

Southgate Sanitation District

Annual Financial Report

December 31, 2016 and 2015



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**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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Independent Auditor's Report

Members of the Board of Directors
Southgate Sanitation District

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southgate Sanitation District, as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years 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 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 Southgate Sanitation District's financial statements as a whole. The introductory and supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The other supplementary information as listed in the table of contents 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado
July 25, 2017

Southgate Sanitation District Management Discussion and Analysis

The Southgate Sanitation District (the "District") offers the readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the Fiscal Year ended December 31, 2016. Please read it in conjunction with the financial statements.

CONTENTS

In addition to this Management Discussion and Analysis this annual report includes:

Independent Auditor's Report

Financial Statements- *The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.*

Statement of Net Position - *The Statement of Net Position provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.*

Statement of Activities- *This statement measures the results of the District's operations over the past year and illustrates the manner in which it has funded its operations and activities. It is the basis for determining profitability and credit worthiness.*

Statement of Cash Flows - *The purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.*

Notes to the Financial Statements explain in more detail much of the information in the financial statements.

Supplementary Information, consisting of:

Budgetary Comparison Schedule - Budgetary Basis Non-GAAP - 2016

Budgetary Comparison Schedule- Budgetary Basis Non-GAAP - 2015

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and Statement of Activities work to answer that question.

A summary of the District's Statement of Net Position is presented in the following table.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>'15-'16 Change</u>	<u>'15-'16%</u>
Current Assets	\$ 10,519,071	\$ 6,695,562	\$ 4,463,631	\$ (2,231,931)	-33.33%
Property, Plant & Equipment	27,863,664	28,506,735	28,263,937	(242,798)	-0.85%
Other Assets	<u>27,717,709</u>	<u>32,831,883</u>	<u>36,995,761</u>	<u>4,163,878</u>	12.68%
Total Assets	66,100,444	68,034,180	69,723,329	1,689,149	2.48%
Current Liabilities	707,445	372,713	264,055	(108,658)	-29.15%
Deferred Inflows of Resources	<u>859,844</u>	<u>926,249</u>	<u>938,767</u>	<u>12,518</u>	1.35%
Total Liabilities	1,567,289	1,298,962	1,202,822	(96,140)	-7.40%
Net Investment in Capital Assets	27,863,664	28,506,735	28,263,937	(242,798)	-0.85%
Restricted-TABOR reserve	61,793	39,458	43,193	3,735	9.47%
Unrestricted	<u>36,607,698</u>	<u>38,189,025</u>	<u>40,213,377</u>	<u>2,024,352</u>	5.30%
Total Net Position	<u>\$ 64,533,155</u>	<u>\$ 66,735,218</u>	<u>\$ 68,520,507</u>	<u>\$ 1,785,289</u>	2.68%

Current Assets are primarily cash held in investment trusts to cover cash flow needs together with funds to cover capital improvement projects. Property, Plant and Equipment and Net Investment in Capital Assets reflect the rigorous application of the GASB Statement No. 34 standards to the capital asset schedule and to the calculation of depreciation. During 2016 the District's largest capital investments were: 1) Kaiser West Basin improvements, 2) continued development of the Geographic Information System, 3) continued development of a computerized work management system, and 4) continued development of a computerized asset management system. Current Liabilities are primarily related to the deferred property tax (a function of the timing of mill levy certification versus the timing of receipt of funds). Restricted Net Position reflects the required amount pursuant to the TABOR (Taxpayer Bill of Rights) calculation. Unrestricted Net Position reflects the funds in the District's investments portfolio together with cash.

A summary of the District's activities and changes in net position is presented below.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>'15-'16 Change</u>	<u>'15-'16 %</u>
Opening Revenue	\$ 97,002	\$ 631,298	\$ 889,222	\$ 257,924	40.86%
Non-Operating Revenue	<u>1,110,367</u>	<u>1,333,014</u>	<u>1,148,203</u>	<u>(184,811)</u>	-13.86%
Total Revenues	1,207,369	1,964,312	2,037,425	73,113	3.72%
Depreciation Expense	1,372,035	1,381,494	1,383,491	1,997	0.14%
Govt/Admin/Other Operating Expense	2,059,764	1,277,782	1,439,751	161,969	12.68%
Non-Operating Expense	<u>12,052</u>	<u>12,839</u>	<u>9,333</u>	<u>(3,506)</u>	-27.31%
Total Expenses	3,443,851	2,672,115	2,832,575	160,460	6.00%
Income/Loss Before Contributions	(2,236,482)	(707,803)	(795,150)	(87,347)	12.34%
Capital Contributions	<u>5,157,107</u>	<u>2,909,866</u>	<u>2,580,439</u>	<u>(329,427)</u>	-11.32%
	2,920,625	2,202,063	1,785,289	(416,774)	-18.93%
Net Position- Beginning of Year	<u>61,612,530</u>	<u>64,533,155</u>	<u>66,735,218</u>	<u>2,202,063</u>	3.41%
Net Position - End of Year	<u>\$ 64,533,155</u>	<u>\$ 66,735,218</u>	<u>\$ 68,520,507</u>	<u>\$ 1,785,289</u>	2.68%

