

IDLEDALE WATER AND SANITATION DISTRICT

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



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Board of Directors
Idledale Water and Sanitation District
Jefferson County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the business-type activities of the Idledale Water and Sanitation District, as of and for the year ended December 31, 2016, 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 business-type activities of the Idledale Water and Sanitation District as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Idledale Water and Sanitation District'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.

The continuing disclosure annual financial information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Simmons & Wheeler P.C.

Englewood, CO
September 29, 2017

IDLEDALE WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2016

ASSETS

CURRENT ASSETS

Cash and investments	\$ -
Cash and investments - Restricted	94,330
Receivable - county treasurer	147
Property taxes receivable	22,600
Prepaid expenses	7,771
Grant receivable	3,520
Accounts receivable - customers	29,545
Accounts receivable - delinquent accounts	<u>6,550</u>
 Total Current Assets	 <u>164,463</u>

CAPITAL ASSETS

Nondepreciable assets	127,932
Depreciable assets	1,814,960
Less accumulated depreciation	<u>(756,927)</u>
 Total Net Capital Assets	 <u>1,185,965</u>
 Total Assets	 <u>1,350,428</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	13,353
Payroll expenses payable	11,804
Accrued bond interest	10,229
Revenue bonds - current portion	<u>46,159</u>
 Total Current Liabilities	 <u>81,545</u>

LONG-TERM LIABILITIES

Revenue bonds - due in more than one year	<u>739,619</u>
 Total Long-Term Liabilities	 <u>739,619</u>
 Total Liabilities	 <u>821,164</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue	<u>22,600</u>
 Total Deferred Inflows of Resources	 <u>22,600</u>

NET POSITION

Net investment in capital assets	389,958
Restricted	95,062
Unrestricted	<u>21,644</u>
 Total Net Position	 <u>\$ 506,664</u>

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

IDLEDALE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION PROPRIETARY FUND

For the Year Ended December 31, 2016

OPERATING REVENUES	
Water service fees	\$ 202,046
Availability of service fees	<u>1,989</u>
Total Operating Revenues	<u>204,035</u>
OPERATING EXPENSES	
Administration	36,102
Audit	5,479
Directors' fees	5,873
Election	791
Insurance	8,093
Legal	4,780
Statutory compliance	66
Miscellaneous expenses	2,109
Office supplies/postage	2,206
Payroll taxes	5,786
Treatment & testing	166
Utilities	5,962
Maintenance & repairs	202
Supplies & expenses	5,826
Plant operator salary	50,761
Water purchase	527
Wells 1a and 1b improvements	2,316
Forks Building improvements	38,343
Depreciation	<u>37,560</u>
Total Operating Expenses	<u>212,948</u>
INCOME (LOSS) FROM OPERATIONS	<u>(8,913)</u>
NONOPERATING REVENUES AND (EXPENSES)	
Property taxes	21,968
Specific ownership taxes	1,789
Net investment income	514
Bond interest	(41,597)
Grant revenue	9,458
County treasurer's fees	<u>(399)</u>
Total Nonoperating Revenues (Expenses)	<u>(8,267)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(17,180)
Capital contributions	-
NET INCOME (LOSS) - CHANGE IN NET POSITION	(17,180)
NET POSITION - BEGINNING OF YEAR	<u>523,844</u>
NET POSITION - END OF YEAR	<u><u>\$ 506,664</u></u>

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

IDLEDALE WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 183,662
Cash paid to suppliers for goods and services	(106,525)
Cash paid to employees and related expenses	(53,131)
Cash paid for director fees and related expenses	<u>(5,873)</u>
Net Cash Provided (Required) by Operating Activities	<u>18,133</u>

CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:

Property taxes	22,077
Specific ownership taxes	1,789
County treasurer's fees	(399)
Grant revenue	19,179
Miscellaneous income	<u>-</u>
Net Cash Provided (Required) by Noncapital Financing Activities	<u>42,646</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Revenue bonds - principal	(43,871)
Revenue bonds - interest	<u>(42,168)</u>
Net Cash Provided (Required) by Capital and Related Financing Activities	<u>(86,039)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	<u>514</u>
Net Cash Provided (Required) by Investing Activities	<u>514</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,746)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>119,076</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 94,330</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES

Net income (loss) from operations	\$ (8,913)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Depreciation	37,560
Changes in Assets and Liabilities:	
Prepays	(1,336)
Accounts receivable	(20,373)
Accounts payable	<u>11,195</u>
Net Adjustments	<u>27,046</u>
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	<u>\$ 18,133</u>

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

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2016

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Idledale Water and Sanitation District (“District”), located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units accounted for as a proprietary enterprise fund. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to ensure orderly and uniform administration of water and sewer operations within the jurisdictional boundaries of the District. The District does not currently provide any sewer services. The District’s primary revenues are property taxes and water service fees. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has two employees who perform plant operations functions. All administrative functions are contracted.

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2016

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

The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position.

Major individual enterprise funds are reported as separate columns in the financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major proprietary fund:

Water Activity Enterprise Fund – The Water Activity Enterprise Fund accounts for the District’s water operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Enterprise Funds account for the operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2016

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions. The District's proprietary fund consists of the Water Activity Enterprise Fund.

Budgetary Accounting

In accordance with the State Budget Law of Colorado, 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 by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of three months or less to be cash equivalents. During 2016, the District incurred no noncash activities.

Assets, Liabilities, and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2016

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each funds' average equity balance in the total cash.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. It is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2016

Capital Assets

Capital assets, which include water system components, are reported in the proprietary fund in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Water systems	3 - 50 years
Machinery and equipment	10 years
Buildings	40 years
Office equipment	10 years

The cost of water rights includes acquisition costs, legal, consulting and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Tap Fees and Construction Contributions

Tap fees and construction contributions are recorded as capital contributions when received.

Property Tax

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2016

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

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 the 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.

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$732 has been restricted in compliance with this requirement.

The District has \$27,888 of funds restricted for capital improvements and \$65,710 of pledged property taxes which are restricted for the payment of the debt service related to the loan.

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

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2016

Note 2: Cash and Investments

As of December 31, 2016, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – restricted emergency	\$ 732
Cash and investments – restricted capital projects	\$ 27,888
Cash and investments – restricted debt service	<u>65,710</u>
Total	<u>\$ 94,330</u>

Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ 53,063
Investments – COLOTRUST	<u>41,267</u>
	<u>\$ 94,330</u>

Deposits

Custodial Credit Risk

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

The District follows state statutes for deposits. None of the District’s deposits was exposed to custodial credit risk.

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2016

Investments

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District has the following recurring fair value measurements as of December 31, 2016:

An external investment pool that records its investments at fair value. The investment in COLOTRUST is categorized as a Level 2 Investment.

Credit Risk

The District's investment policy requires that the District follow State statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2016

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days, a Level 2 investment under the fair value hierarchy. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. 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, 2016, the District had \$41,267 invested in COLOTRUST.

Note 3: Capital Assets

An analysis of changes in capital assets for the year ended December 31, 2016 follows:

<u>Business Type Activities:</u>	<u>Balance 01-01-16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-16</u>
<u>Capital assets not being depreciated:</u>				
Land	22,316	-	-	22,316
Water rights	105,616	-	-	105,616
Total capital assets, not being depreciated	<u>127,932</u>	<u>-</u>	<u>-</u>	<u>127,932</u>
<u>Capital assets being depreciated:</u>				
Building	1,576	-	-	1,576
Water system	1,767,913	-	-	1,767,913
Machinery & equipment	44,555	-	-	44,555
Furniture & equipment	916	-	-	916
Total capital assets, being depreciated	1,814,960	-	-	1,814,960
Accumulated Depreciation	<u>(719,367)</u>	<u>(37,560)</u>	<u>-</u>	<u>(756,927)</u>
Net capital assets being depreciated	<u>1,095,593</u>	<u>(37,560)</u>	<u>-</u>	<u>1,058,033</u>
Business type assets, net	<u>\$ 1,223,525</u>	<u>\$ (37,560)</u>	<u>\$ -</u>	<u>\$ 1,185,965</u>

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2016

Depreciation expense for the year ended December 31, 2016 was charged to water operations in the amount of \$37,560.

