

Town of Sedgwick, Colorado
Financial Statements
For the Year ended December 31, 2016



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Independent Auditors' Report

To the Honorable Mayor and Members of Town Council
Town of Sedgwick
Sedgwick, Colorado

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Sedgwick (the Town) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town'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.

Auditors' 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 auditors' 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 financial statement presentation.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed in the table of contents 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 the Town's basic financial statements. The other supplementary information and the local highway finance report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and the local highway finance report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 other supplementary information and the local highway finance report are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 30, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Town of Sedgwick, Colorado's annual financial report presents the discussion and analysis of the financial performance for the fiscal year that ended December 31, 2016.

FINANCIAL HIGHLIGHTS

- The Town of Sedgwick remains in good financial condition.
- The assets of the Town of Sedgwick exceeded its liabilities at the close of 2016 by \$1,231,501 (net position). Of this amount \$617,918 or 51% is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- During the year, the Town's total revenues exceeded expenditures by \$184,013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Sedgwick's basic financial statements. The Town of Sedgwick's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements.
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies.

The **statement of net position** presents information on all of the Town of Sedgwick's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Sedgwick is improving or deteriorating.

The **statement of activities** presents information showing how the Town of Sedgwick's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes.)

The government-wide financial statements of the Town are divided into two categories:

- **Governmental activities.** Most of the Town's basic services are included here, such as public works, parks, recreation, and general administration. Property tax and intergovernmental revenue finance most of these activities.
- **Business-type activities.** The Town charges fees to customers to recover most of the costs of certain services provided. The Town's water, sewer and sanitation systems are included here.

The government-wide financial statements can be found starting on page 10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law, however, the Town Council has established other funds to help control and manage money for particular purposes or to show that it is properly using certain revenue (the Conservation Trust Fund). All of the funds of the Town of Sedgwick can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end are available for spending. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statement provides a detailed, short-term view to cash, the governmental fund operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statement is provided, or on the subsequent page, that explains the relationship (or differences) between them.

The basic governmental fund financial statements can be found starting on page 14 of this report.

Proprietary funds. When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The basic proprietary fund financial statements can be found starting on page 18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The Town has no fiduciary funds to report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 22 of this report.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Sedgwick, assets exceed liabilities by \$1,231,501 at the close of 2016.

Net Position

Combined net position of the Town of Sedgwick as of December 31, 2016 and 2015 are shown in Table 1 below.

Table 1
NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 438,238	\$ 245,257	\$ 258,543	\$ 268,562	\$ 696,781	\$ 513,819
Capital assets	<u>159,239</u>	<u>139,730</u>	<u>694,919</u>	<u>715,749</u>	<u>854,158</u>	<u>855,479</u>
Total assets	<u>\$ 597,477</u>	<u>\$ 384,987</u>	<u>\$ 953,462</u>	<u>\$ 984,311</u>	<u>\$ 1,550,939</u>	<u>\$ 1,369,298</u>
Long-term debt outstanding	\$ -	\$ -	\$ 272,350	\$ 286,317	\$ 272,350	\$ 286,317
Other liabilities	<u>23,389</u>	<u>12,053</u>	<u>10,354</u>	<u>10,130</u>	<u>33,743</u>	<u>22,183</u>
Total liabilities	<u>23,389</u>	<u>12,053</u>	<u>282,704</u>	<u>296,447</u>	<u>306,093</u>	<u>308,500</u>
Deferred inflows of resources	<u>13,345</u>	<u>13,310</u>	-	-	<u>13,345</u>	<u>13,310</u>
Net position:						
Net investment in capital assets	159,239	139,730	422,569	429,432	581,808	569,162
Restricted	11,693	9,104	20,082	18,521	31,775	27,625
Unrestricted	<u>389,811</u>	<u>210,790</u>	<u>228,107</u>	<u>239,911</u>	<u>617,918</u>	<u>450,701</u>
Total net position	<u>560,743</u>	<u>359,624</u>	<u>670,758</u>	<u>687,864</u>	<u>1,231,501</u>	<u>1,047,488</u>
Total liabilities and net position	<u>\$ 597,477</u>	<u>\$ 384,987</u>	<u>\$ 953,462</u>	<u>\$ 984,311</u>	<u>\$ 1,550,939</u>	<u>\$ 1,369,298</u>

The largest portion of the Town of Sedgwick's net position, 47%, reflects its investment in capital assets (land, buildings and equipment). The Town of Sedgwick uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. In addition, a portion of the Town of Sedgwick's net position, 3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, 50%, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2016, the Town of Sedgwick is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in net position

The Town's total revenue of \$430,689 was more than program expenses of \$246,676 for an increase in net position of \$184,013.

Table 2 shows the summarized revenues and expenses for 2016 and 2015.