The District funds its activities from interest earnings, new tap sales (included in Capital Contributions), a small property tax, and a small charge collected on the District's behalf by the City of Englewood, and miscellaneous revenues. The District's property tax has been progressively reduced over the years and is now less than \$1 per \$1,000 of assessed valuation. Capital projects are

funded by tap fees (included in Capital Contributions) augmented by existing reserve funds. Operating revenues reflect: 1) the service charge collected by the City of Englewood, and 2) the miscellaneous revenue. The decreases in Non-Operating revenues were due to reduced property taxes and reduced interest income. Capital Contributions increased and is reflective of an improving economy. Through prudent budgeting and accumulation of operational and capital reserves the District is able to maintain established programs at the optimal level of service.

Governmental and Administration Expense reflects a general tightening of expenditure practices within the amounts authorized by budget. Other Operating Expense reflects a necessary increase in operational and system repair costs. Income/Loss Before Contributions reflects the effects of the still weak economy and extreme decline in interest earned on the District's investments; and the need to turn to the above referenced fiscal reserves. That situation is expected to recover with time. Even with the economic downturn, the overall health of the District remains strong as reflected in the Net Position – End of Year.

As you review the Financial Statements you will note that the District has implemented Government Accounting Standards Board Statement No. 40 (GASB 40) relative to disclosures of deposit and investment risk on the District's cash and investments. You will find that the District invests under the provisions and restraints of a written Investment Policy and conforms to the requirements of the Colorado Public Deposit Protection Act (PDPA) relative to use of eligible public depositories. While the District limits its investments to the more conservative and higher rated instruments allowed under the Colorado Statutes, there is opportunity for diversification and the investment portfolio has been laddered to take advantage of any up-turn in the investment market.

Capital Assets

At the end of 2016, the District had invested \$56.2 million, (less \$27.9 million in accumulated depreciation), in a broad range of infrastructure, including: approximately 225 miles of collection and transmission lines, one tunnel, maintenance and administration facilities, vehicles, and equipment as shown in the following table.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>'15-'16 Change</u>	<u>'15-'16 %</u>
Sewer System	\$ 48,797,037	\$ 50,688,334	\$ 51,194,408	\$ 506,074	1.00%
Special Projects/Studies	745,030	819,240	1,110,968	291,728	35.61%
Capital Equipment	1,731,447	1,754,741	2,094,658	339,917	19.37%
Building & Land	1,741,507	1,741,507	1,741,507	-	0.00%
Easements	5,900	5,900	5,900	-	0.00%
Construction in Progress	<u>56,076</u>	<u>82,102</u>	<u>85,076</u>	<u>2,974</u>	3.62%
Subtotal	53,076,997	55,091,824	56,232,517	1,140,693	2.07%
Accumulated Depreciation	<u>(25,213,333)</u>	<u>(26,585,089)</u>	<u>(27,968,580)</u>	<u>(1,383,491)</u>	5.20%
Net Property Plant & Equipment	<u>\$ 27,863,664</u>	<u>\$ 28,506,735</u>	<u>\$ 28,263,937</u>	<u>\$ (1,383,491)</u>	-4.85%

This table fully reflects the results of the GASB 34 asset valuation and depreciation efforts. The increase in Construction in Progress is also a reflection of the above referenced capital improvements: Recently the overlapping municipalities have approved new development at substantially higher density and with substantially greater demand upon the wastewater collection

system. The affected basins have been hydraulically modeled, through the counties. 2016 expenditures were less than anticipated and revenues were more than anticipated. The annual fluctuation for Capital Outlay is evident. With recognition that capital improvements are usually multi-year undertakings, (and that the schedule can be affected by many things), the District budgets for possible maximum expenditure in any given year and re-budgets the unexpended portion, (for in-progress projects), the following fiscal year to continue the capital program

ECONOMIC CONSIDERATIONS

The District is located in the economically attractive southeast corridor of the Denver metropolitan area and has growth potential for some time to come. Most of the District's infrastructure is in place. The District's wastewater treatment needs have been secured through intergovernmental agreement with the City of Englewood.

/s/ David A. Irish,
District Manager

Note: This Discussion and Analysis contains some forward-looking statements giving our current expectations or forecasts of future events. You can identify these statements by the fact that they do not refer strictly to historical or current facts and include words such as "anticipate", "estimate", "project", "intend", "plan", "believe", "hope", and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future revenues, capital expenditures, the impact of new accounting pronouncements, and other statements regarding matters that are not historical facts or statements of current condition. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. We undertake no obligation (and expressly disclaim any such obligation) to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise; except as required by law.

