

**SEDALIA WATER AND SANITATION DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 7:24 am, Sep 29, 2017*

**CPA**

**Bruce L. Fosdick, CPA, PC**  
*Certified Public Accountant*

**SEDALIA WATER AND SANITATION DISTRICT**

**SEDALIA, COLORADO**

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**Bruce L. Fosdick, CPA, PC**  
*Certified Public Accountant*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Sedalia Water and Sanitation District  
Sedalia, Colorado

I have audited the accompanying financial statements of the business-type activities of (the) Sedalia 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 misstatements, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 risk 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sedalia 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**

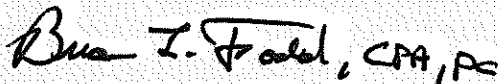
### *Required Supplementary Information*

Sedalia Water and Sanitation District has omitted 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. My opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Sedalia Water and Sanitation District's basic financial statements. The supplemental information on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 my opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Bruce L. Fosdick, CPA, PC.  
Castle Rock, Colorado  
September 11, 2017

**SEDALIA WATER AND SANITATION DISTRICT  
STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 170,430
Accounts Receivable - net	27,936
Due from Other Government	851
Deferred Property Taxes Receivable	<u>110,457</u>

Total Current Assets 309,674

**CAPITAL ASSETS**

Buildings	178,997
Computer	2,125
Equipment	8,817
Water System	1,502,033
Land	1,690
Construction in Process	165,885
Less: Accumulated Depreciation	<u>(437,712)</u>

Total Capital Assets 1,421,835

**TOTAL ASSETS**

\$1,731,509

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	17,097
Current Portion of Long Term Debt	<u>22,624</u>

Total Current Liabilities 39,721

**LONG TERM LIABILITIES**

Notes Payable - Long Term	71,006
Less Current Portion Long Term Debt	<u>(22,624)</u>

Total Long Term Liabilities 48,382

**TOTAL LIABILITIES**

\$ 88,103

**DEFERRED INFLOWS OF RESOURCES**

Property Tax Revenue	<u>110,457</u>
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Total Deferred Inflows of Cash 110,457

**NET POSITION**

Net Investment in Capital Assets	1,350,829
Restricted	
Emergency Reserves	7,278
Operations and Maintenance Reserves	18,478
Unrestricted	<u>156,362</u>

Total Net Position \$1,532,947

The accompanying notes are an integral part of this financial statement.

**SEDALIA WATER AND SANITATION DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>OPERATING REVENUE</b>	
Water Sales	<u>\$103,693</u>
TOTAL OPERATING REVENUE	103,693
<b>LESS: OPERATING EXPENSES:</b>	
Operating Expenses	144,555
General and Administrative Expenses	<u>75,344</u>
TOTAL OPERATING EXPENSES	219,899
<b>NET OPERATING INCOME (LOSS)</b>	<b>(116,206)</b>
<b>NON OPERATING REVENUE:</b>	
Grants	144,431
Property Taxes	119,876
Earnings on Investments	984
Interest Expense	(3,928)
Miscellaneous	<u>2,273</u>
TOTAL NON OPERATING REVENUE (EXPENSES)	263,636
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>147,430</b>
<b>CAPITAL CONTRIBUTIONS</b>	
TOTAL CAPITAL CONTRIBUTIONS	0
<b>CHANGE IN NET POSITION</b>	<b>147,430</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>1,385,517</b>
<b>NET POSITION - END OF YEAR</b>	<b><u>\$1,532,947</u></b>

The accompanying notes are an integral part of this financial statement.

**SEDALIA WATER AND SANITATION DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	106,483	
Cash Payments for Goods & Services	(179,283)	
Cash Flows Provided (Required) by Operating Activities		(72,800)
<b>CASH FLOWS FROM NON-CAPITAL RELATED FINANCING ACTIVITIES</b>		
Grants	144,431	
Taxes Receivables	119,876	
Miscellaneous	2,273	
Cash Flows Provided by Non-Capital Financing		266,580
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Reduction of Debt	(21,639)	
Interest Paid	(3,928)	
Cash Flows Provided (Required) by Capital and Related Financing Activities		(25,567)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Assets	(142,659)	
Interest on Investments	984	
Cash Flows Provided (Required) by Investing Activities		<u>(141,675)</u>
Net Increase (Decrease) in Cash and Restricted Cash		26,538
Cash and Restricted Cash - January 1, 2016		<u>143,891</u>
Cash and Restricted Cash - December 31, 2016		170,430
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS PROVIDED (REQUIRED) BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	(116,206)	
Adjustments to Reconcile Operating Income (Loss) to Cash Flows Provided (Required) by Operating Activities -		
Depreciation	49,472	
Change in Assets and Liabilities -		
Decrease in Receivables	2,028	
Decrease in Accounts Payable	<u>(8,094)</u>	
Total Adjustments	43,406	
CASH FLOWS PROVIDED (REQUIRED) BY OPERATING ACTIVITIES		(72,800)

The accompanying notes are an integral part of this financial statement.

