680
Capital projects					(284)	(284)
Debt service					2,029,332	2,029,332
<b>Unrestricted</b>					1,457,045	1,457,045
<b>Total net position</b>					<b>\$ (19,666,289)</b>	<b>\$ (19,666,289)</b>

The notes to the financial statements are an integral part of these statements.

**Three Springs Metropolitan District No. 3**  
**Statement of Governmental Fund Revenues, Expenditures and**  
**Changes in Fund Balances/Statement of Activities**  
**For the year ended December 31, 2015**

	General	Capital Projects	Debt Service	Total	Adjustments	Statement of Activities
<b>Expenditures/expenses</b>						
General government:						
District management	\$ -	\$ -	\$ -	\$ -	\$ 4,821	\$ 4,821
Insurance/dues	7,894	-	-	7,894	-	7,894
Legal	35,481	-	-	35,481	-	35,481
Audit and accounting	6,600	-	-	6,600	-	6,600
Miscellaneous	1,230	-	-	1,230	-	1,230
Landscape/Grounds/Maintenance/Snow	125,346	-	-	125,346	-	125,346
Utilities	41,945	-	-	41,945	-	41,945
Bank service charges	4,176	-	1,154	5,330	-	5,330
Debt service:						
Junior revenue note interest	-	-	-	-	613,554	613,554
Developer advance interest	-	-	-	-	80,551	80,551
Bond principal payment	-	-	5,000	5,000	(5,000)	-
Bond interest expense	-	-	1,308,980	1,308,980	(32)	1,308,948
Capital outlay	-	490,742	-	490,742	(490,742)	-
Depreciation and amortization	-	-	-	-	117,675	117,675
Repay developer advances and interest	-	-	-	-	-	-
Assets transferred to other governments	-	-	-	-	344,259	344,259
<b>Total expenditures/expenses</b>	<u>222,672</u>	<u>490,742</u>	<u>1,315,134</u>	<u>2,028,548</u>	<u>665,086</u>	<u>2,693,634</u>
<b>General revenues</b>						
Interest income	-	-	4,017	4,017	-	4,017
Payment in lieu of taxes	5,068	-	97,875	102,943	-	102,943
Transfer from Three Springs						
Metropolitan District No. 1	55,206	-	650,615	705,821	-	705,821
Metropolitan District No. 2	22,660	-	-	22,660	-	22,660
<b>Total general revenues</b>	<u>82,934</u>	<u>-</u>	<u>752,507</u>	<u>835,441</u>	<u>-</u>	<u>835,441</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(139,738)	(490,742)	(562,627)	(1,193,107)	(665,086)	(1,858,193)
<b>Other financing sources (uses)</b>						
Advance from developer	180,000	409,759	-	589,759	(589,759)	-
<b>Total other financing sources</b>	<u>180,000</u>	<u>409,759</u>	<u>-</u>	<u>589,759</u>	<u>(589,759)</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	40,262	(80,983)	(562,627)	(603,348)	603,348	-
<b>Change in net position</b>	-	-	-	-	(1,858,193)	(1,858,193)
<b>Fund balance/net position - beginning of year</b>	-	80,699	2,701,040	2,781,739	(20,589,835)	(17,808,096)
<b>Fund balance/net position - December 31, 2015</b>	<u>\$ 40,262</u>	<u>\$ (284)</u>	<u>\$ 2,138,413</u>	<u>\$ 2,178,391</u>	<u>\$ (21,844,680)</u>	<u>\$ (19,666,289)</u>

The notes to the financial statements are an integral part of these statements.

**Three Springs Metropolitan District No. 3**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the year ended December 31, 2015**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Interest income	\$ 50	\$ -	\$ (50)
Metropolitan District No. 1	55,318	55,206	(112)
Metropolitan District No. 2	21,791	22,660	869
Payment in lieu of taxes	5,068	5,068	-
Total revenues	<u>82,227</u>	<u>82,934</u>	<u>707</u>
<b>Expenditures</b>			
General government			
Accounting and audit	7,000	6,600	400
Insurance/dues	8,000	7,894	106
Legal	30,000	35,481	(5,481)
Administration/Staffing/Programming/OH	100	1,230	(1,130)
Office supplies	200	4,133	(3,933)
Postage	200	43	157
Subscriptions	2,000	-	2,000
Community operations			
Landscaping/Grounds/Maintenance	135,000	119,168	15,832
Utilities	30,000	41,945	(11,945)
Snow removal	10,000	6,178	3,822
Contingency	25,000	-	25,000
Total expenditures	<u>247,500</u>	<u>222,672</u>	<u>24,828</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(165,273)	(139,738)	25,535
<b>Other financing sources</b>			
Developer advances-operating	164,865	180,000	15,135
Total other financing sources	<u>164,865</u>	<u>180,000</u>	<u>15,135</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	(408)	40,262	40,670
<b>Fund balance - beginning of year</b>	<u>7,833</u>	<u>-</u>	<u>(7,833)</u>
<b>Fund balance -December 31, 2015</b>	<u>\$ 7,425</u>	<u>\$ 40,262</u>	<u>\$ 32,837</u>