Requests for Information

This financial report is designed to give its readers 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:

David Irish, District Manager
Southgate Sanitation District
3722 East Orchard Road
Centennial, CO 80121

Basic Financial Statements

Southgate Sanitation District
Statements of Net Position
December 31, 2016 and 2015

	2016	2015
Assets		(as restated)
Current assets		
Cash and cash equivalents (Note 3)	\$ 3,221,386	\$ 5,523,816
Receivables		
Interest receivable	81,453	-
Property taxes	938,767	926,249
County treasurer	9,067	5,162
Note, current portion (Note 5)	64,269	62,095
Due from other governments (Note 7)	65,443	59,393
Prepaid expense	48,873	87,603
Inventory	34,373	31,244
Total current assets	<u>4,463,631</u>	<u>6,695,562</u>
Property, plant and equipment		
Net property, plant and equipment	<u>28,263,937</u>	<u>28,506,735</u>
Other assets		
Investments (Note 3)	35,748,967	31,520,819
Long-term note from joint venture (Note 5)	1,246,794	1,311,064
Total other assets	<u>36,995,761</u>	<u>32,831,883</u>
Total assets	<u>\$69,723,329</u>	<u>\$68,034,180</u>
Liabilities, Deferred Inflows and and Net Position		
Current liabilities		
Accounts payable	\$ 76,016	\$ 167,639
Retainage payable	15,632	58,072
Accrued liabilities	74,320	78,889
Developer advances and participation agreements	98,087	68,113
Total current liabilities	<u>264,055</u>	<u>372,713</u>
Deferred Inflows of Resources		
Unavailable revenue—property taxes	<u>938,767</u>	<u>926,249</u>
Net Position		
Net Investment in capital assets	28,263,937	28,506,735
Restricted - TABOR reserve (Note 11)	43,193	39,458
Unrestricted	<u>40,213,377</u>	<u>38,189,025</u>
Total net position	<u>\$68,520,507</u>	<u>\$66,735,218</u>

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

Southgate Sanitation District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	2016	2015 (as restated)
Operating Revenues		
Rates and service charges	\$ 877,921	\$ 615,146
Plan review and inspection fees	11,000	13,290
Other income	301	2,862
Total operating revenues	<u>889,222</u>	<u>631,298</u>
Operating expenses		
Accounting and audit	30,672	28,600
Conferences and seminars	23,994	20,582
Director's fees	6,700	6,400
Employee compensation (Note 7)	718,288	676,359
Insurance	42,329	902
Legal	44,556	21,524
Office expense	127,914	140,039
Special projects expensed	49,744	54,958
Engineering	58,887	10,423
Maintenance	303,935	289,829
Small equipment	7,662	6,948
Utilities	25,070	21,218
Depreciation (Note 4)	1,383,491	1,381,494
Total operating expenses	<u>2,823,242</u>	<u>2,659,276</u>
Operating Income (loss)	<u>(1,934,020)</u>	<u>(2,027,978)</u>
Non-operating revenues (expenses)		
Property taxes	914,470	855,641
Specific ownership tax	72,293	71,880
County Treasurer's fees	(9,333)	(12,839)
Interest earnings from joint venture loan	48,061	50,160
Investment income	113,379	355,333
Total non-operating revenues (expenses)	<u>1,138,870</u>	<u>1,320,175</u>
Loss Before Contributions	(795,150)	(707,803)
Capital Contributions (Taps and Conveyed Facilities)	<u>2,580,439</u>	<u>2,909,866</u>
Change in Net Position	1,785,289	2,202,063
Net position—beginning of year	<u>66,735,218</u>	<u>64,533,155</u>
Net position—end of year	<u>\$ 68,520,507</u>	<u>\$ 66,735,218</u>

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

Southgate Sanitation District
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015 (as restated)
Cash flows from operating activities		
Cash received from customers	\$ 885,317	\$ 699,421
Cash paid to suppliers for goods and services	(792,941)	(983,279)
Cash paid to employees for services	<u>(722,857)</u>	<u>(673,935)</u>
Net cash from operating activities	<u>(630,481)</u>	<u>(957,793)</u>
Cash flows from noncapital financing activities		
Cash received from taxes	986,763	927,521
Cash paid to County Treasurer	<u>(9,333)</u>	<u>(12,839)</u>
Net cash from noncapital financing activities	977,430	914,682
Cash flows from capital and related financing activities		
Purchases and construction of property and equipment	(642,894)	(1,566,269)
Proceeds received from participation agreement	(3,060)	74,437
Capital contributed—tap fees	2,082,640	2,451,570
Payments received for loan to joint venture	62,096	117,962
Interest received from loan to joint venture	<u>(33,392)</u>	<u>128,680</u>
Net cash from capital and related financing activities	<u>1,465,390</u>	<u>1,206,380</u>
Cash flows from investing activities		
Net sale of investments	(4,529,181)	(5,201,964)
Interest received in investments	<u>414,412</u>	<u>381,029</u>
Net cash from investing activities	<u>(4,114,769)</u>	<u>(4,820,935)</u>
Net change in cash and cash equivalents	(2,302,430)	(3,657,666)
Cash and cash equivalents—beginning of year	<u>5,523,816</u>	<u>9,181,482</u>
Cash and cash equivalents—end of year	<u><u>\$ 3,221,386</u></u>	<u><u>\$ 5,523,816</u></u>
Reconciliation of operating loss to net cash from operating activities		
Operating (loss)	\$ (1,934,020)	\$ (2,027,978)
Depreciation	1,383,491	1,381,494
Adjustments to reconcile operating loss to net cash from operating activities		
Change in accounts receivable	(3,905)	68,123
Change in prepaid expense	38,730	(43,453)
Change in inventory	(3,129)	(1,247)
Change in accounts payable and accrued liabilities	(141,622)	(116,930)
Change in developer advances	<u>29,974</u>	<u>(217,802)</u>
Net cash from operating activities	<u><u>\$ (630,481)</u></u>	<u><u>\$ (957,793)</u></u>
Schedule of noncash investing, capital and financing activities		
Property contributed by developers (Note 4)	<u>\$ 497,799</u>	<u>\$ 458,296</u>