**SEDALIA WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to local governments. A summary of the District's significant accounting policies consistently applied in the preparation of these financial statements follows:

**A. PRINCIPLES USED IN DETERMINING THE SCOPE OF THE REPORTING ENTITY**

The Sedalia Water and Sanitation District is a special district formed under the Laws of Colorado in 1958 to provide water services for its residents. This report includes all of the funds and account groups of the District.

The District provides no sanitation services despite its name.

The governmental units reported are responsible to the District's Board of Directors of five people, which are elected by the people in a General Election.

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's Codification of Government Accounting and Financial Reporting Standards, include whether:

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

Based on the aforementioned criteria, the Sedalia Water and Sanitation District has no component units, nor is it a component unit of any other primary governmental entity.

**SEDALIA WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. BASIS OF PRESENTATION**

The accounting policies of the District conform to generally accepted accounting principles as applicable to a governmental unit accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

**C. BASIS OF ACCOUNTING**

The District's accounting 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 assets and redemption of notes is recorded as a reduction in liabilities. Tap fees, as well as inclusion fees, are recorded as capital contributions when received.

For purposes of the Statement of Cash Flows, the District considers all highly liquid assets that are readily converted to cash or have a maturity of three months or less to be cash equivalents. Interest paid in 2016 was \$3,928. As a governmental agency, no income taxes were paid.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. BUDGET AND BUDGETARY ACCOUNTING**

General

The Water District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the proposed budget is submitted to the Water District Board.

**SEDALIA WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. BUDGET AND BUDGETARY ACCOUNTING (CONTINUED)**

2. By December 31, the District Board enacts a resolution appropriating the Budget.
3. Department heads are required to submit budget change requests, after initial approval, to the Water Board.
4. Supplemental requests are gathered by the District Board. The Water District Board holds formal public hearings prior to approving the increased budget and appropriations.

Encumbrance accounting (open purchase orders, contracts in process and other commitments for the expenditures of funds in future periods) is not used by the District for budget or financial reporting purposes.

**E. ASSETS, LIABILITIES, AND NET POSITION**

Accounts Receivable

Accounts Receivable are for Water services. The receivables are recorded net of an allowance for doubtful accounts. The allowance is set at \$375.

Due to/from Other Governments

General Fund - The General Fund was due \$851 from Douglas County which was paid in January, 2017.

Taxes Receivable

The Taxes Receivable include 2016 property taxes which become payable January 1, 2017 as Taxes Receivable.

**SEDALIA WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)**

Capital Assets

Capital Assets are recorded at cost and depreciated over their estimated useful lives. The Water system was not booked until 1988, and an estimated fair value has been assigned, considering the original date was 1958. Much of the system has never been accounted for.

<u>Description</u>	<u>Life</u>
Water System	20-40 yr
Equipment	7 yr
Land	
Buildings	20 yr

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions &amp;</u> <u>Adjustments</u>	<u>Balance</u> <u>12/31/16</u>
Capital assets not being depreciated:				
Land	\$ 1,690	\$ -	\$ -	\$ 1,690
Construction in Process	<u>26,079</u>	<u>139,806</u>	<u>-</u>	<u>165,885</u>
Total Capital Assets not being depreciated	27,769	139,806	-	167,575
Capital assets being depreciated:				
Buildings	178,997	-	-	178,997
Water System	1,501,183	850	-	1,502,033
Computer	2,125	-	-	2,125
Equipment	<u>6,814</u>	<u>2,003</u>	<u>-</u>	<u>8,817</u>
Totals Capital assets being depreciated	1,689,119	2,853	-	1,691,972
Less Accumulated Depreciation	<u>(388,240)</u>	<u>(49,472)</u>	<u>-</u>	<u>(437,712)</u>
Capital Assets being depreciated, Net	<u>1,300,879</u>	<u>(46,619)</u>	<u>-</u>	<u>1,254,260</u>
Total capital assets, net	<u>\$1,328,648</u>	<u>\$ 93,187</u>	<u>\$ -</u>	<u>\$1,421,835</u>

Depreciation expense for the year ended December 31, 2016 was \$49,472, of which \$47,533 is included in Operating Expenses and \$1,939 is included in Administrative Expenses.

