

GRAND VALLEY DRAINAGE DISTRICT  
BASIC FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2016

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## **GRAND VALLEY DRAINAGE DISTRICT Management's Discussion and Analysis**

The Grand Valley Drainage District Board of Directors and management offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2016.

### **FINANCIAL AND OPERATIONAL HIGHLIGHTS for 2016**

#### **Overview of the Financial Statements**

The most significant financial change in 2016 was the first billing cycle for the Storm Water Utility Fee for the Enterprise Fund. First notices were sent to all property owners within Grand Valley Drainage District's boundaries March 15, 2016. Fees were calculated based on property type assigned by the Mesa County Assessor and a base calculation of an "Equal Residential Unit" (ERU), which equates to \$36.00 per 2,500 sq. ft of impervious surface.

Second notices were sent to property owners who had outstanding balances as of July 1, 2016, and delinquent accounts remaining as of November 1, 2016 were turned over to collections with State of Colorado Central Collections. Overall, properties were billed for approximately \$2,535,512 with \$2,104,475 received in payments. These funds will primarily be used to begin planning and design for our high priority capital improvement projects, first being the Buthorn Drain and second, the Appleton Drain.

Separately through the General Fund, the District was able to complete ten small capital projects to eliminate open drains within the urbanized area in 2016. By completing these projects the facilities are easier to maintain and are no longer dumping grounds.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Grand Valley Drainage District's finances in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District'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 or not the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed over the past year. All changes in net position are reported as soon as an "event" causing a change occurs, regardless of when related cash flows actually take place. As a result, revenues and expenses are reported in this statement for some items that will only result in cash flows in future financial periods; for example, vacation leave which has been earned but not yet used.

During 2016, the District continued its two activities: 1) the maintenance, repair and construction of the District's historic drainage system (a governmental activity, and District general fund); and 2) The District's Urban Storm Water Enterprise that was created specifically to deal with "regulated water," that is, stormwater which is defined by federal law as being a pollutant (a business-type activity). Funding for the new Enterprise is provided by the utility fee and facilities improvement fee. The fee was adopted on September 9, 2015 and was implemented January 1, 2016 with bills sent in March as discussed above.

Reconciling “schedules” are used in the financial statements to reconcile the “government-wide” financial statements to the “fund” financial statements. These schedules show reconciling amounts caused by the differences in measurement focus and basis of accounting between the two types of financial statements.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been set aside for specific activities or purposes. Grand Valley Drainage District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District’s funds can be categorized into one fund type, governmental, for both the General Fund and for the Enterprise Fund.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, governmental fund financial statements focus on near-term flows of spendable resources, as well as on balances of spendable resources available at the end of the year. This information is helpful in evaluating the District’s near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements, as readers may better understand the impact of the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds.** Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District is authorized by § 37-45.1-101, et seq., C.R.S., to perform water activities, including management of regulated water, and to declare such activities to be a water activity enterprise, and to manage, fund and account for such activities as a water activity enterprise. The Urban Stormwater Enterprise Fund accounts for service fees charged by the District for services provided to entities and individuals. These activities are intended to be self-supporting.

Grand Valley Drainage District has one governmental fund and one proprietary fund. Both the *General Fund* and the *Enterprise Fund* are considered to be a major fund by the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34.

**Budgetary Comparisons.** Grand Valley Drainage District adopts an annual appropriated budget for all of its funds. Budget to actual comparisons for each fund are provided elsewhere in this report.

**Notes to the Financial Statements.** These notes provide additional information that is necessary in gaining a full understanding of the data provided in the government-wide and fund financial statements.

## DISTRICT-WIDE FINANCIAL ANALYSIS

**Net Position.** Net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2016, assets exceeded liabilities by \$8,950,154.

The following table provides condensed government-wide financial data for the years ended December 31, 2016 and 2015.

	<b>Table 1</b>			
	<b>Net Position</b>			
	<u>2016</u>		<u>2015</u>	
	<u>Governmental</u>	<u>Business Type</u>	<u>Governmental</u>	<u>Business Type</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
<b>Assets</b>				
Current assets	\$ 2,569,717	\$ 1,859,430	\$ 2,326,573	\$ 35,322
Capital assets (net)	<u>6,788,475</u>	<u>86,747</u>	<u>6,698,955</u>	
<b>Total assets</b>	<u>9,358,192</u>	<u>1,946,177</u>	<u>9,025,528</u>	<u>35,322</u>
<b>Liabilities</b>				
Current liabilities	163,052	174,480	154,311	640
Long-term liabilities	<u>244,943</u>		<u>349,694</u>	
<b>Total liabilities</b>	<u>407,995</u>	<u>174,480</u>	<u>504,005</u>	<u>640</u>
<b>Deferred Inflows</b>				
Property taxes receivable	1,771,740		1,659,091	
<b>Net Position</b>				
Invested in capital assets	6,470,175		6,276,901	
Restricted	56,918		54,898	
Unrestricted	<u>651,364</u>	<u>1,771,697</u>	<u>530,633</u>	<u>34,682</u>
<b>Total net position</b>	<u><u>7,178,457</u></u>	<u><u>1,771,697</u></u>	<u><u>6,862,432</u></u>	<u><u>34,682</u></u>