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

Southgate Sanitation District

Notes to Basic Financial Statements

December 31, 2016 and 2015

1. Organization

Organization

Southgate Sanitation District (the District) is a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to develop and provide for the construction and maintenance of a wastewater system. Wastewater treatment is provided by the City of Englewood, and charges for these services are billed and collected directly from District customers by the City of Englewood.

2. Significant Accounting Policies

General Accounting Policies

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District presents its financial statements as an enterprise fund. Enterprise funds are used to account for operations (a) which are intended to be self-supporting through user charges or (b) where the Board of Directors has determined that periodic determination of net income is appropriate for management control and accountability.

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in net assets. Tap fees, inclusion fees and contributed sewer lines are recorded as non-operating revenue when the permits are issued or the services are performed.

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Fund Accounting - The District uses a proprietary fund type, as is required by the State of Colorado, and in accordance with generally accepted accounting principles.

Capital Assets- Capital assets consist of property, plant and equipment and are recorded at cost. Contributions from developers are recorded at the developers' cost or estimated fair market value. It is the District's policy to capitalize capital expenditures which exceed \$5,000.

Depreciation has been charged by the straight-line method using the following estimated useful lives:

Building	25 years
Sewer lines and related facilities	40 years
Furniture, fixtures and vehicles	3-5 years
Master plan studies	5 years

Property Tax - Property taxes are levied by December 31, based on the assessed valuation of the property as of the prior January 1. Property taxes are due on the following January 1. However, property taxes are collected on April 30, if paid in full, or February 28 and June 15, if paid in installments. The statement of net position reflects property taxes assessed in 2016 and 2015 as property tax receivable and deferred inflow of resources, since the District will not collect the 2016 taxes until 2017 or the 2015 taxes until 2016.

Budgetary Accounting - In accordance with the Colorado State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year.

The District's Board of Directors can modify the budget within the appropriation. The appropriation resolution may be amended only after completion of notification and publication requirements. The budget for the proprietary fund is prepared on a basis other than the financial reporting basis.

Cash Equivalents - For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Contributed Capital- System charges (tap fees) are recorded as revenue when received. The District, from time to time, requires developers to contract at their expense or pay the cost of certain wastewater collection and transmission facilities. The costs of construction are considered to be contributed capital when conveyed to the District.

Personal Leave Benefits - The District has a policy which allows employees to accumulate personal leave benefits on a monthly basis from the date of employment. Employees may carry forward up to one half of earned personal leave time in any one year. Total accumulated personal leave benefits are accrued at a maximum rate per year without limit.

Inventories- Inventories are valued at the lower of cost or market and consist of expendable supplies.

Deferred Inflows Of Resources- In addition to liabilities, the statement of net 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 tax revenue that is related to a future period is recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt, 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. The net position amount is also adjusted by any bond issuance premiums and discounts. Net position is reported as restricted when there are limitations 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 are available.

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

Southgate Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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

3. Cash Deposits, Marketable Securities and Investments

Colorado State statutes govern the District's deposit of cash. The statutes specify eligible depositories for public cash deposits that must be Colorado institutions and must maintain federal insurance on deposits held.

Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government 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.

Colorado statutes define eligible investments for local governments. These include U.S. Treasury obligations, repurchase agreements, Colorado and local governmental obligations and others.

The District had cash balances on deposit with original maturities of less than three months stated at cost, which approximates market, as follows:

December 31, 2016	Carrying	Bank
Composition of cash balances:		
Cash in checking	<u>\$ 3,221,386</u>	<u>\$ 3,274,904</u>
 December 31, 2015		
Composition of cash balances:		
Cash in checking	<u>\$ 5,523,816</u>	<u>\$ 5,643,672</u>

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2016 and 2015, the District's bank balance was not exposed to custodial credit risk. Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through PDPA.

Southgate Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2016 and 2015

3. Cash Deposits, Marketable Securities and Investments (continued)

The District's cash deposits and investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes deposits not covered by depository insurance and uncollateralized. Category 2 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The District has not adopted a formal investment policy.

All of the District's cash deposits are covered by depositor insurance maintained by the Federal Depository Insurance Corporation (FDIC).

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria that local governments may invest in, which include:

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from prevailing market interest rates, the District's investment policy states that the weighted average maturity of the portfolio shall be no greater than 2.5 years, and all investments shall have a final maturity not exceeding 5 years from the date of purchase.