Note 4: Long-Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2016:

	Balance 01-01-16	Additions	Deletions	Balance 12-31-16	Current Portion
Series 2009 Bond	829,649	-	43,871	785,778	46,159
	\$ 829,649	\$ -	\$ 43,871	\$ 785,778	\$ 46,159

A description of the long-term obligations as of December 31, 2016, is as follows:

Water Activity Enterprise Revenue Bond – Series 2009

On March 26, 2009, the District, by and through its Water Activity Enterprise, issued a \$920,020 Water Activity Enterprise Revenue Bond (“Bond”). The Bond matures on April 1, 2019. The Bond was issued for the purpose of (i) refinancing the Grant, (ii) paying the project costs, (iii) funding capitalized interest; and, (iv) paying any other costs in connection with the issuance of the bond and the refinancing of the Grant. The Bond bears interest at the rate of 5.150%, payable semiannually on each April 1 and October 1, which commenced on April 1, 2009.

The Bond is subject to a mandatory sinking fund redemption, which commenced on April 1, 2010, and on each October 1 and April 1 thereafter prior to the maturity date of the Bond, upon payment of the principal amount of the portion of the Bond to be redeemed plus accrued interest. The Bond is secured by all income and revenues directly and indirectly derived by the operation and use of the water system, including fees and interest income. The District is required to maintain a Debt Service Coverage Ratio of at least 1.20. Monthly deposits are required to a Revenue Fund account to reserve the funds for debt repayment. Property taxes and general fund revenues are not pledged for the repayment of this debt.

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2016

The following is a summary of the annual long-term debt principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 46,159	\$ 39,881	\$ 86,040
2018	48,567	37,473	86,040
2019	691,052	17,795	708,847
	\$ 785,778	\$ 95,149	\$ 880,927

Debt Authorization

As of December 31, 2016, the District had no remaining unissued voted general obligation debt authorization.

Note 5: Segment Information

The District's enterprise fund provides only water services. Segment information for the year ended December 31, 2016 was as follows:

<u>Water</u>	
Operating revenue	\$ 204,035
Depreciation/amortization	\$ 37,560
Net operating loss	\$ (8,913)
Net capital assets	\$ 1,185,965

Note 6: Commitments - Grants

The District has received State grants for specific purposes that are subject to review and audit by the grantor agency. Such audits could lead to a request for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. District management believes disallowances, if any, would be insignificant.

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2016

Note 7: Tax Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (“TABOR”), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned business 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. The District’s management believes a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an Enterprise will require judicial interpretation. Internally, the District maintains its records in three funds – the General Fund, the Debt Service Fund, and the Enterprise Fund.

On November 2, 1993, the voters of the District passed an election question to increase debt by \$250,000 along with property taxes in the maximum amount of \$16,507 per year to pay off that debt. The debt is to be in the form of General Obligation Water Bonds or other evidences of indebtedness with a maximum interest rate of 6% with a maximum maturity of forty years. On July 10, 1995, the District entered into a \$250,000 loan with Colorado Water Resources and Power Development Authority (see Note 4).

The District’s voters have also approved an increase of the District’s revenue and spending up to \$300,000 in excess of any revenue spending limit, collected in any fiscal year, commencing in 1993 and continuing thereafter, from any State grants and local sources to the District to be spent for water system facilities and improvements.

IDLEDALE WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2016

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 9: Corrective Action Plan

The District is currently working under a Corrective Action Plan as required by the Colorado Department of Public Health and Environment (“CDPHE”) to complete the design review process for water filtration equipment conditionally approved in approximately 1994. The District has responded to comments made by the CDPHE regarding the plan and the CDPHE has approved their responses. The District is currently working on a revised design based upon further engineering analyses, and expects to perform modifications to the water treatment equipment in the spring of 2016 following final design review and approval.