**SEDALIA WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)**

Accrued Vacation

No vacations are accrued because there are no employees.

Post Retirement Benefits

The District does not provide for any post retirement benefits or pension plans as of December 31, 2016.

Restricted for Emergencies

Article X, Section 20 of the Constitution of the State of Colorado requires the Sedalia Water and Sanitation District to establish Emergency Reserves (See Note VIII). \$7,278 of the net position has been restricted in compliance with this requirement.

Cash Flow Statement

For purposes of the Cash Flow Statement, cash and cash equivalents are those accounts that are either cash or are readily convertible to cash.

Operating Revenue

Operating revenue are those revenues derived from daily operations. Non-operating revenue are derived from other sources, i.e. grants, taxes, and earnings on investments.

Operations and Maintenance Reserve

The terms of the loan for water improvements requires the District to set aside an operations and maintenance reserve equal to three months of operation and maintenance expenses excluding depreciation. Currently \$18,478 has been restricted in accordance with these covenants.

**SEDALIA WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. REVENUE, EXPENDITURES, AND EXPENSES**

I. Property tax is reported as a receivable and a deferred revenue when the levy is certified and as a revenue when due for collection in the subsequent year. 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 December 31 of each 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 August and generally sales of the tax liens on delinquent properties are normally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property Tax Calendar

Collection Schedule

First Half 2016 Taxes	March 1, 2017
Second Half 2016 Taxes	June 15, 2017

Assessment Schedule

Abstract of Assessments Submitted	August 25, 2016
Certification of Levies to Commissioners	December 15, 2016
Commissioners Levy Taxes	December 31, 2016
Lien Date	January 1, 2016

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenue are recorded as revenue in the year they are available or collected.

ii. Expenditures for the General Fund are recorded when the related liability is incurred.

**NOTE II - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**MATERIAL VIOLATIONS OF FINANCIAL RELATED LEGAL AND CONTRACTUAL PROVISIONS**

None

**SEDALIA WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE III- SUMMARY DISCLOSURE OF CONTINGENCIES**

**CONTINGENCIES**

Sedalia Water and Sanitation District has received revenues from grants and loans provided by the State and Federal Government, which are subject to final review and approval as to allowability by the respective grantor agency. The amount, if any, of any expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**NOTE IV - CASH DEPOSITS AND INVESTMENTS**

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

Deposits with financial institutions	\$170,430
Investments	<u>0</u>
Total cash and investments	\$170,430

**Cash Deposits**

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

At December 31, 2016 the District's cash deposits had a carrying balance of \$170,430.

**SEDALIA WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE IV - CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**INVESTMENTS**

**Credit Risk**

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest 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
- Local government investment pools

The District has no investments at December 31, 2016.

**Interest Rate Risk**

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

As of December 31, 2016, the District had no investments.

**SEDALIA WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE V - LONG TERM DEBT**

The following is a summary of changes in long term debt for the district.

Balance at December 31 <u>2015</u>	<u>New Issue</u>	<u>Refunding/ Retirements</u>	Balance at December 31 <u>2016</u>
\$ 92,645	0	21,639	\$ 71,006

The following represents the debt service requirements to maturity of the debt of the district.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	22,624	2,943	25,567
2018	23,653	1,914	25,567
2019	24,729	838	25,567

The loan from the Colorado Water Resources and Power Development Authority (Authority) is due in semiannual payments through November 2019 with interest at 4.5%. It is secured with a Governmental Agency Bond dated 3/9/2000. Payments began 11/1/00. The loan agreement contains a restrictive covenant which requires the District to maintain a three month operating reserve (see note I-E). At December 31, 2016, the District was in compliance with this covenant.

**NOTE VI - LEASES**

The District leases property on which its storage tank is placed. The lease is with the Burlington Northern and Santa Fe Railroad and calls for an annual lease payment of \$1,433 per year. The lease requires six months written notification to terminate the lease.

**NOTE VII - BUDGET VERSUS GAAP RECONCILIATIONS**

The Sedalia Water and Sanitation District records depreciation, debt services and capital expenditures differently for budget and financial statement purposes. A reconciliation of these differences is outlined below;

Net Income (GAAP basis)	147,430
Depreciation (not budgeted)	49,472
Debt Service - Principle (budgeted)	(21,639)
Capital Expenditures (budgeted)	<u>(142,659)</u>
Net Income - budget basis	32,605

**SEDALIA WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE VIII - TABOR AMENDMENT (TABOR)**

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

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.