Table 2
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	\$ -	\$ -	\$ 108,509	\$ 121,028	\$ 108,509	\$ 121,028
Operating grants and contributions	22,568	17,136	-	-	22,568	17,136
Capital grants and contributions	-	25,401	-	-	-	25,401
General revenues						
Property taxes	13,254	12,413	-	-	13,254	12,413
Other taxes	276,924	224,932	-	-	276,924	224,932
Interest earnings	146	112	671	469	817	581
Miscellaneous	8,560	7,298	57	-	8,617	7,298
Total revenues	321,452	287,292	109,237	121,497	430,689	408,789
Program expenses						
General government	49,935	53,813	-	-	49,935	53,813
Health and welfare	3,030	-	-	-	3,030	-
Public works	46,621	26,278	-	-	46,621	26,278
Culture and recreation	20,747	16,202	-	-	20,747	16,202
Water and sewer services	-	-	104,730	97,889	104,730	97,889
Sanitation services	-	-	21,613	30,285	21,613	30,285
Total expenses	120,333	96,293	126,343	128,174	246,676	224,467
Change in net position	201,119	190,999	(17,106)	(6,677)	184,013	184,322
Net position at beginning of year	359,624	168,625	687,864	694,541	1,047,488	863,166
Net position at end of year	\$ 560,743	\$ 359,624	\$ 670,758	\$ 687,864	\$ 1,231,501	\$ 1,047,488

Governmental Activities

Revenue for the Town's governmental activities totaled \$321,452 for 2016. Tax revenue produced 90% of these revenues. Tax revenue includes property taxes, sales and other taxes.

Table 3
GOVERNMENTAL ACTIVITIES

	Total Cost of Services	Net Cost of Services
General government	\$ 49,935	\$ 44,757
Health and welfare	3,030	3,030
Public works	46,621	30,814
Culture and recreation	20,747	19,164

Table 3 presents the cost and revenue of each of the Town's largest programs – general government, health and welfare, public works, and culture recreation – as well as each program's *net* cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Business-type Activities

Net position in business-type activities decreased by \$17,106 in 2016. Business-type activities include water and sewer services, as well as sanitation services.

Table 4
BUSINESS-TYPE ACTIVITIES

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Water and sewer services	\$ 104,730	\$ 18,953
Sanitation services	21,613	(1,119)

Table 4, above, presents the cost and revenue of each of the Town's business-type activities – water, sewer and sanitation – as well as the program *net* cost (total cost less revenues generated by activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$401,504. The general fund and other governmental funds reported fund balances of \$399,411 and \$2,093, respectively.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$65,749 below the final budget amounts due to certain capital and maintenance projects costing less than originally anticipated and appropriated funds budgeted and not required.

Additionally, resources available for appropriation (revenues) were \$116,988 more than the final budgeted amount. Revenues collected through taxes and intergovernmental sources were much higher than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town of Sedgwick's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$617,918 (net of accumulated depreciation). This amount includes a broad range of capital assets, including public works equipment, water, sewer and other infrastructure.

The Town remains committed to the upkeep and maintenance of the Town's largest assets. More detailed information about the Town's capital assets is presented in Table 5.

Table 5
CAPITAL ASSETS ON DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total Primary Government
Land and improvements	\$ 6,100	\$ -	\$ 6,100
Buildings and improvements	76,959	-	76,959
Equipment	76,180	12,763	88,943
Systems	-	682,156	682,156
Total	<u>\$ 159,239</u>	<u>\$ 694,919</u>	<u>\$ 854,158</u>

Long-term debt. The Town had \$272,350 in debt outstanding at year-end. More detailed information about the Town's long-term debt is presented in Table 6 and Note F to the financial statements.

Table 6
LONG-TERM DEBT ON DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total Primary Government
Notes payable	<u>\$ -</u>	<u>\$ 272,350</u>	<u>\$ 272,350</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town water project has been completed and the rates seem to be adequate to support the operation of the water system at this time. The 2018 budget has been proposed but not adopted to date; however, no increase in rates for water is anticipated. Rates were adjusted in January 2012 and seem to be adequate to cover the costs at this time. Should there be any unanticipated construction costs, there may be a need to increase rates. The Town's employees, the Clerk and Utility Operator, continue to perform satisfactorily and provide stability in the day to day operations of the Town.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact Town of Sedgwick, 29 Main Ave., P.O. Box 27, Sedgwick, Colorado 80749.