SUPPLEMENTAL INFORMATION

IDLEDALE WATER AND SANITATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE BUDGET AND ACTUAL (BUDGETARY BASIS)

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
ENTERPRISE:			
REVENUES			
Water service fees	\$ 181,790	\$ 202,046	\$ 20,256
Grant revenue	64,864	9,458	(55,406)
Net investment income	<u>125</u>	<u>301</u>	<u>176</u>
Total enterprise revenues	<u>246,779</u>	<u>211,805</u>	<u>(34,974)</u>
EXPENDITURES			
Administration	31,900	28,081	3,819
Audit	2,856	3,395	(539)
Insurance	5,482	6,082	(600)
Legal	1,500	-	1,500
Miscellaneous expenses	450	399	51
Office supplies/postage	1,500	1,169	331
Payroll taxes	3,213	5,175	(1,962)
Treatment & testing	2,500	166	2,334
Training	150	-	150
Treasurers' fees	50	53	(3)
Utilities	8,000	5,962	2,038
Maintenance & repairs	10,000	202	9,798
Supplies & expenses	4,000	5,826	(1,826)
Equipment rental	1,500	-	1,500
Plant operator salary	42,000	50,761	(8,761)
Water purchase	482	527	(45)
Project Management	-	-	-
Wells 1a and 1b improvements	-	2,316	(2,316)
Forks Building improvements	129,728	38,343	91,385
Maintenance Reserve	<u>36,506</u>	<u>-</u>	<u>36,506</u>
Total enterprise expenditures	<u>281,817</u>	<u>148,457</u>	<u>133,360</u>
EXCESS (DEFICIENCY) OF ENTERPRISE REVENUES OVER ENTERPRISE EXPENDITURES	(35,038)	63,348	98,386
OTHER FINANCING SOURCES (USES)			
Transfer to other funds	<u>(83,880)</u>	<u>(32,175)</u>	<u>51,705</u>
Total Other Enterprise Financing Sources (Uses)	<u>(83,880)</u>	<u>(32,175)</u>	<u>51,705</u>
EXCESS (DEFICIENCY) OF ENTERPRISE REVENUES AND OTHER SOURCES OVER ENTERPRISE EXPENDITURES AND OTHER USES	(118,918)	31,173	150,091
FUNDS AVAILABLE (DEFICIT) - BEGINNING OF YEAR - ENTERPRISE	<u>118,918</u>	<u>266,015</u>	<u>147,097</u>
FUNDS AVAILABLE - END OF YEAR - ENTERPRISE	<u>\$ -</u>	<u>\$ 297,188</u>	<u>\$ 297,188</u>

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

IDLEDALE WATER AND SANITATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 (continued)

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<u>DEBT SERVICE:</u>			
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Availability of service fees	2,160	1,989	(171)
Net investment income	<u>-</u>	<u>93</u>	<u>93</u>
Total debt service revenues	<u>2,160</u>	<u>2,082</u>	<u>(78)</u>
EXPENDITURES			
Bond principal	43,871	43,871	-
Bond interest	<u>42,169</u>	<u>42,169</u>	<u>-</u>
Total debt service expenditures	<u>86,040</u>	<u>86,040</u>	<u>-</u>
EXCESS (DEFICIENCY) OF DEBT SERVICE REVENUES OVER DEBT SERVICE EXPENDITURES	(83,880)	(83,958)	(78)
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	<u>83,880</u>	<u>32,175</u>	<u>(51,705)</u>
Total other debt service financing sources (uses)	<u>83,880</u>	<u>32,175</u>	<u>(51,705)</u>
EXCESS (DEFICIENCY) OF DEBT SERVICE REVENUES AND OTHER SOURCES OVER DEBT SERVICE EXPENDITURES AND OTHER USES	-	(51,783)	(51,783)
FUNDS AVAILABLE - BEGINNING OF YEAR - DEBT SERVICE	<u>-</u>	<u>(138,241)</u>	<u>(138,241)</u>
FUNDS AVAILABLE - END OF YEAR DEBT SERVICE	<u>\$ -</u>	<u>\$ (190,024)</u>	<u>\$ (190,024)</u>

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

IDLEDALE WATER AND SANITATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)

(continued)