In a special election the District held November 3, 1998, the District obtained approval from its electorate to increase District debt by \$350,000.00, and to increase District taxes by not more than \$30,184.00 annually. In the special election of the District held November 2, 2004, the District obtained approval from its electorate to impose an additional ad valorem property tax levy not to exceed 6 mills for District operations, capital improvements, and any other lawful purpose, and to collect, retain and expend the full amount of revenues received from all sources during tax collection year 2005 and subsequent years, as a voter-approved revenue change and exception to the limits that would otherwise apply under Article X, Section 20, of the Colorado Constitution (TABOR), Section 29-1-301, et. Seq. C.R.S. and any other law.

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 will require judicial interpretation.

**NOTE IX - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District has elected to manage its risk of losses through an Intergovernmental Agreement with the Special District Association of Colorado. Premiums are based on revenues with surcharges and assessments being available to the Risk Management Pool for Excessive Claims. During 2016, the pool provided liability coverage in the amounts of \$150,000/\$400,000 with a one million dollar maximum.

The District is one of 1,392 special districts which are members of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide automobile physical damage and liability, property, general liability, public officials liability, employee dishonesty and crime, equipment breakdown, and workers' compensation coverage to its members. The Pool provides coverage for property claims up to \$50,000,000 and liability coverage for claims up to

**SEDALIA WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE IX - RISK MANAGEMENT (CONTINUED)**

\$1,000,000. Workers' compensation claims are covered up to statutory limits, with claims related to employer's liability up to \$2,000,000. Settled claims have not exceeded this coverage during 2016. Settled claims have not exceeded policy coverage in any of the years prior to 2016.

The District pays annual premiums to the Pool for their liability insurance and property insurance. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess unassigned surplus which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE X - NET POSITION**

Beginning with fiscal year 2013 the District implemented GASB Statement No.63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The requirements of this statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

The impact on the District's financial statements has been to replace the term "net assets" with "net position".

Net position represents the difference between all other elements in a statement of financial position and is displayed in three components - net investment in capital assets, restricted, and unrestricted.

**OTHER SUPPLEMENTAL INFORMATION**

**SEDALIA WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
Taxes	\$118,577	\$119,876	\$ 1,299
Charges for Services	93,700	103,694	9,994
Grants	336,549	144,431	(192,118)
Other Revenues	<u>75</u>	<u>3,257</u>	<u>3,182</u>
TOTAL REVENUES	548,901	371,258	(177,643)
<b>EXPENDITURES</b>			
Water Operating Expenditures	83,734	97,022	(13,288)
General and Administrative	83,891	73,405	10,486
Debt Service Expenses	25,567	25,567	-
Capital Expenditures	<u>349,149</u>	<u>142,659</u>	<u>206,490</u>
TOTAL EXPENDITURES	542,341	338,653	203,688
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	6,560	32,605	26,045
Funds Available - Beginning of year	<u>121,550</u>	<u>149,516</u>	
Funds Available - End of year	<u>\$128,110</u>	<u>\$182,121</u>	

The accompanying notes are an integral part of this financial statement.

**SEDALIA WATER AND SANITATION DISTRICT  
SCHEDULE OF WATER OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**SOURCES OF SUPPLY**

Depreciation	\$ 8,849
Rent	<u>1,433</u>
TOTAL	10,282

**WATER TREATMENT EXPENSES**

Consulting	15,148
Water Treatment & Tests	<u>30,908</u>
TOTAL	46,056

**TRANSMISSION AND DISTRIBUTION EXPENSES**

Engineering	18,558
Depreciation	38,684
Maintenance	14,665
Utilities	<u>16,310</u>
TOTAL	88,217

**TOTAL WATER OPERATING EXPENSES** \$144,555

**SCHEDULE OF WATER ADMINISTRATIVE EXPENSES**

Depreciation	1,939
Contract Labor	1,313
Accounting and Audit	22,365
Legal	35,364
Miscellaneous	911
Telephone	334
Insurance	5,450
Office Supplies	901
Dues and Memberships	984
Treasurers Fees	1,647
Rent	1,448
Directors Meetings & Fees	<u>2,688</u>

**TOTAL ADMINISTRATIVE EXPENSES** \$ 75,344

The accompanying notes are an integral part of this financial statement.