Basic Financial Statements

The basic financial statements of the Town include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

TOWN OF SEDGWICK, COLORADO
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 394,393	\$ 149,023	\$ 543,416
Cash with county treasurer	931		931
Certificates of deposit		64,433	64,433
Receivables	42,914	25,005	67,919
Capital assets, net of depreciation	159,239	694,919	854,158
Restricted cash		20,082	20,082
	<u>597,477</u>	<u>953,462</u>	<u>1,550,939</u>
Total assets	<u>\$ 597,477</u>	<u>\$ 953,462</u>	<u>\$ 1,550,939</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 13,541	\$ 4,285	\$ 17,826
Accrued salaries	2,348	2,869	5,217
Unearned revenues	7,500		7,500
Refundable deposits		3,200	3,200
Noncurrent liabilities			
Due within one year		13,967	13,967
Due in more than one year		258,383	258,383
	<u>23,389</u>	<u>282,704</u>	<u>306,093</u>
Total liabilities	23,389	282,704	306,093
Deferred inflows of resources			
Deferred property tax revenues	<u>13,345</u>		<u>13,345</u>
Total deferred inflows of resources	13,345	-	13,345
Net position			
Net investment in capital assets	159,239	422,569	581,808
Restricted for:			
Emergencies	9,600		9,600
Culture and recreation	2,093		2,093
Debt service		20,082	20,082
Unrestricted	<u>389,811</u>	<u>228,107</u>	<u>617,918</u>
Total net position	<u>560,743</u>	<u>670,758</u>	<u>1,231,501</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 597,477</u>	<u>\$ 953,462</u>	<u>\$ 1,550,939</u>

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

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TOWN OF SEDGWICK, COLORADO
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 49,935		\$ 5,178	
Health and welfare	3,030			
Public works	46,621		15,807	
Culture and recreation	20,747		1,583	
Total governmental activities	120,333	\$ -	22,568	\$ -
Business-type activities				
Water and sewer	104,730	85,777		
Sanitation	21,613	22,732		
Total business-type activities	126,343	108,509	-	-
Total	<u>\$ 246,676</u>	<u>\$ 108,509</u>	<u>\$ 22,568</u>	<u>\$ -</u>
		General revenues		
		Taxes		
		Property taxes, levied for general purposes		
		Other		
		Unrestricted earnings on investments		
		Miscellaneous		
		Total general revenues		
		Change in net position		
		Net position at beginning of year		
		Net position at end of year		

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

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (44,757)		\$ (44,757)
(3,030)		(3,030)
(30,814)		(30,814)
<u>(19,164)</u>		<u>(19,164)</u>
(97,765)	\$ -	(97,765)
	(18,953)	(18,953)
	<u>1,119</u>	<u>1,119</u>
-	<u>(17,834)</u>	<u>(17,834)</u>
(97,765)	(17,834)	(115,599)
13,254		13,254
276,924		276,924
146	671	817
<u>8,560</u>	<u>57</u>	<u>8,617</u>
<u>298,884</u>	<u>728</u>	<u>299,612</u>
201,119	(17,106)	184,013
<u>359,624</u>	<u>687,864</u>	<u>1,047,488</u>
<u>\$ 560,743</u>	<u>\$ 670,758</u>	<u>\$ 1,231,501</u>

TOWN OF SEDGWICK, COLORADO
Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	Other Governmental Fund	Total Governmental Funds
Assets			
Cash	\$ 391,752	\$ 2,641	\$ 394,393
Cash with county treasurer	931		931
Due from other funds	928		928
Accounts receivable	29,189	380	29,569
Property taxes receivable	13,345		13,345
Total assets	<u>\$ 436,145</u>	<u>\$ 3,021</u>	<u>\$ 439,166</u>
Liabilities			
Accounts payable	\$ 13,541		\$ 13,541
Accrued salaries	2,348		2,348
Due to other funds		\$ 928	928
Unearned revenues	7,500		7,500
Total liabilities	23,389	928	24,317
Deferred inflows of resources			
Deferred property tax revenues	13,345		13,345
Total deferred inflows of resources	13,345	-	13,345
Fund balance			
Restricted for emergencies	9,600		9,600
Restricted for culture and recreation		2,093	2,093
Unassigned	389,811		389,811
Total fund balance	<u>399,411</u>	<u>2,093</u>	<u>401,504</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 436,145</u>	<u>\$ 3,021</u>	<u>\$ 439,166</u>

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

TOWN OF SEDGWICK, COLORADO

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2016**

Amounts reported for governmental activities in the statement of net position
are different because:

Total fund balances - governmental funds	\$ 401,504
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	<u>159,239</u>
Net position of governmental activities	<u><u>\$ 560,743</u></u>

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

TOWN OF SEDGWICK, COLORADO
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2016

	General Fund	Other Governmental Fund	Total Governmental Funds
Revenues			
Taxes	\$ 290,124		\$ 290,124
Licenses and fees	380		380
Intergovernmental revenue	15,808	\$ 1,583	17,391
Miscellaneous revenue	13,551	6	13,557
	<u>319,863</u>	<u>1,589</u>	<u>321,452</u>
Total revenues			
Expenditures			
Current			
General government	32,782		32,782
Health and welfare	3,030		3,030
Public works	33,437		33,437
Culture and recreation	19,248		19,248
Capital outlay	51,345		51,345
	<u>139,842</u>	<u>-</u>	<u>139,842</u>
Total expenditures			
Net change in fund balances	180,021	1,589	181,610
Fund balance at beginning of year	<u>219,390</u>	<u>504</u>	<u>219,894</u>
Fund balance at end of year	<u>\$ 399,411</u>	<u>\$ 2,093</u>	<u>\$ 401,504</u>