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<u>GENERAL GOVERNMENT:</u>			
REVENUES			
Property taxes	\$ 22,308	\$ 21,968	\$ (340)
Specific ownership taxes	2,600	1,789	(811)
Net investment income	<u>150</u>	<u>120</u>	<u>(30)</u>
Total general government revenue:	<u>25,058</u>	<u>23,877</u>	<u>(1,181)</u>
EXPENDITURES			
Administration	13,680	8,021	5,659
Audit	1,344	2,084	(740)
Directors' fees	6,000	5,873	127
Election	750	791	(41)
Insurance	2,956	2,011	945
Legal	3,400	4,780	(1,380)
Statutory compliance	100	66	34
Miscellaneous expenses	500	1,710	(1,210)
Office supplies/postage	1,500	1,037	463
Payroll taxes	459	611	(152)
County treasurer's fees	334	346	(12)
Contingency	473	-	473
Emergency Reserve	<u>752</u>	<u>-</u>	<u>752</u>
Total general government expenditures:	<u>32,248</u>	<u>27,330</u>	<u>4,918</u>
EXCESS (DEFICIENCY) OF GENERAL GOVERNMENT REVENUES OVER GENERAL GOVERNMENT EXPENDITURES			
	(7,190)	(3,453)	3,737
FUNDS AVAILABLE - BEGINNING OF YEAR - GENERAL GOVERNMENT			
	<u>7,190</u>	<u>12,995</u>	<u>5,805</u>
FUNDS AVAILABLE - END OF YEAR - GENERAL GOVERNMENT			
	<u>\$ -</u>	<u>\$ 9,542</u>	<u>\$ 9,542</u>
 <u>SUMMARY</u>			
TOTAL DISTRICT REVENUE	\$ 357,877	\$ 269,939	\$ (87,938)
TOTAL DISTRICT EXPENDITURES	<u>483,985</u>	<u>294,002</u>	<u>189,983</u>
TOTAL EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(126,108)	(24,063)	102,045
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>126,108</u>	<u>140,769</u>	<u>14,661</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ 116,706</u>	<u>\$ 116,706</u>

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

IDLEDALE WATER AND SANITATION DISTRICT

**RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO
STATEMENT OF REVENUES,
EXPENSES AND CHANGE IN NET POSITION**

For the Year Ended December 31, 2016

REVENUE (BUDGETARY BASIS)	\$ <u>269,939</u>
EXPENDITURES (BUDGETARY BASIS)	294,002
Add:	
Depreciation	37,560
Deduct:	
Change in accrued interest	(572)
Loan principal	-
Bond principal	<u>(43,871)</u>
Total expenditures (budgetary basis)	<u>287,119</u>
CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION	\$ <u><u>(17,180)</u></u>

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

IDLEDALE WATER AND SANITATION DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2016

<u>Year Ended</u> <u>December 31,</u>	<u>Prior</u> <u>Year Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2001	\$ 1,624,260	19.078	\$ 30,988	\$ 30,924	99.79%
2002	\$ 2,316,100	14.237	\$ 32,974	\$ 31,877	96.67%
2003	\$ 2,119,050	16.008	\$ 33,922	\$ 33,220	97.93%
2004	\$ 2,168,630	16.008	\$ 34,715	\$ 34,864	100.43%
2005	\$ 2,160,310	16.632	\$ 35,930	\$ 35,904	99.93%
2006	\$ 2,427,920	15.157	\$ 36,800	\$ 36,046	97.95%
2007	\$ 2,419,970	15.799	\$ 38,233	\$ 37,858	99.02%
2008	\$ 2,537,610	15.585	\$ 39,549	\$ 39,420	99.67%
2009	\$ 2,482,930	16.120	\$ 40,025	\$ 38,063	95.10%
2010	\$ 2,309,080	16.620	\$ 38,377	\$ 38,181	99.49%
2011	\$ 2,403,880	16.620	\$ 39,953	\$ 40,057	100.26%
2012	\$ 2,409,685	16.620	\$ 40,049	\$ 39,939	99.73%
2013	\$ 2,431,001	16.620	\$ 40,404	\$ 40,593	100.47%
2014	\$ 2,293,789	16.620	\$ 38,123	\$ 38,033	99.76%
2015	\$ 2,289,689	16.620	\$ 38,055	\$ 37,964	99.76%
2016	\$ 2,387,433	9.344	\$ 22,308	\$ 21,968	98.48%
Estimated for year ending December 31, 2017	\$ 2,385,184	9.475	\$ 22,600		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.