Grand Valley Drainage District's total assets were 4.8 times the District's total liabilities and deferred inflows at December 31, 2016. Total current assets were 13.12 times total current liabilities. The amount of the long-term liabilities included compensated absences payable, capital lease payments due within one year and capital leases payable.

At the end of 2016, Grand Valley Drainage District had positive balances in all categories of net position. Capital assets and net assets invested in capital assets increased (\$193,274) through utilization of the Equipment Repair/Replacement Fund and ordinary equipment upgrades.

## CHANGES IN NET POSITION

The net position of all of the District activities increased (\$8,950,154) in 2016 from 2015. Tax revenue slightly rose through ownership taxes and new construction. This was the first year of sending bills for the Storm Water Utility Fee to all property owners within the District's boundary, which netted \$1,736,464 to primarily put towards capital improvement projects identified in the Master Plan adopted by the Board.

The following table indicates the changes in net position for governmental activities for 2016 and 2015.

GRAND VALLEY DRAINAGE DISTRICT						
Statement of Activities						
Year Ended December 31, 2016						
Functions/Programs	Expenses	Program Revenues		Net Expense/Revenue and Changes in Net Position		Total
		Charges For Services & Fees	Capital Grants & Contributions	Governmental Activities	Business-type Activities	
<i>Governmental Activities:</i>						
Drainage system operation	\$ (1,581,426)	\$ 16,773	\$ 15,355	\$ (1,549,298)	\$	\$ (1,549,298)
<b>Total governmental activities</b>	<u>(1,581,426)</u>	<u>16,773</u>	<u>15,355</u>	<u>(1,549,298)</u>	<u>0</u>	<u>(1,549,298)</u>
<i>Business Type Activities:</i>						
Enterprise fund	(726,378)	2,462,842			1,736,464	1,736,464
<b>Total business type activities</b>	<u>(726,378)</u>	<u>2,462,842</u>	<u>0</u>	<u>0</u>	<u>1,736,464</u>	<u>1,736,464</u>
<b>Total Primary government</b>	<u>\$ (2,307,804)</u>	<u>\$2,479,615</u>	<u>\$ 15,355</u>	<u>(1,549,298)</u>	<u>1,736,464</u>	<u>187,166</u>
General revenues:						
Property taxes				1,652,427		1,652,427
Specific ownership taxes				212,955		212,955
Interest Income				193	551	744
Gain on disposal of capital assets				(252)		(252)
<b>Total general revenues</b>				<u>1,865,323</u>	<u>551</u>	<u>1,865,874</u>
<b>Change in net position</b>				316,025	1,737,015	2,053,040
<b>Net Position, January 1,</b>				6,862,432	34,682	6,897,114
<b>Net Position, December 31,</b>				<u>\$ 7,178,457</u>	<u>\$ 1,771,697</u>	<u>\$ 8,950,154</u>

The major general revenues for governmental activities were as follows:  
Property taxes of \$1,652,406 and specific ownership taxes of \$212,955.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As mentioned earlier, Grand Valley Drainage District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund** - The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

**Proprietary Fund** –The District's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

**Major Activity for 2016**

*Governmental Fund*

- Receipt of \$1,865,382 of total tax revenues
- Expenditures of \$1,443,612 for operations
- Capital outlay \$335,607

*Proprietary Fund*

- Receipt of \$2,425,422 in storm water utility fees
- Receipt of \$26,484 in service fees, which primarily consisted of Facilities Impact Fees on new development, and GIS Mapping for other irrigation and water entities.
- Expenditures of \$726,378 for operations.