The notes to the financial statements are an integral part of these statements.

**Three Springs Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2015**

**I. Summary of Significant Account Policies**

Three Springs Metropolitan District No. 3 (the "District") was established in 2006 as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was formed primarily to finance, construct, operate, and maintain parks, recreation facilities and parks related drainage infrastructure within the boundaries of Three Springs Metropolitan Districts Nos. 1, 2 and 3 in the City of Durango, Colorado. Per an Inter-District Financing Agreement and an Inter-District Construction and Service Agreement the District receives transfers of property tax revenues from Three Springs Metropolitan Districts Nos. 1 & 2 to perform the tasks listed above.

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 District is governed by an elected Board of five members which is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with the provisions of the Colorado Special District Act.

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 special financial benefits, to, or 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 discussed 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 is a special-purpose government engaged in a single governmental program and as such the fund financial statements and the government-wide statements have been combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statement.

**Three Springs Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2015**

**i. Government-wide Financial Statements**

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts; (a) net investment in capital assets, (b) unrestricted net position, and (c) restricted net position.

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.

**ii. 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 primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The *Debt Service Fund* is used to account for the accumulation of financial resources to be used for the payment of general long-term debt principal, interest, and other related costs.

**c. 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.

**i. Long-term Economic Focus and Accrual Basis**

Governmental-type activities in the government-wide financial statements 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.

**Three Springs Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2015**

**ii. 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 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.

**iii. Financial Statement Presentation**

Amounts reported as program revenues include 1) charges to customers or 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 transfers of taxes from District No 1 and District No 2.

**d. Financial Statement Accounts**

**i. Cash and Cash Equivalents**

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

**ii. Receivables**

Receivables are reported net of any allowance for uncollectible accounts. No such allowance has been established as all receivables are deemed collectable.

**iii. Capital Assets**

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Construction in progress is not completed until the construction is completed. The District defines completion of construction in progress as the date upon which the project is accepted by the City of Durango and approved by the District's Board of Directors. At December 31, 2015 the District's Board of Directors had approved \$11,244,085 in assets that were under construction.

**Three Springs Metropolitan District No. 3**  
**Notes to the Financial Statements**  
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- iv. The following assets are depreciated using the straight line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	25
Landscape improvements	15
Irrigation and sprinklers	10
Street furniture and signage	5

**v. Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by governmental entities 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 deferred inflow.

**vi. Payables and Accrued Liabilities**

Payables and accrued liabilities are defined as obligations arising out of the current period that are anticipated to be liquidated with currently available financial resources.

**vii. Uses of Estimates**

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

**II. Reconciliation of Government-wide and Fund Financial Statements**

- a. The Balance Sheet/Statement of Net Position – Governmental Funds includes an adjustments column. The adjustments have the following elements:
- i. Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
  - ii. Long-term liabilities such as bonds payable, developer advances, accrued developer advance interest and accrued bond interest payable are not due and payable in the current period and, therefore are not in the funds.
- b. The Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities – Governmental Funds includes an adjustments column. The adjustments have the following elements:

**Three Springs Metropolitan District No. 3**  
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- i. Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities;
- ii. Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the Statement of Activities;
- iii. Governmental funds report bond/note proceeds and developer advances as revenue, however, the bond/note proceeds and developer advances are an increase in long term liabilities in the statement of activities; and
- iv. Governmental funds report long-term debt payments as expenditures; however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

**III. 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 by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the following time table in approving and enacting a budget for the ensuing years:

- i. For the 2015 budget year, prior to August 25, 2014, the County Assessor sent to the District the certified 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.
- ii. On or before October 15, 2014, the District accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- iii. A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- iv. Prior to December 15, 2014, the District computed and certified to the Directors of Three Springs Metropolitan Districts Nos. 1 & 2 rate of levy that derived the necessary property taxes as computed in the proposed 2015 budget.
- v. For the 2015 budget, the final budget and appropriating resolution was adopted prior to December 31, 2014.