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

TOWN OF SEDGWICK, COLORADO
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - governmental funds	\$ 181,610
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>19,509</u>
Change in net position of governmental activities	<u>\$ 201,119</u>

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

TOWN OF SEDGWICK, COLORADO
Statement of Net Position
Proprietary Funds
December 31, 2016

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Assets			
Current assets			
Cash	\$ 127,021	\$ 22,002	\$ 149,023
Certificates of deposit	64,433		64,433
Accounts receivable	20,004	5,001	25,005
Total current assets	211,458	27,003	238,461
Noncurrent assets			
Vehicles and equipment	3,758	30,085	33,843
Systems	1,047,094		1,047,094
Accumulated depreciation	(366,550)	(19,468)	(386,018)
Restricted cash	20,082		20,082
Total noncurrent assets	704,384	10,617	715,001
Total assets	<u>\$ 915,842</u>	<u>\$ 37,620</u>	<u>\$ 953,462</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 2,934	\$ 1,351	\$ 4,285
Accrued salaries	2,087	782	2,869
Refundable deposits	3,200		3,200
Current portion of long-term debt	13,967		13,967
Total current liabilities	22,188	2,133	24,321
Long-term liabilities			
Long-term debt	258,383		258,383
Total liabilities	280,571	2,133	282,704
Net position			
Net investment in capital assets	411,952	10,617	422,569
Restricted for debt service	20,082		20,082
Unrestricted	203,237	24,870	228,107
Total net position	635,271	35,487	670,758
Total liabilities and net position	<u>\$ 915,842</u>	<u>\$ 37,620</u>	<u>\$ 953,462</u>

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

TOWN OF SEDGWICK, COLORADO
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities Enterprise Funds		Total
	Water and Sewer Fund	Sanitation Fund	
Operating revenues			
Charges for services	\$ 85,777	\$ 22,732	\$ 108,509
Operating expenses			
Salaries	23,955	8,983	32,938
Payroll taxes	1,865	699	2,564
Supplies and maintenance	26,059	2,650	28,709
Professional fees	3,816	1,908	5,724
Utilities	7,408	548	7,956
Landfill		2,774	2,774
Insurance and bonds	3,709	1,391	5,100
Office expense	1,190	595	1,785
Telephone	1,055	527	1,582
Miscellaneous	11,271		11,271
Depreciation	24,402	1,538	25,940
Total operating expenses	104,730	21,613	126,343
Operating income (loss)	(18,953)	1,119	(17,834)
Nonoperating revenues			
Interest on investments	671		671
Miscellaneous	57		57
Total nonoperating revenues	728	-	728
Change in net position	(18,225)	1,119	(17,106)
Net position at beginning of year	653,496	34,368	687,864
Net position at end of year	\$ 635,271	\$ 35,487	\$ 670,758

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

TOWN OF SEDGWICK, COLORADO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 83,184	\$ 22,588	\$ 105,772
Payments to suppliers	(56,895)	(10,435)	(67,330)
Payments to employees	(23,890)	(8,959)	(32,849)
Net cash provided by operating activities	2,399	3,194	5,593
Cash flows from noncapital financing activities			
Miscellaneous receipts	57		57
Net cash provided by noncapital financing activities	57	-	57
Cash flows from capital and related financing activities			
Purchase of capital assets	(5,110)		(5,110)
Principal paid on long-term debt obligation	(13,967)		(13,967)
Net cash used in capital and related financing activities	(19,077)	-	(19,077)
Cash flows from investing activities			
Earnings on investments	493		493
Purchase of investments	(37,891)		(37,891)
Net cash used in investing activities	(37,398)	-	(37,398)
Net increase (decrease) in cash	(54,019)	3,194	(50,825)
Cash and cash equivalents at beginning of year	201,122	18,808	219,930
Cash and cash equivalents at end of year	\$ 147,103	\$ 22,002	\$ 169,105

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

	Business-type Activities Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (18,953)	\$ 1,119	\$ (17,834)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	24,402	1,538	25,940
Changes in assets and liabilities			
Receivables	(2,593)	(144)	(2,737)
Accounts payable	(522)	657	135
Accrued salaries	65	24	89
Net cash provided by operating activities	<u>\$ 2,399</u>	<u>\$ 3,194</u>	<u>\$ 5,593</u>
Cash and cash equivalents consist of:			
Cash and investments	\$ 127,021	\$ 22,002	\$ 149,023
Restricted cash	20,082		20,082
Total cash and cash equivalents	<u>\$ 147,103</u>	<u>\$ 22,002</u>	<u>\$ 169,105</u>

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Town of Sedgwick’s significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The more significant of the Town’s accounting policies are described below.