**BUDGETARY COMPARISON HIGHLIGHTS**

- The estimated Budget compared to actual expenditure reflects a large amount of unexpended allowances for Reserves. Some of those funds are restricted by State statute for emergency reserves of 3% of the annual budget.
- The District's budget is prepared and approved according to Colorado statutes.
- *Governmental Fund:* An amended budget was adopted in December 2016 to more accurately reflect the revenues and expenditures experienced throughout the year and acknowledge the sale of exhausted equipment.
- *Proprietary Fund:* An amended budget was adopted in December 2016 to more accurately reflect the revenues and expenditures experience throughout the year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The District's capital assets at December 31, 2016 and 2015 are presented in the following table.

<b>Table 3</b>			
<b>Capital Assets (net of depreciation)</b>			
	<i>Governmental Activities</i>		
		<u>2016</u>	<u>2015</u>
Land	\$	420,051	\$ 420,051
Infrastructure		4,591,789	4,503,156
Building and improvements		383,817	390,285
Vehicles		803,157	685,704
Equipment		572,735	655,217
Office furniture and equipment		13,926	15,602
Construction in Progress-Infrastructure		<u>0</u>	<u>28,940</u>
Total	\$	<u>6,788,475</u>	<u>\$ 6,698,955</u>

**Table 3 Con't**  
**Capital Assets (net of depreciation)**

	<i>Business-Type Activities</i>	
	<u>2016</u>	<u>2015</u>
Construction in Progress-Infrastructure	\$ 86,747	\$ 0
Total	<u>\$ 86,747</u>	<u>\$ 0</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The District's main operational focus was normally required maintenance of irrigation return flow and seep facilities within the budget restraints.
- As noted within, the District imposed the first annual storm water utility fee for the purpose of handling increased water quantity and quality issues that burden the current drainage systems. Billing for 2017 will be the same rate and sent to property owners within District boundaries in March. Engineering firms have been contracted to create plans and designs for capital improvements on the Buthorn Drain and Appleton Drain. The goal is for construction to begin at the end of 2017 on the Buthorn Drain.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Grand Valley Drainage District's finances for all those with an interest in this local government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Grand Valley Drainage District, P.O. Box 969, Grand Junction, CO 81502, or to the District's Manager at 242-4343.

## INDEPENDENT AUDITOR'S REPORT

August 25, 2017

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Grand Valley Drainage District as of and for the year ended December 31, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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 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, 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 governmental activities, business-type activities and each major fund, of the Grand Valley Drainage District, as of December 31, 2016, and the respective changes in financial position and cashflows for the business-type activity, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Valley Drainage District's financial statements as a whole. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through vi and 24 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Valley Drainage District's financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the enterprise fund on page 26 is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

Grand Junction, Colorado

# **Basic Financial Statements**

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**GRAND VALLEY DRAINAGE DISTRICT**

**Statement of Net Position**

**December 31, 2016**

	<i>Governmental Activities</i>	<i>Business Type Activities</i>	<i>Total</i>
<b>ASSETS</b>			
Cash and cash equivalents, Note B	\$ 653,728	\$ 1,584,348	\$ 2,238,076
Investments, Note B	123,057		123,057
Due from other government	21,192		21,192
Fees receivable (net of allowance of \$153,372)		275,082	275,082
Property taxes receivable, Note C	1,771,740		1,771,740
Capital assets, net, Note E	<u>6,788,475</u>	<u>86,747</u>	<u>6,875,222</u>
<b>Total Assets</b>	<u>9,358,192</u>	<u>1,946,177</u>	<u>11,304,369</u>
<b>LIABILITIES</b>			
Accounts payable	6,304	18,616	24,920
Accrued expenses	38,746	7,958	46,704
Unearned fees held		147,906	147,906
Capital lease payments due within one year	118,002		118,002
<i>Noncurrent liabilities:</i>			
Compensated absences payable	44,645		44,645
Capital leases payable	<u>200,298</u>		<u>200,298</u>
<b>Total Liabilities</b>	<u>407,995</u>	<u>174,480</u>	<u>582,475</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	<u>1,771,740</u>		<u>1,771,740</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,470,175		6,470,175
Restricted for emergencies, Note I	56,918		56,918
Unrestricted	<u>651,364</u>	<u>1,771,697</u>	<u>2,423,061</u>
<b>Total Net Position</b>	<u>\$ 7,178,457</u>	<u>\$ 1,771,697</u>	<u>\$ 8,950,154</u>