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After adoption of the budget resolution, the District may make the following changes: 1) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; 2) supplemental appropriations to the extent of revenues in excess of the amounts estimated in the budget; 3) emergency appropriations; and 4) reduction of appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2014 will be collected in 2015. Taxes are due on January 1<sup>st</sup> in the year of collection; however, they may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (not later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15<sup>th</sup>.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**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 requires, with certain exceptions, advance voter approval of any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy changes directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for creations of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve fund to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service, expenditure of bond proceeds and enterprise spending. The District has reserved \$6,680, which is the approximate required reserve at December 31, 2015.

The District's management believes that 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 compute fiscal year spending limits, will require judicial interpretation.

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**Notes to the Financial Statements**  
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**c. Fund Equity**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory and prepaids) or are legally or contractually required to be maintained intact. The nonspendable fund balance in the General Fund in the amount of \$7,860 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$6,680 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$2,138,413 is reserved for the payment of costs associated with the long-term obligations.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates authority to.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

For the classification of Governmental Fund balances, the District considers expenditure to be made from the most restrictive first when more than one classification is available.

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**Notes to the Financial Statements**  
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**d. Net Position**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to those restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District will use the most restrictive net position first.

**IV. Detailed Notes on All Funds**

**a. Deposits and Investments**

**i. Deposits**

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State 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.

At December 31, 2015, the District’s cash deposits had a carrying value of \$112,092 and a bank balance of \$117,372.

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**ii. Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

1. Obligations of the United States and certain U.S. government agency securities
2. Certain international agency securities
3. General obligation and revenue bonds of U.S. local government entities
4. Banker's acceptances of certain banks
5. Commercial paper
6. Written repurchase agreements collateralized by certain authorized securities
7. Certain money market mutual funds
8. Guaranteed investment contracts
9. Local government investment pools

None of the District's investments are subject to custodial or concentration of credit risk. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

The local government investment pool, Colorado Local Government Liquid Asset Trust ("Colotrust") is rated AAAM by Standard & Poor's. Colotrust is an investment trust/joint venture established by local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. Colotrust Plus+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by Colotrust. At December 31, 2015, the District had \$2,056,502 invested in Colotrust, which is all in trust funds at UMB Bank.

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**b. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Changes</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>			
Capital assets not being depreciated			
Construction in progress	\$ 2,581,574	\$ 320,136	2,901,710
Land and improvements	4,029,035	-	4,029,035
Total capital assets not being depreciated	<u>6,610,609</u>	<u>320,136</u>	<u>6,930,745</u>
Capital assets being depreciated			
Landscape improvements	1,067,773	-	1,067,773
Buildings	160,599	-	160,599
Equipment	475,588	-	475,588
Capitalized interest	89,904	-	89,904
Total capital assets being depreciated	<u>1,793,864</u>	<u>-</u>	<u>1,793,864</u>
Less accumulated depreciation for			
Landscape improvements	570,160	102,020	672,180
Buildings	36,403	6,424	42,827
Equipment	474,702	241	474,943
Capitalized interest	50,944	8,990	59,934
Total accumulated depreciation	<u>1,132,209</u>	<u>117,675</u>	<u>1,249,884</u>
<b>Total government capital assets, net</b>	<u>\$ 7,272,264</u>	<u>\$ 202,461</u>	<u>\$ 7,474,725</u>

**c. Long-term Debt**

**i. Property Tax Supported Revenue Bonds**

The District was organized in conjunction with two other metropolitan districts, Three Springs Metropolitan District Nos. 1 & 2. At the organizational elections for the three districts each District received approval to issue revenue or general obligation indebtedness, including bonds and other multiple-fiscal year financial obligations such as intergovernmental agreements and acquisition, reimbursement and funding agreements, in the amounts of \$38,000,000. The Service Plans of the Districts limit the aggregate debt of the Districts for funding of capital costs of improvements to \$38,000,000, unless approved in writing by the City Manager of the City of Durango. As of December 31, 2015, the District had remaining voted debt authorization of approximately \$9,600,000.