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2016 and 2015

3. Cash Deposits, Marketable Securities and Investments (continued)

Credit Risk - The District's investment policy is to apply the prudent person rule where investments are made as a prudent person would be expected to act. The District's investment policy limits investments in fixed income securities to U.S. Treasury bills, notes and bonds; certificates of deposit; commercial paper; money market mutual funds and local government investment pools. The investment policy limits investments in commercial paper to be rated A-1 by Standard & Poor's, P-1 by Moody's Investors Service or F-1 by Fitch at the time of purchase. Money market mutual funds must be registered as an investment company and have a rating of AAAM by Standard & Poor's, Aaa by Moody's Investors Service or AAAN1+ by Fitch. Investments in time certificates of deposit are not rated and must be in FDIC-insured banks or collateralized in accordance with PDPA.

As of December 31, 2016, the District's investments in U.S. Treasuries and U.S. instrumentalities were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The District's investments in certificates of deposit are not rated.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
U.S. Instrumentality	29,422,799	5/15/17 - 12/30/21
Certificates of deposit	<u>6,326,168</u>	<u>4/17/17 - 12/19/19</u>
Total	\$ <u>35,748,967</u>	

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
U.S. Treasuries	\$ 2,147,093	7/31/16 - 10/31/16
U.S. Instrumentality	22,670,038	3/15/16 - 12/30/20
Certificates of deposit	<u>6,703,688</u>	<u>4/10/17 - 9/23/20</u>
Total	\$ <u>31,520,819</u>	

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2016 and 2015

3. Cash Deposits, Marketable Securities and Investments (continued)

Concentration of Credit Risk - It is the intent of the District to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The District's policy specifies that at least 40% of the investment portfolio shall be in U.S. Treasury obligations. The maximum amount of the District's total portfolio that can be invested in federal instrumentality securities is 60%, commercial paper is 10% and 30% of the total portfolio in any combination of money market mutual funds and local government investment pools. Investments in time certificates of deposit are allowed with maturities not exceeding five years from the trade date. The District's total portfolio was within these limits for the years ended December 31, 2016 and 2015.

Cash deposits and investments, as reflected on the December 31, 2016 statement of net position, are as follows:

Cash & cash equivalents	\$ 3,221,386
Investments	<u>35,748,967</u>
Total	<u>\$ 38,970,353</u>

Cash deposits and investments, as reflected on the December 31, 2015 statement of net position, are as follows:

Cash & cash equivalents	\$ 5,523,816
Investments	<u>31,520,819</u>
Total	<u>\$ 37,044,635</u>

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2016 and 2015

4. Property, Plant and Equipment

An analysis of the changes in property and equipment for the year ended December 31, 2016 follows:

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016
Capital assets, not being depreciated:				
Land	\$ 11,100	\$ -	\$ -	\$ 11,100
Easements	5,900		-	5,900
Construction in progress	<u>82,102</u>	<u>85,076</u>	<u>(82,102)</u>	<u>85,076</u>
Total capital assets, not being depreciated	<u>99,102</u>	<u>85,076</u>	<u>(82,102)</u>	<u>102,076</u>
Capital assets, being depreciated:				
Sewer system	50,688,334	506,074	-	51,194,408
Special projects/studies	819,240	291,728	-	1,110,968
Capital equipment	1,754,741	339,918	-	2,094,659
Buildings and improvements	<u>1,730,407</u>	<u>-</u>	<u>-</u>	<u>1,730,407</u>
Total capital assets, being depreciated	<u>54,992,722</u>	<u>1,137,720</u>	<u>-</u>	<u>56,130,442</u>
 Total capital assets	<u>55,091,824</u>	<u>1,222,796</u>	<u>(82,102)</u>	<u>56,232,518</u>
Total accumulated depreciation	<u>(26,585,090)</u>	<u>(1,383,491)</u>	<u>-</u>	<u>(27,968,581)</u>
 Total capital assets, net	<u>\$ 28,506,734</u>	<u>\$ (160,695)</u>	<u>\$ (82,102)</u>	<u>\$ 28,263,937</u>

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2016 and 2015

4. Property, Plant and Equipment (continued)

A summary of changes in property, plant and equipment for the year ended December 31, 2015 is as follows:

	Balance December 31, 2014	Additions	Retirements	Balance December 31, 2015
Capital assets, not being depreciated:				
Land	\$ 11,100	\$ -	\$ -	\$ 11,100
Easements	5,900	-	-	5,900
Construction in progress	<u>56,076</u>	<u>82,102</u>	<u>(56,076)</u>	<u>82,102</u>
Total capital assets, not being depreciated	<u>73,076</u>	<u>82,102</u>	<u>(56,076)</u>	<u>99,102</u>
Capital assets, being depreciated:				
Sewer system	48,797,037	1,891,297	-	50,688,334
Special projects/studies	745,030	74,210	-	819,240
Capital equipment	1,731,446	33,032	(9,737)	1,754,741
Buildings and improvements	<u>1,730,407</u>	<u>-</u>	<u>-</u>	<u>1,730,407</u>
Total capital assets, being depreciated	<u>53,003,920</u>	<u>1,998,539</u>	<u>(9,737)</u>	<u>54,992,722</u>
Total capital assets	<u>53,076,996</u>	<u>2,080,641</u>	<u>(65,813)</u>	<u>55,091,824</u>
Total accumulated depreciation	<u>(25,213,333)</u>	<u>(1,381,494)</u>	<u>9,737</u>	<u>(26,585,090)</u>
Total capital assets, net	<u>\$ 27,863,663</u>	<u>\$ 699,147</u>	<u>\$ (56,076)</u>	<u>\$ 28,506,734</u>

During 2016 and 2015, developers contributed \$497,799 and \$458,296, respectively, for sewer lines and easements.

5. Joint Venture

Effective August 1, 1990, the District entered into the Basin Interceptor Agreement (the Agreement) with three other governmental entities to provide for the maintenance and capital improvements of the Big Dry Creek Interceptor (the Interceptor). The other parties to this agreement are the City of Englewood (COE), South Arapahoe Sanitation District (SASD) and South Englewood Sanitation District No. 1. Portions of the Interceptor are titled in the name of the District, and other portions are titled in the name of COE.

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2016 and 2015

5. Joint Venture (continued)

This Agreement provides for a service fee for operations and maintenance of the Interceptor, which is billed to each customer in the service area by COE, as well as line charges for capital improvements to the Interceptor, which are charged by COE upon each new Single Family Equivalent (SFE) tap sold.

These fees and charges are collected by COE and accounted for in a trust account and further segregated into a project fund and a maintenance fund. These accounts are maintained by COE. The District has been designated as project manager for the eight capital projects encompassed within the Agreement. As project manager, the District will be advanced funds sufficient to fund the projects. These advanced funds will be placed in a separate account, held in trust by the District, for payment of project costs. Upon completion of the project, remaining funds will be returned to the Project Fund maintained by COE. Any interest earned on the Project Fund shall be credited to the Joint Venture parties, according to their line charge payments, into the Project Fund. Upon completion of all projects, remaining funds in the Project Fund will be refunded to the Joint Venture parties in proportion to their line charges. Equity in the Interceptor is allocated to the District and COE as the parties holding an ownership interest in the Interceptor. Net earnings attributable to the Project Fund, as well as line charges treated as contributed capital, have been allocated to the District and COE based upon the estimated construction cost encompassed in each capital project and the respective Interceptor ownership. This amounts to 55% for the District and 45% for COE. Contributed capital recorded for specific project construction is allocated to the District and COE based upon their ownership portions of the capital project funded. Maintenance fund revenues have been allocated 67.7% to the District and 32.3% to COE, which is in proportion to their respective ownership/maintenance responsibilities of the Interceptor.

In 1990, the District negotiated an agreement with SASD to accommodate the District's entrance into the Joint Venture. The District will guarantee to SASD capacity usage of up to 13,331 SFE taps, only to the extent permitted and made possible by and through the Basin Interceptor Agreement. The District will pay the line charges for each new tap sold in the SASD area up to a limit of 1,000 taps, and the District will pay the balance owed SASD under a 1961 taps allotment agreement. SASD assigns any rights to reimbursement from the joint venture upon project completion to the District based upon the line charges paid by the District on SASD's behalf. In exchange, legal title to the segment of the Interceptor previously in SASD is transferred to the District.

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2016 and 2015

5. Joint Venture (continued)

COE maintains the accounting records of the Joint Venture, which is included in the COE financial statements. COE can provide copies of the COE audited financial statements. As of the date of this report, stand-alone financial statements of the Joint Venture for the years ending December 31, 2004 through 2013 have not been audited.

The balance of the investment in the Joint Venture constitutes a significant estimate by management. District management believes that the allocation of Joint Venture income will not be significant to the District's financial statements, and the ongoing operations of the Joint Venture will not result in significant additional financial burden on the District. Total investment in the Joint Venture as of December 31, 2006 was \$2,728,515. For the year ended December 31, 2007, the District received payment of its equity portion of the Joint Venture and, therefore, no longer includes an investment on the balance sheet.

In 2007, it was agreed by all parties that the eight capacity capital projects stipulated by the agreement were complete. As a result, each party's equity portion of the Joint Venture was returned to them. The agreement calls for continued collection of base line charges used to progressively refund to participants the participants' previous expenses for capital projects, until each participant is fully reimbursed. Advance line charges collected in relation to the capacity projects were discontinued. The service charge billed by COE directly to customers was increased to fund future rehabilitation, replacement, continued maintenance and repayment of the loan to the Joint Venture. The service charge billed to customers is subject to periodic increases to maintaining funding requirements.

The loan to the Joint Venture from the District provided a starting balance in the Joint Venture for operations, rehabilitation and maintenance. The District loaned the Joint Venture \$1,800,000. The loan bears annual interest of 3.5% and is due in annual installments each December 31, beginning in 2008, for 25 years.