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

**GRAND VALLEY DRAINAGE DISTRICT**

**Statement of Activities**

**Year Ended December 31, 2016**

<b>Functions/Programs</b>	Expenses	Program Revenues	
<i>Governmental Activities:</i>		Charges For Services & Fees	Capital Grants & Contributions
Drainage system operation	\$ (1,581,426)	\$ 16,773	\$ 15,355
<b>Total governmental activities</b>	(1,581,426)	16,773	15,355
<i>Business Type Activities:</i>			
Enterprise fund	( 726,378)	2,462,842	<u>          </u>
<b>Total business type activities</b>	( 726,378)	2,462,842	<u>          0</u>
<b>Total Primary government</b>	<u>\$ (2,307,804)</u>	<u>\$2,479,615</u>	<u>\$ 15,355</u>

**General revenues:**

Property taxes  
 Specific ownership taxes  
 Interest income  
 Loss on disposal of capital assets  
**Total general revenues**

**Change in net position**

**Net Position, January 1,**

**Net Position, December 31,**

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

*Net Expense/Revenue and  
Changes in Net Position*

Governmental Activities	Business-type Activities	Total
<u>\$(1,549,298)</u>	<u>\$ 0</u>	<u>\$(1,549,298)</u>
<u>(1,549,298)</u>	<u>0</u>	<u>(1,549,298)</u>
<u>0</u>	<u>1,736,464</u>	<u>1,736,464</u>
<u>(1,549,298)</u>	<u>1,736,464</u>	<u>187,166</u>
1,652,427		1,652,427
212,955		212,955
193	551	744
<u>(252)</u>	<u>551</u>	<u>(252)</u>
<u>1,865,323</u>	<u>551</u>	<u>1,865,874</u>
316,025	1,737,015	2,053,040
<u>6,862,432</u>	<u>34,682</u>	<u>6,897,114</u>
<u>\$7,178,457</u>	<u>\$1,771,697</u>	<u>\$8,950,154</u>

**GRAND VALLEY DRAINAGE DISTRICT**

**Balance Sheet - Governmental Fund**

**December 31, 2016**

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	<i>General Fund</i>
Assets	
Cash and equivalents	\$ 653,728
Investments	123,057
Due from other government	21,192
Property taxes receivable	<u>1,771,740</u>
Total assets	<u>\$ 2,569,717</u>
Liabilities, equity and fund balances	
Accounts payable	\$ 6,304
Accrued expenses	<u>38,746</u>
Total liabilities	<u>45,050</u>
Deferred Inflows of Resources	
Property taxes receivable	<u>1,771,740</u>
Fund Balance	
Restricted for emergencies	56,918
Unassigned	<u>696,009</u>
Total fund balance	<u>752,927</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,569,717</u>

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

**GRAND VALLEY DRAINAGE DISTRICT**

**Reconciliation of Total Governmental Fund Balance  
to the Statement of Net Position**

**December 31, 2016**

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<b>Total governmental fund balance</b>	\$ 752,927
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	6,788,475
Long-term liabilities, including compensated absences are not due and payable in the current period and are therefore not reported in the funds.	
Compensated absences	(44,645)
Capital leases	<u>(318,300)</u>
<b>Net position of governmental activities</b>	<u>\$ 7,178,457</u>

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

**GRAND VALLEY DRAINAGE DISTRICT**

**Statement of Revenues, Expenses and Changes in Fund Balance - Governmental Fund**

**Year Ended December 31, 2016**

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	<i>General Fund</i>
Revenues	
Taxes	\$ 1,865,382
Grants	15,355
Interest income	193
Sale of assets	4,267
Reimbursement for materials	16,319
Miscellaneous income	<u>454</u>
Total revenues	<u>1,901,970</u>
Expenditures	
Current	
General and administrative	162,961
Drainage operations	1,280,651
Capital outlay	<u>335,607</u>
Total expenditures	<u>1,779,219</u>
Excess (deficiency) of revenue over expenditure	122,751
Fund balance, January 1,	<u>630,176</u>
Fund balance, December 31,	<u>\$ 752,927</u>

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

**GRAND VALLEY DRAINAGE DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Fund to the Statement of Activities**

**Year Ended December 31, 2016**

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**Net change in fund balance - governmental fund** \$ 122,751

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and capitalized labor and other expenses in the current period.

Fixed assets current additions (capitalized)	\$ 402,280	
Depreciation expense	<u>(308,241)</u>	
		94,039

Net effect of transactions on disposal of capital assets that decrease position. (5,019)

Governmental funds report lease issuance proceeds as another financing source while repayment of debt principal is reported as an expenditure.