On June 3, 2010, the District issued Property Tax Supported Revenue Bonds Series 2010 in the amount of \$16,900,000. The Series 2010 Bonds were issued for the purpose of defraying the cost of all or a portion of the Series 2010 projects. These bonds bear interest at 7.75%, payable semiannually on June 1 and December 1, commencing December 1, 2010, and fully mature on December 1, 2039. Under the bond agreement, property taxes and specific ownership taxes collected in Three Springs Metro District #1 are allocated to the District to pay the required annual debt service. Payments in lieu of taxes from other properties within the District are also allocated to pay debt. The Series 2010 Bonds are secured by a Debt Service Guaranty Agreement with GRVP, LLC dated June 1, 2010, which requires the Developer to advance moneys in order to avoid a default on the Series 2010 Bonds. The Bonds are also secured by a Debt Service Fund in the amount of

**Three Springs Metropolitan District No. 3**  
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\$1,690,000 and a Surplus Fund in the maximum amount of \$2,000,000. The Surplus Fund shall be terminated on the date upon which the Series 2010 Bonds become an Unlimited Mill Levy Debt. The bonds are subject to an early redemption at the option of the District commencing December 1, 2020.

The Series 2010 Bonds shall be Limited Mill Levy Debt until the date the Debt to Assessed Ratio is 50% or less, on which date the Series 2010 Bonds shall convert to Unlimited Mill Levy Debt. While the Series 2010 Bonds are considered Limited Mill Levy Debt, the District can only impose a mill levy of 50 mills less the operating mill levy, which may be adjusted for changes in state law.

The following is an analysis of changes in long-term debt for the period ending December 31, 2015.

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015	Current Portion
Property Tax Supported Revenue Bonds, Series 2010	<u>\$ 16,890,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$16,885,000</u>	<u>\$ 5,000</u>

The following is a summary of annual and long-term debt principal and interest requirements for the property tax supported revenue bonds:

**Future Principal and Interest Payments**

	Principal	Interest	Total
2016	\$ 5,000	\$ 1,308,588	\$ 1,313,588
2017	5,000	1,308,200	1,313,200
2018	5,000	1,307,812	1,312,812
2019	15,000	1,307,425	1,322,425
2020	90,000	1,306,262	1,396,262
2021-2025	1,365,000	6,323,226	7,688,226
2026-2030	2,985,000	5,562,949	8,547,949
2031-2035	4,915,000	4,115,249	9,030,249
2036-2039	<u>7,500,000</u>	<u>1,696,088</u>	<u>9,196,088</u>
	<u>\$ 16,885,000</u>	<u>\$ 24,235,799</u>	<u>\$ 41,120,799</u>

**ii. Developer Advances**

On July 26, 2006 and amended January 1, 2009, the District entered into a funding agreement with GRVP, LLC (the Developer). Under this agreement the Developer has agreed to advance up to \$27,500,000. Advances accrue interest at 8%.

On May 1, 2007 and amended January 1, 2009 and October 13, 2015, the District entered into an Acquisition and Reimbursement Agreement

**Three Springs Metropolitan District No. 3**  
**Notes to the Financial Statements**  
**December 31, 2015**

with GRVP, LLC (the Developer). Under this agreement the District has agreed to reimburse the Developer for costs incurred by the Developer for the completion of public improvements. Developer Advances accrue interest at 8% from the date of the transfer of the public improvements to the District or the City.

Through December 31, 2015, the District's balance owed to the Developer under the funding agreement was \$977,202. This was a net increase of \$268,938 from the December 31, 2014 balance of \$708,264. Developer advances payable were increased by \$268,938 including \$6,391 in operations and maintenance administrative fee advances, \$2,547 in construction management fee advances and \$260,000 in developer advances.

	Changes in Developer Advances			
	Balance			Balance
	January 1, 2015	Additions	Deletions	December 31, 2015
Principal	\$ 708,264	\$ 268,938	\$ -	\$ 977,202
Accrued interest	402,426	98,471	-	500,897
	\$ 1,110,690	\$ 367,409	\$ -	\$ 1,478,099

**iii. Junior Revenue Note Series 2013**

The District issued the Junior Revenue Note Series 2013 (Series 2013 Note) in the amount of \$7,900,000 effective January 1, 2013. On December 30, 2014, the District Board amended the issued amount to \$11,500,000. The note is payable to the Developer. The Series 2013 Note is to be paid solely from junior pledged revenue as defined in the Property Tax Supported Revenue Bonds Series 2010 (Series 2010 Bonds) bond indenture. All obligations to pay the Series 2013 Note are subordinate to the obligations to pay the Series 2010 Bonds. The initial amount of the Series 2013 Note represents the amount due the Developer for project improvements at January 1, 2013 in the amount of \$6,681,464 including \$4,685,535 of principal and \$1,995,929 of accrued interest. The Series 2013 Note bears interest at 7.75% and matures December 31, 2042.