A.1 – Reporting entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The reporting entity’s financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Town has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the Town has no component units.

A.2 – Fund accounting

The Town uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked funds (special revenue funds), major capital projects (capital projects fund), and the servicing of general long-term debt (debt service fund). The following is the Town’s major governmental fund:

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

General Fund – The General Fund is the operating fund of the Town. It is used to account for most of the day-to-day operations of the Town which are financed from sales and use taxes, property taxes and other general revenues. Activities financed by the general fund include those of line and staff departments within the Town, except for activities of the enterprise funds.

The following is the Town’s nonmajor governmental fund:

Conservation Trust Fund – This fund is a special revenue fund established to account for state lottery proceeds and allowable expenditures.

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Town’s major proprietary funds:

Water and Sewer Fund – This fund was established to account for all operations of the water and sewer utility services provided by the Town.

Sanitation Fund – This fund was established to account for all operations of the sanitation services provided by the Town.

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function or program of the Town’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund financial statements – Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year-end.

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Property taxes, sales taxes, other taxes, licenses and fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

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.

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.

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Expenses/expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

The Town does not utilize encumbrance accounting.

A.6 – Cash and cash equivalents

For the purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

A.7 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

A.8 – Receivables

Monthly charges for water, sewer and sanitation services are included with monthly utility billings. No allowance for doubtful accounts has been provided in the accompanying financial statements since substantially all accounts are deemed by management to be collectible.

A.9 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund financial statements.

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

All capital assets with a unit cost greater than \$1,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) will be capitalized on a prospective basis beginning in 2004.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until project completion with interest earned on invested proceeds over the same period. No interest was capitalized during the year.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	40 years	40 years
Equipment	3-10 years	3-10 years
Improvements other than buildings	10-50 years	25-50 years
Infrastructure	50 years	n/a

A.10 – Compensated absences

The Town’s personnel policies do not permit employees to be paid for accumulated sick leave benefits upon termination or retirement; therefore no liability has been recorded in the financial statements pursuant to GASB Statement No. 16, “Accounting for Compensated Absences.” The employees can use accumulated vacation leave during the first two weeks of the following year.

A.11 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

A.12 – Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

A.13 – Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are service charges for water, sewer and sanitation utility services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

A.14 – Interfund transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services provided and used, and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated in the process of consolidation.

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.15 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Town Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

A.16 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different type of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council (the Town's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the Town's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Town Council through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

When both restricted and unrestricted resources are available in governmental funds, the Town applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

Note B – Cash and deposits

Cash and deposits – Colorado State statutes govern the Town’s deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government’s name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of year-end, the Town had total deposits of \$624,976, of which \$307,862 were insured and \$317,114 were collateralized with securities held by the pledging institution’s trust department or agent in the Town’s name.

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the Town’s own investment policies and procedures. Investments of the Town may include:

- Obligations of the United States Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

At year-end, the Town’s only investments consisted of certificates of deposit with local financial institutions.

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note C – Interfund transactions

The following is a summary of interfund borrowings and transfers for the year as presented in the fund financial statements:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Other Governmental Fund	General Fund	<u>\$ 928</u>

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note D – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Receivables</u>
Accounts	\$ 29,569	\$ 25,005	\$ 54,574
Property taxes	<u>13,345</u>	<u>-</u>	<u>13,345</u>
Total	<u>\$ 42,914</u>	<u>\$ 25,005</u>	<u>\$ 67,919</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Sedgwick County bills and collects property taxes for all taxing entities within the County. The tax receipts collected by the county are remitted to the Town in the subsequent month.

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 6,100	\$ -	\$ -	\$ 6,100
Total capital assets, not being depreciated	6,100	-	-	6,100
Capital assets, being depreciated:				
Buildings and improvements	130,782	7,000	-	137,782
Office equipment	923	-	-	923
Equipment	<u>87,455</u>	<u>28,668</u>	<u>-</u>	<u>116,123</u>
Total capital assets, being depreciated	<u>219,160</u>	<u>35,668</u>	<u>-</u>	<u>254,828</u>
Total capital assets	225,260	35,668	-	260,928
Less accumulated depreciation for:				
Buildings and improvements	(57,771)	(3,052)	-	(60,823)
Office equipment	(923)	-	-	(923)
Equipment	<u>(26,836)</u>	<u>(13,107)</u>	<u>-</u>	<u>(39,943)</u>
Total accumulated depreciation	<u>(85,530)</u>	<u>(16,159)</u>	<u>-</u>	<u>(101,689)</u>
Governmental activities capital assets, net	<u>\$ 139,730</u>	<u>\$ 19,509</u>	<u>\$ -</u>	<u>\$ 159,239</u>
Business-type activities				
Capital assets, being depreciated				
Water system	\$ 932,241	\$ 2,535	\$ -	\$ 934,776
Sewer system	112,318	-	-	112,318
Equipment	31,268	2,575	-	33,843
Less accumulated depreciation	<u>(360,078)</u>	<u>(25,940)</u>	<u>-</u>	<u>(386,018)</u>
Business-type activities capital assets, net	<u>\$ 715,749</u>	<u>\$ (20,830)</u>	<u>\$ -</u>	<u>\$ 694,919</u>