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2016 and 2015

5. Joint Venture (continued)

A schedule of future receipts related to the loan is as follows:

Year	Principal	Interest	Total
2017	\$ 64,269	\$ 45,887	\$ 110,156
2018	66,518	43,638	110,156
2019	68,846	41,310	110,156
2020	71,256	38,900	110,156
2021	73,750	36,406	110,156
2022-2026	409,324	141,456	550,780
2027-2031	486,148	64,632	550,780
2032	70,952	2,483	73,435
	\$ 1,311,063	\$ 414,712	\$ 1,725,775

6. Employee Retirement Benefits

In 1980, the District adopted a defined contribution money purchase pension plan administered by a third-party trustee. The administrator is responsible for establishing plan benefits, contributions and other provisions and for approving all plan amendments. The plan covers all employees of both the District, as well as the Southgate Water District, who are age 20.5 and have entered the plan on January 1 following the date of initial employment and other contribution eligibility criteria. The District amended the plan on October 6, 2009, to allow plan entry for employees who are age 18 on the first day of the month following 6 months of employment.

Employees are fully vested after five years of service. The District contributes 7.5% of total employee compensation. There is no employee contribution required. The District's portion of the contribution attributable to 2016 and 2015 salaries was \$34,572 and \$37,492, respectively. There is no liability on the part of the District beyond the annual contribution.

Southgate Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2016 and 2015

7. Related Party Transactions

Management and the Board of Directors of both the District and Southgate Sanitation District are presently identical, although not required to be. The District has an agreement to reimburse Southgate Water District for costs of services provided by the District's employees on behalf of the Southgate Water District. These costs include salaries, payroll expenses and employee benefits. For the years ended December 31, 2016 and 2015, reimbursements under the above agreements were \$718,288 and \$676,359, respectively. Related-party accounts payable was \$53,489 and \$47,439 at December 31, 2016 and 2015, respectively.

The District acquired a one-half interest in the building and related office equipment of Southgate Water District under a capital lease which contained a purchase option under which the District purchased an undivided one-half interest in the building and equipment for \$1 at August 15, 1994.

Subsequent to exercising this purchase option, the District entered into a Joint Use Agreement with Southgate Water District which provides for the joint use or right of use to certain assets and property, regardless of how these assets are titled.

8. Intergovernmental Agreement

The District entered into a connector's agreement on November 16, 1988 with COE. COE owns and operates a sewage system, including the sewage treatment plant that is jointly owned by the City of Littleton and is physically situated to receive and treat sewage collected by the District. COE bills District customers directly for use of the sewage treatment system.

The term of the agreement was for a three-year period with automatic renewals for six subsequent three-year periods, expiring on November 16, 2009. The District executed an amended agreement on April 6, 2009 to extend the agreement for an additional three years, plus six subsequent three-year renewals, expiring November 16, 2030.

9. Contingencies

The District has used the resources of COE for its sewage treatment. COE is a 50% participant in the Bi-City Joint Venture. The Bi-City Joint Venture has received notice from the Environmental Protection Agency that it is a "potentially responsible party" under the Comprehensive Environmental Response Compensation and Liability Act (as amended by the Superfund Amendment and Reauthorization Act), and may be required to share in the cost of a

Southgate Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2016 and 2015

9. Contingencies (continued)

study and any clean-up of the Superfund site known as the Lowry Landfill. Under the Bi-City Joint Venture agreement, COE would be required to share 50% of any amounts assessed to the Bi-City Joint Venture. The District's percentage of the COE's assessment could be approximately 33%, although the District has not been named as a "potentially responsible party." There is currently a movement in Congress to remove local governments from Superfund liability. The ultimate outcome of this matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements, although the District is sensitive to potential claims and has discussed utilization of reserves for this purpose.

10. Risk Management

The District is exposed to various risks of loss related to lawsuits; torts; thefts of, damage to or destruction of assets; errors or omissions; injuries to employees; natural disasters or environmental liabilities due to the nature of its operations. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded the commercial insurance coverage in any of the past three years. In addition, the District has completed a vulnerability assessment and updated the emergency response plan as required by the Environmental Protection Agency of the United States government.

11. Tax Spending and Debt Limitation

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. Enterprises, defined by TABOR as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

TABOR establishes 1992 as the initial base for spending and revenue limits. Future spending and revenue limits can be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending (excluding bonded debt service). Excess funds within the spending and revenue limits can be reserved for general use and, when spent in subsequent years, are not subject to the spending limits mentioned above. The District's TABOR reserve at December 31, 2016 and 2015 is \$43,193 and \$39,458, respectively.

Southgate Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2016 and 2015

11. Tax Spending and Debt Limitation (continued)

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing taxes or spending above the limits prescribed above, increasing a mill levy, extending an expiring tax or implementing a tax policy change directly causing a net tax revenue gain to any local government. Multiple fiscal year debt requires voter approval, except for bond refinancing at lower interest rates or adding employees to existing pension plans.