Capital lease principal payments	103,754
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**Change in net position of governmental activities** \$ 315,525

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

**GRAND VALLEY DRAINAGE DISTRICT**

**Statement of Net Position - Proprietary Fund**

**December 31, 2016**

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	<i>Enterprise Fund</i>
Assets	
Cash and equivalents	\$ 1,584,348
Fees receivable (net of allowance of \$153,372), Note D	275,082
Construction in progress	<u>86,747</u>
Total assets	<u>1,946,177</u>
Liabilities	
Accounts payable	18,616
Accrued expenses	7,958
Unearned fees held	<u>147,906</u>
Total liabilities	<u>174,480</u>
Net Position	
Unrestricted	<u>1,771,697</u>
Net position	<u>\$ 1,771,697</u>

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

**GRAND VALLEY DRAINAGE DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund**

**Year Ended December 31, 2016**

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	<i>Enterprise Fund</i>
Revenues	
Service fees	\$ 2,462,842
Interest	<u>551</u>
	Total revenues <u>2,463,393</u>
Expenses	
Wages and benefits	214,391
Storm water projects	90,000
Engineering miscellaneous	2,824
Fuel	1,416
Billing expenses	47,700
Consulting fees	38,316
Legal	132,623
Public relations	41,455
Bad debt expense	153,372
Miscellaneous expenses	<u>4,281</u>
	Total expenses <u>726,378</u>
Change in Net Position	1,737,015
Net Position, January 1,	<u>34,682</u>
Net Position, December 31,	<u>\$ 1,779,697</u>

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

**GRAND VALLEY DRAINAGE DISTRICT**

**Statement of Cash Flows - Proprietary Fund**

**Year Ended December 31, 2016**

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	<i>Enterprise Fund</i>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
Cash flows from operating activities:	
Cash received for services	\$ 2,355,796
Interest received	551
Cash paid to employees	(315,583)
Cash paid to suppliers	<u>(384,861)</u>
<b>Net cash provided(used) by operating activities</b>	<u>1,655,903</u>
<b>Cashflows from capital and related financing activities:</b>	
Acquisition of property and equipment	<u>(86,747)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>1,569,156</u>
Cash and cash equivalents, January 1,	<u>15,192</u>
Cash and cash equivalents, December 31,	<u>\$ 1,584,348</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating income (loss)	\$ 1,737,015
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	(254,952)
Increase (decrease) in accounts payable	17,976
Increase (decrease) in accrued expenses	7,958
Increase (decrease) in unearned fees held	<u>147,906</u>
Total adjustments	(81,118)
Net cash provided(used) by operating activities	<u>\$ 1,655,903</u>

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

# GRAND VALLEY DRAINAGE DISTRICT

## Notes to Financial Statements

December 31, 2016

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Reporting Entity

The Grand Valley Drainage District (the District) was organized in September 1915. The District was created, formed and is governed by Colorado State Statute. The purpose of the District is the management of seep waters, waste irrigation waters and storm waters within its boundaries.

The District is governed by a publicly elected three member board of directors, is a legally separate entity and is fiscally independent. The District is the primary government. It is not included in any other governmental reporting entity, nor is the District financially accountable for any other organizations and does not include any component units.

#### 2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and user charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District has no *component units*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Financial statements are provided for governmental funds and the enterprise fund. Major individual funds are reported as separate columns in the fund financial statements.

#### 3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the provider have been met. When the District has the option to use either restricted or unrestricted net assets to finance a program it is the District's policy to first apply restricted resources.

# GRAND VALLEY DRAINAGE DISTRICT

## Notes to Financial Statements

December 31, 2016

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The District considers revenues to be available if they are collectible within 180 days except for property taxes which are considered available if they are collectible within 60 days after year-end. Property taxes and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

The government reports the following major governmental fund:

The *General Fund* is the District's operating fund. It accounts for all financial resources of the government except for those required to be reported in another fund.

The government reports the following major proprietary fund:

The *Urban Storm water Enterprise Fund* accounts for service fees charged by the District for services provided to entities and individuals. These activities are intended to be self-supporting.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### 4. Estimates

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

#### 5. Risk Management

The District is exposed to various risks of loss related to property and casualty losses. The District has joined together with other governments in the State of Colorado to form the Colorado Special District's Property and Liability Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for member districts. The Pool provides the District with general property, vehicle comprehensive and collision, and various liability insurance coverage. The District pays an annual contribution to the Pool for its property and casualty insurance coverage. During 2016, the District paid contributions of \$69,802. The intergovernmental agreement of formation of the Pool provides

**GRAND VALLEY DRAINAGE DISTRICT**

**Notes to Financial Statements**

**December 31, 2016**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and that the Pool will purchase insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. There were no significant reductions in insurance coverage from prior year by major categories of risk, and there have been no settlements that exceed the District's insurance coverage during the past three years.