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note E – Capital assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities		
General government		\$ 1,476
Public works		13,184
Culture and recreation		<u>1,499</u>
Total governmental activities		<u>\$ 16,159</u>
Business-type activities		
Water and sewer		24,402
Sanitation		<u>1,538</u>
Total business-type activities		<u>\$ 25,940</u>

Note F – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>one year</u>
Business-type activities					
Notes payable	\$ 286,317	\$ -	\$ (13,967)	\$ 272,350	\$ 13,967

Long-term debt at year-end consists of the following individual issue:

\$419,000 Colorado Water Resources & Power Development Authority Loan due in semi-annual installments of \$6,983 through 2036, bearing interest at a rate of 0%. The loan requires a reserve fund totaling three months of operations and maintenance expenses, excluding depreciation, currently \$20,082, which the Town has included in "restricted cash" on the statement of net position.

\$ 272,350

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note F – Long-term debt (Continued)

The following schedule represents the Town’s debt service requirements to maturity for the outstanding long-term debt at year-end:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 13,967	\$ -	\$ 13,967
2018	13,967	-	13,967
2019	13,967	-	13,967
2020	13,967	-	13,967
2021	13,967	-	13,967
2022-2026	69,833	-	69,833
2027-2031	69,833	-	69,833
2032-2036	<u>62,849</u>	-	<u>62,849</u>
Total	<u>\$ 272,350</u>	<u>\$ -</u>	<u>\$ 272,350</u>

Note G – Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA/PC) and the Colorado Intergovernmental Risk Sharing Agency for Worker's Compensation (CIRSA/WC). CIRSA/PC and CIRSA/WC provide member municipalities within the State of Colorado, property, liability and workmen's compensation coverages and related services. CIRSA's general objectives are to provide member municipalities defined property and liability and/or worker's compensation coverages through self-insurance and excess insurance purchased from commercial companies. The Town pays an annual contribution to CIRSA for its insurance coverages. For the year ended, the Town's financial contribution to CIRSA/PC and CIRSA/WC was \$6,748 and \$2,333 respectively. Settled claims resulting from any of the above risks have not exceeded the coverages provided. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note H – Commitments and contingencies

Federal and state funding

The Town receives revenues from various state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

TOWN OF SEDGWICK, COLORADO
Notes to Financial Statements

Note H - Commitments and contingencies (Continued)

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the Town under specified voting requirements by the entire electorate. On April 6, 2004, the voters of the Town approved a ballot initiative permitting the Town to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of TABOR. However, the Town has made certain interpretations of TABOR's language in order to determine its compliance. The Town has reserved funds in the General Fund in the amount of \$9,600 for the emergency reserve.

CWRPDA loan covenants

Rate covenant - during the loan term, the Town shall establish, impose and collect, rents, rates and other charges for the products and services provided by the system, which shall be at least sufficient, together with other amounts available therefore, and after meeting the operation and maintenance expenses of the system, to pay 110% of the debt service coming due in such calendar year. The net operating revenues of the Water and Sewer Fund were 44% of the current year's debt service, which may not be in compliance with Town's covenants agreement.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund

TOWN OF SEDGWICK, COLORADO
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 176,610	\$ 176,610	\$ 290,124	\$ 113,514
Licenses and fees	265	265	380	115
Intergovernmental revenue	15,950	15,950	15,808	(142)
Miscellaneous revenue	10,050	10,050	13,551	3,501
Total revenues	202,875	202,875	319,863	116,988
Expenditures				
Current				
General government	23,278	23,278	32,782	(9,504)
Public safety	1,000	1,000		1,000
Health and welfare	800	800	3,030	(2,230)
Public works	41,223	41,223	33,437	7,786
Culture and recreation	13,290	13,290	19,248	(5,958)
Capital outlay	126,000	126,000	51,345	74,655
Total expenditures	205,591	205,591	139,842	65,749
Net change in fund balance	<u>\$ (2,716)</u>	<u>\$ (2,716)</u>	180,021	<u>\$ 182,737</u>
Fund balance at beginning of year			<u>219,390</u>	
Fund balance at end of year			<u>\$ 399,411</u>	

TOWN OF SEDGWICK, COLORADO
Notes to the Required Supplementary Information

Note A – Budgetary data

Annual budgets are established for all funds of the Town. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except for the enterprise funds (water and sewer and sanitation) in which capital and principal retirement expenses are treated as operating expenses and depreciation expense is not budgeted.