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

12. Restatement

During the prior year, the District's portion of the retirement benefits attributable to 2015 was over accrued. Therefore the 2015 liabilities, expenses, net income and fund balance have been restated to correct this. The restatement is summarized as follows:

	December 31, 2015		December 31, 2015	
	As Originally Stated	Restatement	As Restated	
Current Liabilities	\$ 410,205	\$ (37,492)	\$ 372,713	
Fund Balance	\$ 66,697,726	\$ 37,492	\$ 66,735,218	
Operating Expenses	\$ 2,696,768	\$ (37,492)	\$ 2,659,276	
Net Income	\$ 2,164,571	\$ 37,492	\$ 2,202,063	

Supplementary Information

Southgate Sanitation District
Schedule of Revenues and Expenditures with Budget Comparison
For the Year Ended December 31, 2016

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 926,382	\$ 914,470	\$ (11,912)
Specific ownership taxes	64,847	72,293	7,446
System charges	1,800,000	2,082,640	282,640
Rates and service charges	698,027	877,921	179,894
Plan review /inspection	30,000	11,000	(19,000)
Investment income	350,000	113,379	(236,621)
Interest income from BDCI	48,061	48,061	-
Miscellaneous income	10,000	301	(9,699)
	<u>3,927,317</u>	<u>4,120,065</u>	<u>192,748</u>
Expenditures			
Operating expenditures and capital outlay			
Accounting and audit	32,000	30,672	1,328
Election expense	30,000	-	30,000
Conferences and seminars	30,000	23,994	6,006
County Treasurer's fees	13,896	9,333	4,563
Directors' fees	8,000	6,700	1,300
Employee compensation	765,848	718,288	47,560
Insurance	45,000	42,329	2,671
Legal	24,000	44,556	(20,556)
Office expense	65,000	127,914	(62,914)
Special projects expensed	130,000	49,744	80,256
Engineering	125,000	58,887	66,113
Maintenance	444,500	303,935	140,565
Small equipment	16,000	7,662	8,338
Utilities	30,000	25,070	4,930
Capital outlay	2,825,000	642,894	2,182,106
Contingency	100,000	-	100,000
	<u>4,684,244</u>	<u>2,091,978</u>	<u>2,592,266</u>
Excess of revenue over expenditures	<u>(756,927)</u>	<u>\$ 2,028,087</u>	<u>\$ 2,785,014</u>
Beginning funds available	<u>36,831,256</u>		
Ending funds available	<u>\$ 36,074,329</u>		
Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP)			
Excess of revenues over expenditures, budgetary basis		\$ 2,028,087	
Adjustments			
Revenues which are not revenues for budgetary purposes			
Capital contributions		497,799	
Expenses which are not expenditures for budgetary purposes			
Depreciation		(1,383,491)	
Expenditures for budgetary purposes			
Capital outlay		<u>642,894</u>	
Change in Net Position (GAAP basis)		<u>\$ 1,785,289</u>	

Southgate Sanitation District
Schedule of Revenues and Expenditures with Budget Comparison (as restated)
For the Year Ended December 31, 2015

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 811,000	\$ 855,641	\$ 44,641
Specific ownership taxes	60,000	71,880	11,880
System charges	1,946,700	2,451,570	504,870
Project participation—government	11,000	-	(11,000)
Rates and service charges	698,027	615,146	(82,881)
Plan review /inspection	38,000	13,290	(24,710)
Investment income	311,330	355,333	44,003
Interest income from BDCI	50,161	50,160	(1)
Miscellaneous income	800	2,862	2,062
Total revenue	<u>3,927,018</u>	<u>4,415,882</u>	<u>488,864</u>
Expenditures			
Operating expenditures and capital outlay			
Accounting and audit	51,500	28,600	22,900
Portfolio management	20,000	-	20,000
Conferences and seminars	33,250	20,582	12,668
County Treasurer's fees	13,500	12,839	661
Directors' fees	8,000	6,400	1,600
Employee compensation	681,855	676,359	5,496
Insurance	39,500	902	38,598
Legal	26,000	21,524	4,476
Office expense	85,370	140,039	(54,669)
Special projects expensed	131,900	54,958	76,942
Engineering	125,000	10,423	114,577
Maintenance	445,000	289,829	155,171
Small equipment	16,000	6,948	9,052
Utilities	25,000	21,218	3,782
Capital outlay	3,532,000	1,566,269	1,965,731
Contingency	54,840	-	54,840
Total expenditures	<u>5,288,715</u>	<u>2,856,890</u>	<u>2,431,825</u>
Excess of revenue over expenditures	<u>(1,361,697)</u>	<u>\$ 1,558,992</u>	<u>\$ 2,920,689</u>
Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP)			
Excess of revenues over expenditures, budgetary basis		\$ 1,558,992	
Adjustments			
Revenues which are not revenues for budgetary purposes			
Capital contributions		458,296	
Expenses which are not expenditures for budgetary purposes			
Depreciation		(1,381,494)	
Expenditures for budgetary purposes			
Capital outlay		<u>1,566,269</u>	
Change in Net Position (GAAP basis)		<u>\$ 2,202,063</u>	