As of December 31, 2015, the District owed the Developer \$8,969,082, an increase of \$409,758 from December 31, 2014 representing transfer of assets from the developer. There was accrued interest during 2015 of \$765,172.

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**Notes to the Financial Statements**  
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	Changes in Series 2013 Note			
	Balance			Balance
	January 1, 2015	Additions	Deletions	December 31, 2015
Principal	\$ 8,559,324	\$ 409,758	\$ -	\$ 8,969,082
Accrued interest	1,112,823	765,172	-	1,877,995
	\$ 9,672,147	\$ 1,174,930	\$ -	\$ 10,847,077

**iv. Developer Funded Infrastructure Improvements**

Through December 31, 2015 the Developer has incurred \$11,244,085 of costs for infrastructure improvements. The increase is due to continued development of infrastructure and related assets in the District. Of total Developer costs, the District accepted assets of \$11,244,085 as completed and subsequently transferred completed assets of \$9,549,050 to the City of Durango, Colorado. In addition, management fees of \$469,151 were allocated to the assets transferred making the total transfer to the City \$10,018,201.

**V. Other Information**

**a. Colorado Special Districts Property and Liability Pool**

The District is exposed to various risks and loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or injuries to employees. The District is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to it members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pools for liability, property and public official's coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from Pool members. Any excess funds which the Pool determines are not needed for the purpose of the Pool may be returned to the members pursuant to a distribution formula.

**b. Related Party Transactions**

GRVP, LLC is the Developer within the District. It is the District's policy to not recognize improvements constructed by the Developer until they are 100% completed and accepted by the District and the City of Durango. At December 31, 2015, there were no partially completed improvements that are being constructed by GRVP, LLC.



**Three Springs Metropolitan District No. 3**  
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On January 1, 2007 and amended January 1, 2009, the District entered into a Management Services Agreement with GRVP, LLC. Under this agreement, the District would reimburse GRVP, LLC for management services provided for construction of the improvements and general administration of the District for 5% of the actual costs. Management fees accrue interest at 8%. On April 14, 2015, the Management Services Agreement was assigned to GF Properties Group, LLC who assumes all outstanding management fees, actual costs and interest accrued thereon.

**Three Springs Metropolitan District No. 3**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Capital Projects Fund**  
**For the year ended December 31, 2015**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Interest income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>			
Capital outlay	508,000	490,742	17,258
Contingency	45,000	-	45,000
Total expenditures	<u>553,000</u>	<u>490,742</u>	<u>62,258</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(553,000)</u>	<u>(490,742)</u>	<u>62,258</u>
<b>Other financing sources and uses</b>			
Developer advances	548,425	409,759	(138,666)
Total other financing sources and uses	<u>548,425</u>	<u>409,759</u>	<u>(138,666)</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	(4,575)	(80,983)	(76,408)
<b>Fund balance - beginning of year</b>	<u>4,575</u>	<u>80,699</u>	<u>76,124</u>
<b>Fund balance -December 31, 2015</b>	<u><u>\$ -</u></u>	<u><u>\$ (284)</u></u>	<u><u>\$ (284)</u></u>

**Three Springs Metropolitan District No. 3**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Debt Service Fund**  
**For the year ended December 31, 2015**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Payment in lieu of taxes	\$ 97,875	\$ 97,875	\$ -
Transfers from District 1	641,677	650,615	8,938
Interest income	3,500	4,017	517
Total revenues	<u>743,052</u>	<u>752,507</u>	<u>9,455</u>
<b>Expenditures:</b>			
Debt service-bond principal	5,000	5,000	-
Debt service-interest	1,308,975	1,308,980	(5)
Paying agent fees	3,100	-	3,100
Bank service charge	1,600	1,154	446
Total expenditures	<u>1,318,675</u>	<u>1,315,134</u>	<u>3,541</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(575,623)	(562,627)	12,996
<b>Fund balance - beginning of year</b>	<u>2,659,805</u>	<u>2,701,040</u>	<u>41,235</u>
<b>Fund balance -December 31, 2015</b>	<u><u>\$ 2,084,182</u></u>	<u><u>\$ 2,138,413</u></u>	<u><u>\$ 54,231</u></u>