An appropriated budget for the entity as a whole is prepared on a detailed basis. Revenues are budgeted by source. Expenditures are budgeted by department and the major divisions thereof and by each independent office and agency and by the principal objects of expenditure. The legal level of control is considered to be the entity as a whole and expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by Town council. Within these control levels, management may transfer appropriations without Town council approval.

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

- On or before September 20th of each year, or in conformity with the general state law, the Town clerk submits to the Town council a budget which shall be a complete financial plan for the ensuing fiscal year.
- At the same time the budget is submitted, the Town manager shall also prepare an appropriation ordinance making a levy in mills upon all taxable property within the Town for the ensuing fiscal year.
- A public hearing on the budget shall be held by Town council two weeks after its submission. Notice of the time and place of said hearing shall be published within three days after the submission of the budget.
- Prior to December 15th, or in conformity with the general state law, the Town council shall adopt the budget and the tax levy ordinance.
- Any portion of any annual appropriation remaining unexpended and unencumbered at the close of the budget year shall be declared surplus and included in the budget for the ensuing year as those appropriations lapse at year-end.

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Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedules – General Fund
- Budgetary Comparison Schedule – Nonmajor Governmental Fund
- Budgetary Comparison Schedules – Enterprise Funds

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Budgetary Comparison Schedules – General Fund

The General Fund accounts for all transactions of the Town not required to be accounted for in other funds. This fund represents an accounting of the Town's ordinary operations financed primarily from tax dollars and intergovernmental aid. It is the most significant fund in relation to the Town's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

TOWN OF SEDGWICK, COLORADO
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes				
Local property taxes	\$ 13,310	\$ 13,310	\$ 13,254	\$ (56)
Delinquent taxes and interest	200	200	179	(21)
Other taxes	163,100	163,100	276,691	113,591
Total taxes	176,610	176,610	290,124	113,514
Licenses and fees	265	265	380	115
Intergovernmental revenues				
Highway users tax	12,000	12,000	12,829	829
Motor vehicle assessment	1,200	1,200	1,077	(123)
Road and bridge tax	2,700	2,700	1,902	(798)
Cigarette tax	50	50		(50)
Total intergovernmental revenues	15,950	15,950	15,808	(142)
Miscellaneous revenues				
Interest on investments	50	50	139	89
Grants	10,000	10,000	5,178	(4,822)
Other			8,234	8,234
Total miscellaneous revenues	10,050	10,050	13,551	3,501
Total revenues	\$ 202,875	\$ 202,875	\$ 319,863	\$ 116,988

TOWN OF SEDGWICK, COLORADO
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government				
Administrative salaries	\$ 2,860	\$ 2,860	\$ 2,994	\$ (134)
Payroll taxes	218	218	234	(16)
Office expenses	2,300	2,300	595	1,705
Professional services	6,000	6,000	14,218	(8,218)
Insurance and bonds	500	500	464	36
Supplies and maintenance	1,200	1,200	4,869	(3,669)
Utilities	2,100	2,100	1,807	293
Telephone	600	600	527	73
Miscellaneous	7,500	7,500	6,805	695
Treasurer's fees			269	(269)
Total general government	23,278	23,278	32,782	(9,504)
Public safety				
Miscellaneous	1,000	1,000		1,000
Health and welfare				
Pest and weed control	800	800	3,030	(2,230)
Public works				
Streets and highways				
Salaries	17,160	17,160	17,966	(806)
Payroll taxes	1,313	1,313	1,399	(86)
Street maintenance	17,500	17,500	8,629	8,871
Street lighting	2,050	2,050	2,501	(451)
Insurance and bonds	3,000	3,000	2,782	218
Miscellaneous	200	200	160	40
Total public works	41,223	41,223	33,437	7,786
Culture and recreation				
Parks				
Salaries	5,750	5,750	5,989	(239)
Payroll taxes	440	440	466	(26)
Supplies and maintenance	4,000	4,000	11,689	(7,689)
Insurance and bonds	1,000	1,000	927	73
Miscellaneous	2,100	2,100	177	1,923
Total culture and recreation	13,290	13,290	19,248	(5,958)
Capital outlay	126,000	126,000	51,345	74,655
Total expenditures	\$ 205,591	\$ 205,591	\$ 139,842	\$ 65,749

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Budgetary Comparison Schedule – Nonmajor Governmental Fund

The Town reports the following nonmajor governmental fund:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Conservation Trust Fund – This fund was established to account for the state lottery proceeds and allowable expenditures.