**6. Cash and Cash Equivalents**

For purposes of statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**7. Capital Assets**

Capital assets, which include property, plant and equipment are defined by the District as assets with an initial, individual cost of at least \$1,000, (\$5,000 for infrastructure), and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with the requirements of the Governmental Accounting Standards Board (GASB) the District began recording infrastructure assets for the year ended December 31, 2004.

Depreciation is provided on the straight-line method over the assets estimated useful lives, as follows:

Infrastructure	50 years
Building	100 years
Vehicles	10 – 40 years
Equipment	10 – 50 years
Office furniture and equipment	4 – 50 years

**8. Fund Balance**

The District has approved the following Fund Balance policies:

Committed fund balances are approved by the District's Board via a majority vote. The District does not use the assigned fund balance designation.

As stated in Note A3, the District considers restricted amount to have been spent for purposes for which both restricted and unrestricted fund balance is available. The District also considers committed amounts to have been spent for purposes which any unrestricted fund balance classifications could have been used.

**9. Net Position**

In the entity-wide financial statements net position represent the difference between assets and liabilities. Amounts shown as invested in capital assets net of related debt consists of capital assets net of accumulated depreciation and related debt. Balances are reported as restricted when there are constraints placed on their use either by law through constitutional provisions or enabling legislation or through restrictions externally imposed by creditors, grantors, laws, or regulations of other governments.

**GRAND VALLEY DRAINAGE DISTRICT**

**Notes to Financial Statements**

**December 31, 2016**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

10. Budgets

The annual budget is prepared and approved by the Board of Directors in accordance with the State of Colorado Financial Management Manual. The budget is prepared on the modified accrual basis of accounting. It is submitted to the District Board of Directors by October 15th. The mill levy is certified to the Mesa County Board of County Commissioners by December 15th. The commissioners certify the property taxes are levied and mill levy by December 22nd. The Board of Directors may amend the appropriation resolution at any time during the year if warranted by circumstances. The 2016 budget was amended for both funds.

11. Subsequent Events

Management has reviewed subsequent events through the date of the audit report.

**NOTE B – CASH AND INVESTMENTS**

*Cash*

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 PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed by the GASB. At year end, the bank balance of the District's deposits was \$649,942 of this balance \$358,448 was insured by FDIC and \$291,494 was collateralized under PDPA.

At December 31, 2016 the deposits of the governmental activities consisted of the following:

Cash on hand	\$	850
Cash in checking		<u>2,237,226</u>
Total		<u>\$2,238,076</u>
Investments		
Colostrust	\$	24,257
Certificate of deposit		<u>98,800</u>
Total		<u>\$ 123,057</u>

At December 31, 2016, the carrying amount of the District's deposits was \$2,390,265. Of this amount, \$609,881 was covered by federal depository insurance and \$1,780,384 is collateralized with securities held in single financial institution collateral pools as provided by statute. Collateral for uninsured deposits is held by banks in the name of a number of government accounts of which the District is a part.

**GRAND VALLEY DRAINAGE DISTRICT**

**Notes to Financial Statements**

**December 31, 2016**

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**NOTE B – CASH AND INVESTMENTS – Continued**

The District places money in Colotrust a public entity cash investment pool authorized by Colorado statues. Deposits in this pool are not subject to credit risk classification. The pool operates under the provision of C.R.S. Title 24, Article 75, Section 7. It is monitored by the Colorado Division of Securities. Pool portfolios operate like money market mutual funds with each share valued at \$1.00 Designated custodial banks provide safekeeping and depository services, and securities owned by the trusts are held in the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments as owned by the trusts. Investments consist of repurchase agreements, U.S. Government Agency Securities and Commercial Paper. This pool is not required to and is not registered with the SEC. COLOTRUST’s funds are rated AAA by Standard and Poor’s, Fitch’s and Moody’s rating services.

Colorado statues specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments 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; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and, guaranteed investments contracts. The District’s investment policy follows Colorado statues. The District’s investments are registered in the name of the government.

**NOTE C – PROPERTY TAXES**

Property taxes for 2015, collectible in 2016, were certified by the Mesa County Commissioners in December 2015. Property taxes attach as an enforceable lien on January 1, 2016 are due in total April 30, 2016 or in equal installments February 28, 2016 and June 15, 2016, at the option of the taxpayer.

Property taxes for 2016, collectible in 2016, are shown as property taxes receivable and deferred revenue on the balance sheet in the amount of the assessed taxes. The County Treasurer remits taxes collected to the District by the 10<sup>th</sup> day of the month following collection.

***Revenue recognized in 2016***

Local property taxes levied for 2015 and collected in 2016 are recognized as revenue in these financial statements as shown below:

<b><u>Year</u></b>	<b><u>Assessed Valuation</u></b>	<b><u>Mill Levy</u></b>	<b><u>Amount of Taxes Levied</u></b>	<b><u>Collected</u></b>	<b><u>Percent Collected</u></b>
2015	\$1,060,799,895	1.564	\$1,659,091	\$1,648,860	99.4%

**GRAND VALLEY DRAINAGE DISTRICT**

**Notes to Financial Statements**

**December 31, 2016**

**NOTE D – SERVICE FEES RECEIVABLE**

The District referred the uncollected service fees for the enterprise fund to the Colorado Department of Collections. Due to their high collection rate the District expects that 60 percent of the uncollected fees will be recovered.

**NOTE E – CAPITAL ASSETS**

<b>General Fund</b>	<u>Balance 01/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/16</u>
Land	\$ 420,051	\$	\$	\$ 420,051
Infrastructure (Drainage System)	5,480,355	202,286		5,682,641
Building and improvements	561,142			561,142
Vehicles	1,158,128	201,579	31,136	1,328,571
Equipment	1,040,704	27,355	13,771	1,054,288
Office furniture and equipment	<u>52,389</u>			<u>52,389</u>
Totals	<u>8,712,769</u>	<u>431,220</u>	<u>44,907</u>	<u>9,099,082</u>
Less accumulated depreciation for:				
Infrastructure (Drainage System)	977,199	113,653		1,090,852
Building and improvements	170,857	6,468		177,325
Vehicles	472,424	81,126	31,136	522,414
Equipment	385,487	105,318	9,252	481,553
Office furniture and equipment	<u>36,787</u>	<u>1,676</u>		<u>38,463</u>
Total accumulated depreciation	<u>2,042,754</u>	<u>308,241</u>	<u>40,388</u>	<u>2,310,607</u>
Construction in Progress-Infrastructure	<u>28,940</u>		<u>28,940</u>	<u>0</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 6,698,955</u>	<u>\$ 122,979</u>	<u>\$ (33,459)</u>	<u>\$ 6,788,475</u>
<b>Enterprise Fund</b>				
	<u>01/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/16</u>
Construction in Progress-Infrastructure	<u>\$ 0</u>	<u>86,747</u>		<u>\$ 86,747</u>

The District has established a capitalization policy of \$1,000 for property plant and equipment and \$5,000 for infrastructure assets.

GRAND VALLEY DRAINAGE DISTRICT

Notes to Financial Statements

December 31, 2016

NOTE F – LONG-TERM LIABILITIES

Governmental Activities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Compensated absences payable	\$ 44,645	\$	\$	\$ 44,645
Leases payable	\$ 422,054	\$	\$ (103,754)	\$ 318,300

Capitalized Lease Obligations

In February 2015 the District entered into a lease agreement for an excavator. A down payment was made at closing in February 2015 and equipment was traded in. Payments on the lease began March 2015 and will continue thru January 2020.

In August 2015 the District entered into a lease agreement for an excavator. A down payment was made at closing in August 2015 and payments on the lease began September 2015 and will continue thru July 2020.

In June 2014 the District entered into a lease agreement for an excavator. A down payment was made at closing in June 2014 and payments on the lease began July 2014 and will continue thru May 2019.

In November 2014 the District entered into a lease agreement for a vehicle. A down payment was made at closing November 2014 and payment on the lease will begin November 2014 and continue to be made annually thru 2016.

In December 2014 the District entered into a lease agreement for a utility cab tractor. A down payment was made at closing December 2014 and payment on the lease will begin December 2014 and continue to be made annually thru 2018.

The assets acquired thru capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 538,437
Vehicles	29,200
Less Depreciation	<u>(202,183)</u>
	\$ <u>365,454</u>

**GRAND VALLEY DRAINAGE DISTRICT**

**Notes to Financial Statements**

**December 31, 2016**

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**NOTE F – LONG-TERM LIABILITIES– Continued**

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016 were as follows:

	2017	\$	118,002
	2018		105,761
	2019		76,817
	2020		<u>17,720</u>
			318,300
	Less amount representing interest		<u>13,251</u>
	Present value of net minimum lease payments	\$	<u><u>305,049</u></u>

**NOTE G – DEFERRED COMPENSATION PLAN**

The District provides a 457 plan for all of its full time employees through the Colorado County Officials and Employees Retirement Association. Employees participate in the plan after completing one year of service. Both the District and employees are required to contribute 6% of the employee’s gross wages. In addition employees may voluntarily contribute up to another 10% of gross wages. Participants may make lump sum contributions to the plan to provide for past service benefits. Employees vest their interest in the District’s contribution at the rate of 10% per year. The District’s covered payroll for 2016 was \$782,233 and the District’s contribution to the plan was \$46,934. This was equal to the required contribution for the year. Employees contributed \$46,934 to the plan during 2016.

**NOTE H – TAX, SPENDING AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local government. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

**NOTE I – RESTRICTED NET ASSETS**

Restricted net assets consist of a 3% emergency reserve of \$56,918.

**NOTE J – LINE Of CREDIT**

The District has \$100,000 line of credit with a local financial institution the line has not been drawn upon as of the date of the audit report.

**NOTE K – COMMITMENTS**

At the end of 2016 the District open commitments of \$304,054 for analysis and preliminary design of two drain projects.

**GRAND VALLEY DRAINAGE DISTRICT**

**Notes to Financial Statements**

**December 31, 2016**

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**NOTE L – SUBSEQUENT EVENTS**

On February 2017 the District entered into a capital lease agreement of \$271,792 for a motor grader.

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**REQUIRED**

**SUPPLEMENTARY INFORMATION**

**GRAND VALLEY DRAINAGE DISTRICT**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – General Fund**

**Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 1,880,042	\$ 1,862,642	\$ 1,865,382	\$ 2,740
Grants	18,606	33,961	15,355	(18,606)
Sale of asset			4,267	4,267
Miscellaneous	<u>1,352</u>	<u>21,997</u>	<u>16,966</u>	<u>(5,031)</u>
Total revenues	<u>1,900,000</u>	<u>1,918,600</u>	<u>1,901,970</u>	<u>(16,630)</u>
<b>Expenditures</b>				
Drainage operations	1,396,000	1,169,000	1,280,651	(111,651)
General and administrative	469,000	338,000	162,961	175,039
Capital outlay	270,000	325,000	335,607	(10,607)
Contingencies and reserves	<u>40,000</u>	<u>          </u>	<u>          </u>	<u>0</u>
Total expenditures	<u>2,175,000</u>	<u>1,832,000</u>	<u>1,779,219</u>	<u>52,781</u>
Excess of revenues over (under) expenditures	(275,000)	86,600	122,751	36,151
Fund balance, January 1	<u>630,176</u>	<u>630,176</u>	<u>630,176</u>	<u>0</u>
Fund balance, December 31	<u>\$ 355,176</u>	<u>\$ 716,776</u>	<u>\$ 752,927</u>	<u>\$ 36,151</u>

## **SUPPLEMENTARY INFORMATION**

**GRAND VALLEY DRAINAGE DISTRICT**

**Schedule of Revenues, Expenses and Changes in  
Net Position – Budget and Actual – Enterprise Fund**

**Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Service fees	\$ 3,246,834	\$ 2,640,178	\$ 2,462,842	\$ (177,336)
Interest	<u>16</u>	<u>500</u>	<u>551</u>	<u>51</u>
Total revenues	<u>3,246,850</u>	<u>2,640,678</u>	<u>2,463,393</u>	<u>(177,285)</u>
<b>Expenditures</b>				
Wages and benefits	130,000	204,000	214,391	(10,391)
Consulting fees	20,000	25,000	38,316	(13,316)
Legal fees	170,000	135,000	132,623	2,377
Fuel	10,000	6,000	1,416	4,584
Storm water projects		90,000	90,000	0
Engineering	100,000	168,154	2,824	165,330
Basin studies	250,000			0
Public relations		47,525	41,455	6,070
Billing expense	100,000	60,000	47,700	12,300
Bad debt	1,000,000	400,000	153,372	246,628
Miscellaneous expenses	<u>                    </u>	<u>2,650</u>	<u>4,281</u>	<u>(1,631)</u>
Total expenses	<u>1,780,000</u>	<u>1,138,329</u>	<u>726,378</u>	<u>411,951</u>
Excess of revenues over (under) expenses	1,466,850	1,502,349	1,737,015	234,666
Fund balance, January 1	<u>34,682</u>	<u>34,682</u>	<u>34,682</u>	<u>0</u>
Fund balance, December 31	<u>\$ 1,501,532</u>	<u>\$ 1,537,031</u>	<u>\$ 1,771,697</u>	<u>\$ 234,666</u>

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