TOWN OF SEDGWICK, COLORADO
Conservation Trust Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
State lottery funds	\$ 1,000	\$ 1,000	\$ 1,583	\$ 583
Interest on investments	200	200	6	(194)
Total revenues	1,200	1,200	1,589	389
Expenditures				
Culture and recreation				-
Net change in fund balance	<u>\$ 1,200</u>	<u>\$ 1,200</u>	1,589	<u>\$ 389</u>
Fund balance at beginning of year			504	
Fund balance at end of year			<u>\$ 2,093</u>	

Budgetary Comparison Schedules – Enterprise Funds

The Town reports the following major proprietary funds:

Enterprise Funds – These funds are used to account for operations that provide services that are financed primarily by user charges, or activities where periodic measurement of income is appropriate for capital maintenance, public policy, management control or other purposes.

- Water and Sewer Fund – This fund was established to account for all operations of the water and sewer utility services provided by the Town.
- Sanitation Fund – This fund was established to account for all operations of the sanitation services provided by the Town.

TOWN OF SEDGWICK, COLORADO
Water and Sewer Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 92,000	\$ 92,000	\$ 85,777	\$ (6,223)
Operating expenses				
Salaries	22,880	22,880	23,955	(1,075)
Payroll taxes	1,750	1,750	1,865	(115)
Supplies and maintenance	24,000	24,000	26,059	(2,059)
Professional fees	3,000	3,000	3,816	(816)
Utilities	7,200	7,200	7,408	(208)
Insurance and bonds	3,800	3,800	3,709	91
Office expense	1,200	1,200	1,190	10
Telephone	1,200	1,200	1,055	145
Miscellaneous	8,300	8,300	11,271	(2,971)
Capital outlay	20,000	20,000	5,110	14,890
Total operating expenses	93,330	93,330	85,438	7,892
Operating income	(1,330)	(1,330)	339	1,669
Nonoperating revenues (expenses)				
Interest on investments	300	300	671	371
Miscellaneous	1,000	1,000	57	(943)
Principal paid on capital debt	(13,967)	(13,967)	(13,967)	-
Total nonoperating revenues (expenses)	(12,667)	(12,667)	(13,239)	(572)
Change in net position	\$ (13,997)	\$ (13,997)	(12,900)	\$ 1,097
Adjustments to GAAP Basis				
Add capital outlay			5,110	
Add principal paid on debt			13,967	
Deduct depreciation			(24,402)	
Change in net position - GAAP Basis			(18,225)	
Net position at beginning of year			653,496	
Net position at end of year			\$ 635,271	

TOWN OF SEDGWICK, COLORADO
Sanitation Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Charges for services	\$ 26,000	\$ 26,000	\$ 22,732	\$ (3,268)
Operating expenses				
Salaries	8,580	8,580	8,983	(403)
Payroll taxes	656	656	699	(43)
Supplies and maintenance	7,100	7,100	2,650	4,450
Professional fees	1,500	1,500	1,908	(408)
Landfill	2,400	2,400	2,774	(374)
Insurance and bonds	1,500	1,500	1,391	109
Office expense	600	600	595	5
Telephone	600	600	527	73
Utilities	1,200	1,200	548	652
Miscellaneous	200	200		200
Capital outlay	10,000	10,000		10,000
Total operating expenses	34,336	34,336	20,075	14,261
Change in net position	\$ (8,336)	\$ (8,336)	2,657	\$ 10,993
Adjustments to GAAP Basis				
Deduct depreciation			(1,538)	
Change in net position - GAAP Basis			1,119	
Net position at beginning of year			34,368	
Net position at end of year			\$ 35,487	

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**Colorado Department of Highways
Local Highway Finance Report**

This calendar-year report of receipts and expenditures is required by the Colorado Department of Highways to maintain Statewide accountability for moneys used for highway and street purposes. To ensure data accuracy, House Bill 1008 mandates that this report be included in the Town's financial statements.

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Sedgwick
YEAR ENDING : December 2016	
This Information From The Records Of (example - City of _ or County of _ Town of Sedgwick	Prepared By: Daniel Pederson Phone: (970) 474-3326

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	0
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	31,689
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	
2. General fund appropriations	19,232	b. Snow and ice removal	
3. Other local imposts (from page 2)	1,902	c. Other	2,501
4. Miscellaneous local receipts (from page 2)	0	d. Total (a. through c.)	2,501
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	34,190
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	21,134	b. Redemption	
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	13,056	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	34,190	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	34,190

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Rcdemptions	Closing Debt
A. Bonds (Total)				0
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balancc	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	34,190	34,190	0	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2016

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	1,902	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Licns		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other		g. Other Misc. Receipts	
6. Total (1. through 5.)		h. Other	
c. Total (a. + b.)	1,902	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	11,982	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	1,074	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	0
f. Total (a. through e.)	1,074	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	13,056	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments: