

Alameda Water and Sanitation District

Jefferson County, Colorado

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2016 and 2015



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Alameda Water and Sanitation District

TABLE OF CONTENTS

December 31, 2016 and 2015

Independent Auditor’s Report	I
Management’s Discussion and Analysis.....	III
Basic financial statements:	
Statements of Net Position	1
Statements of Revenues, Expenses and Changes in Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	5
Supplemental information:	
Statement of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis)	15
Reconciliation of Actual (Budgetary Basis) to Statement of Revenues, Expenses, and Changes in Net Position	16



Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Alameda Water and Sanitation District
Jefferson County, Colorado

We have audited the accompanying financial statements of Alameda Water and Sanitation District (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alameda Water and Sanitation District, as of December 31, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

I

Barnes Griggs & Associates, PC

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through VII 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 District's basic financial statements as a whole. The supplemental information for the year ended December 31, 2016, as listed in the table of contents, is presented for purposes of additional analysis and legal requirements, and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lerner Higgin & Associates, PC

Lakewood, Colorado
March 26, 2017

Alameda Water and Sanitation District MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Alameda Water and Sanitation District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Total assets of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,950,875 (net position). Of this amount, \$4,989,067 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The District's total net position decreased by \$155,909 from the prior fiscal year.
- The District collected \$710,454 in operating revenue, a decrease of \$39,751 from the prior year.
- Operating expenses increased \$52,829 or 3% from the prior year.

Overview of the Financial Statements

The Alameda Water and Sanitation District basic financial statements included in this report are those of a special-purpose government engaged in a business-type activity, providing water and sewer services. The statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements. The basic financial statements are designed to provide readers with a broad overview of the 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between 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 District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District'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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned compensation). The statement reports

**Alameda Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

the District's operating and nonoperating revenue by source along with operating and nonoperating expenses and capital contributions.

The *Statement of Cash Flows* reports the District's cash flows from operating activities, investing, capital and noncapital activities.

The *Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

A budgetary comparison schedule has been provided in the *supplemental information* to demonstrate compliance with the budget.

Unlike the basic financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. The fund statements of revenues, expenditures, and changes in fund balances are reconciled to facilitate a comparison between budget-basis fund statements and the basic financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Alameda Water and Sanitation District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,950,875 at the close of the most recent fiscal year.

Statement of Net Position

	December 31,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 3,976,182	\$ 3,281,985	\$ 3,594,214
Noncurrent assets	2,002,612	2,752,923	2,754,920
Capital assets	1,934,808	2,051,505	1,820,783
Total assets	<u>7,913,602</u>	<u>8,086,413</u>	<u>8,169,917</u>
Current liabilities	<u>153,746</u>	<u>171,994</u>	<u>157,998</u>
Deferred inflows of resources	808,981	807,635	679,730
Net Position			
Net investment in capital assets	1,934,808	2,051,505	1,820,783
Restricted	27,000	22,000	23,000
Unrestricted	4,989,067	5,033,279	5,488,406
Net position	<u>\$ 6,950,875</u>	<u>\$ 7,106,784</u>	<u>\$ 7,332,189</u>

**Alameda Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

- A portion of the District's net position (28%) reflects its investment in capital assets (e.g. infrastructure, plant, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending.
- Restricted net position consists of \$27,000 restricted for emergencies under TABOR; the remaining net position of \$4,989,067 is unrestricted and available for on-going obligations of the District.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERATING REVENUES			
Water operations	\$ 443,981	\$ 438,112	\$ 421,668
Sewer operations	266,473	312,093	393,720
Total operating revenues	<u>710,454</u>	<u>750,205</u>	<u>815,388</u>
OPERATING EXPENSES			
Water operations - administrative	343,936	296,339	287,954
Water operations - maintenance	50,259	29,110	34,932
Sewer operations - administrative	1,040,532	1,053,390	1,099,673
Sewer operations - maintenance	198,757	200,300	229,201
General and administrative expenses	27,219	27,700	20,992
Depreciation	123,197	124,232	112,843
Total operating expenses	<u>1,783,900</u>	<u>1,731,071</u>	<u>1,785,595</u>
OPERATING INCOME (LOSS)	<u>(1,073,446)</u>	<u>(980,866)</u>	<u>(970,207)</u>
NONOPERATING REVENUES			
Property taxes	814,891	672,536	680,801
Specific ownership taxes	63,166	60,321	55,707
Net investment income	25,178	8,690	12,326
Rent income and miscellaneous	26,400	24,000	24,000
Total nonoperating revenues	<u>929,635</u>	<u>765,547</u>	<u>772,834</u>
NONOPERATING EXPENSES			
County Treasurer fees	<u>(12,098)</u>	<u>(10,086)</u>	<u>(10,136)</u>
Total nonoperating expenses	<u>(12,098)</u>	<u>(10,086)</u>	<u>(10,136)</u>
CHANGE IN NET POSITION	<u>(155,909)</u>	<u>(225,405)</u>	<u>(207,509)</u>
NET POSITION - beginning of the year	<u>7,106,784</u>	<u>7,332,189</u>	<u>7,539,698</u>
NET POSITION - end of the year	<u>\$ 6,950,875</u>	<u>\$ 7,106,784</u>	<u>\$ 7,332,189</u>

**Alameda Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay and debt repayment in addition to operations and nonoperating revenue and expenses and contributions. Depreciation is not reflected in the budget since it does not affect funds available. Funds available (current assets less current liabilities, exclusive of the current portion of long-term obligations, plus noncurrent investments) decreased \$40,501 during 2016.

Capital Assets

The District's net investment in capital assets as of December 31, 2016, 2015 and 2014 is as follows:

	Capital Assets		
	December 31,		
	2016	2015	2014
Capital assets being depreciated			
Water lines	\$ 1,195,178	\$ 1,195,178	\$ 1,195,178
Sewer lines	3,419,321	3,419,321	3,064,367
Equipment	31,290	31,290	31,290
Building and improvements	287,379	280,879	280,879
Total	<u>4,933,168</u>	<u>4,926,668</u>	<u>4,571,714</u>
Less accumulated depreciation	<u>(2,998,360)</u>	<u>(2,875,163)</u>	<u>(2,750,931)</u>
Total capital assets being depreciated, net	<u><u>\$ 1,934,808</u></u>	<u><u>\$ 2,051,505</u></u>	<u><u>\$ 1,820,783</u></u>

Additional information relating to the District's capital assets activity can be found in Note 4 of this report.

Debt Administration

The District has no long-term debt as of December 31, 2016.

Economic Factors and Next Year's Budget

- Minimal growth in the District is expected in 2017.
- The District is budgeting for future construction and/or rehabilitation projects to water and sewer lines with estimated costs ranging from \$200,000 to \$300,000.

**Alameda Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

District Manager
Alameda Water and Sanitation District
359 South Harlan Street
Lakewood, Colorado, 80226

BASIC FINANCIAL STATEMENTS

Alameda Water and Sanitation District

STATEMENTS OF NET POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 146,061	\$ 228,965
Cash and cash equivalents - Restricted	27,000	22,000
Investments	2,653,515	1,810,021
Accounts receivable - users	269,257	283,465
Accrued interest receivable	2,665	2,665
Property taxes receivable	815,987	812,861
Prepaid expenses	61,697	122,008
Total current assets	<u>3,976,182</u>	<u>3,281,985</u>
Noncurrent assets		
Investments	2,002,612	2,752,923
Total noncurrent assets	<u>2,002,612</u>	<u>2,752,923</u>
Capital assets, net of depreciation	<u>1,934,808</u>	<u>2,051,505</u>
Total assets	<u>7,913,602</u>	<u>8,086,413</u>
LIABILITIES		
Current liabilities		
Accounts payable	147,856	164,304
Tap fee and rent deposits	5,890	7,690
Total current liabilities	<u>153,746</u>	<u>171,994</u>
Total liabilities	<u>153,746</u>	<u>171,994</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax	808,981	807,635
Total deferred inflows of resources	<u>808,981</u>	<u>807,635</u>
NET POSITION		
Net investment in capital assets	1,934,808	2,051,505
Restricted	27,000	22,000
Unrestricted	4,989,067	5,033,279
Total net position	<u>\$ 6,950,875</u>	<u>\$ 7,106,784</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

Alameda Water and Sanitation District
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Water operations	\$ 443,981	\$ 438,112
Sewer operations	266,473	312,093
Total operating revenues	710,454	750,205
OPERATING EXPENSES		
Water operations - administrative	343,936	296,339
Water operations - maintenance	50,259	29,110
Sewer operations - administrative	1,040,532	1,053,390
Sewer operations - maintenance	198,757	200,300
General and administrative expenses	27,219	27,700
Depreciation	123,197	124,232
Total operating expenses	1,783,900	1,731,071
OPERATING INCOME (LOSS)	(1,073,446)	(980,866)
NONOPERATING REVENUES		
Property taxes	814,891	672,536
Specific ownership taxes	63,166	60,321
Net investment income	25,178	8,690
Rent income and miscellaneous	26,400	24,000
Total nonoperating revenues	929,635	765,547
NONOPERATING EXPENSES		
County Treasurer fees	(12,098)	(10,086)
Total nonoperating expenses	(12,098)	(10,086)
CHANGE IN NET POSITION	(155,909)	(225,405)
NET POSITION - beginning of the year	7,106,784	7,332,189
NET POSITION - end of the year	\$ 6,950,875	\$ 7,106,784

The accompanying Notes to the Financial Statements are an integral part of these statements.

Alameda Water and Sanitation District
STATEMENTS OF CASH FLOWS
December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 724,662	\$ 731,787
Payments to supplies for goods and services	(1,542,853)	(1,629,193)
Payments to and on behalf of employees for services	(75,787)	(74,111)
Net cash provided (used) by operating activities	(893,978)	(971,517)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	814,891	672,536
Specific ownership taxes	63,166	60,321
Other income	26,400	24,000
County Treasurer's fees	(12,098)	(10,086)
Net cash provided (used) by noncapital financing activities	892,359	746,771
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Other receivables, net of advances	(1,780)	7,466
Acquisition of capital assets	(6,500)	(354,953)
Net cash provided (used) by capital and related financing activities	(8,280)	(347,487)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) decrease in investment principal	(93,183)	714,179
Interest earnings received	25,178	8,689
Net cash provided (used) by investing activities	(68,005)	722,868
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(77,904)	150,635
CASH AND CASH EQUIVALENTS - beginning of year	250,965	100,330
CASH AND CASH EQUIVALENTS - end of year	\$ 173,061	\$ 250,965

(continued)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Alameda Water and Sanitation District
STATEMENTS OF CASH FLOWS
(continued)
For the Years Ended December 31, 2016 and 2015

	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	<u>\$ (1,073,446)</u>	<u>\$ (980,866)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	123,197	124,232
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	14,208	(18,418)
Prepaid expenses	60,311	(110,461)
Increase (decrease) in:		
Accounts payable	(16,448)	9,556
Tap fee and rent deposits	(1,800)	4,440
Total adjustments	<u>179,468</u>	<u>9,349</u>
Net cash provided (used) by operating activities	<u><u>\$ (893,978)</u></u>	<u><u>\$ (971,517)</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

Alameda Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

Note 1 – Definition of reporting entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Jefferson County, Colorado. The District was organized to provide water and sanitation services to property within the District's boundaries.

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

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

Note 2 – Summary of significant accounting policies

The more significant accounting policies of the District are described as follows:

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

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

Basis of Accounting

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and payments on loans are recorded as reductions in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received or collectible.

Alameda Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Operating revenues and expenses

The District distinguishes between operating revenues and expenses from nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sewer services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Cash equivalents

For purposes of the Statement of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Investments

Investments for the District are reported at fair value.

Accounts receivable, allowance for doubtful accounts

User fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, the District considers all receivables collectible and no provision for uncollectible revenues has been made in the financial statements.

Property Taxes

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

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

Alameda Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Capital assets

Capital assets include land, water rights, water and sewer plants and systems, equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the developer's cost.

The costs 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 capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Sewer lines	20 to 40 years
Water lines	30 years
Building	30 years
Office and other equipment	5 to 7 years

Compensated absences

Compensated absences do not accumulate; therefore the District does not record a liability for unpaid vacation or sick pay.

Capital contributions

Tap fees are generally recorded as capital contributions when received. Water and sewer lines contributed to the District by developers are recorded as capital contributions and additions to the water and sewer system when received.

Alameda Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2016 and 2015 Statements of Net Position as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 173,061	\$ 250,965
Investments	2,653,515	1,810,021
Investments - noncurrent	2,002,612	2,752,923
	<u>\$ 4,829,188</u>	<u>\$ 4,813,909</u>

Cash and investments as of December 31, 2016 and 2015 consist of the following:

Cash on hand	\$ 25	\$ 25
Deposits with financial institutions	173,036	250,940
Investments	4,656,127	4,562,944
Total cash and investments	<u>\$ 4,829,188</u>	<u>\$ 4,813,909</u>

At December 31, 2016 and 2015, the District's cash deposits had bank balances of \$200,283 and \$447,219 with carrying balances of \$173,061 and \$250,940 respectively.

Alameda Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Deposits with financial institutions

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. As of December 31, 2016 and 2015, the federal insurance limits were \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. None of the District's deposits at December 31, 2016 were exposed to credit risk. As of December 31, 2016, the District's bank balances and carrying balances were fully federally insured.

Investments

The District's investment policy restricts investments to only those permitted by state statutes. Additionally, the District's policy is to hold investments until maturity.

The District primarily limits its investments to certain U.S. government agency securities, money market funds and local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

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

Alameda Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Investments (continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest including the following:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain securities lending agreements
- Certain certificates of participation
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Fair Value Measurement and Application

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

As of December 31, 2016 and 2015, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2016</u>	<u>2015</u>
Liquid asset investments (Level 1)	1 to 2 years	\$ 200,085	\$ 458,082
Colorado Surplus Asset Fund (CSAFE)	Weighted average under 60 days	2,453,430	1,354,126
U.S. government agencies (Level 1)	1 to 2 years	2,002,612	2,750,736
Total investments		<u>\$ 4,656,127</u>	<u>\$ 4,562,944</u>

Alameda Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

U.S. Government Agency Securities

As of December 31, 2016, the investment in U.S. Government agencies was rated AAA.

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

Restricted cash and investments

The District had restricted cash of \$27,000 and \$22,000, for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 7), as of December 31, 2016 and 2015, respectively.

Alameda Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

Note 4 – Capital assets

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

	Balance at December 31, 2015	Additions	Deletions	Balance at December 31, 2016
Capital assets being depreciated				
Water lines	\$ 1,195,178	\$ -	\$ -	\$ 1,195,178
Sewer lines	3,419,321	-	-	3,419,321
Equipment	31,290	-	-	31,290
Building and improvements	280,879	6,500	-	287,379
Total capital assets being depreciated	<u>4,926,668</u>	<u>6,500</u>	<u>-</u>	<u>4,933,168</u>
Less accumulated depreciations for				
Water lines	588,910	40,618	-	629,528
Sewer lines	2,087,989	73,490	-	2,161,479
Equipment	31,290	-	-	31,290
Building and improvements	166,974	9,089	-	176,063
Total accumulated depreciation	<u>2,875,163</u>	<u>123,197</u>	<u>-</u>	<u>2,998,360</u>
Total capital assets being depreciated, net	<u>\$ 2,051,505</u>	<u>\$ (116,697)</u>	<u>\$ -</u>	<u>\$ 1,934,808</u>

Depreciation expense of \$123,197 and \$124,232 for the years ended December 31, 2016 and 2015, respectively, was charged to water and sewer operations.

Note 5 – Debt authorization

At December 31, 2016, the District had no authorized but unissued indebtedness.

Note 6 – Risk management

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

The District is a member of the Colorado Special District Property and Liability Pool (the Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, and public officials' liability and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds

Alameda Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2016 and 2015

accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 7 – Tax, spending and debt limitations

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's fiscal year spending as adjusted for allowable increases for inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless retention of such revenue has been approved by the voters.

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

The District's voters authorized the District to collect, retain and expend all revenues derived from water and sewer rates, fees, tolls, and charges and tap fees, property taxes, state grants and all other sources during the year 2000 and each year thereafter notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution provided that no property tax rate or mill levy shall be increased without voter approval.

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SUPPLEMENTAL INFORMATION

Alameda Water and Sanitation District

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS**

For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ENTERPRISE:			
Revenues			
Charges for services	\$ 666,000	\$ 706,214	\$ 40,214
Net investment income	5,200	25,161	19,961
Tap fees	8,460	4,240	(4,220)
Miscellaneous income	38,800	26,400	(12,400)
Total revenues	<u>718,460</u>	<u>762,015</u>	<u>43,555</u>
Expenditures			
Sewer treatment charges	980,000	864,311	115,689
Water purchases	295,000	335,858	(40,858)
Engineering	18,500	24,582	(6,082)
Capital outlay	425,000	6,500	418,500
Salaries, taxes and benefits	63,000	75,787	(12,787)
Repairs, maintenance, and inspection	274,500	306,431	(31,931)
Insurance	19,000	12,764	6,236
Legal	1,300	-	1,300
Miscellaneous	15,500	1,560	13,940
Office, telephone, utilities	13,500	13,480	20
Total expenditures	<u>2,105,300</u>	<u>1,641,273</u>	<u>464,027</u>
Excess (deficit) of revenues over (under) enterprise expenditures	<u>(1,386,840)</u>	<u>(879,258)</u>	<u>507,582</u>
Other financing sources (uses)			
Transfer from general fund	821,917	833,000	11,083
Total other financing sources (uses)	<u>821,917</u>	<u>833,000</u>	<u>11,083</u>
Excess (deficit) of revenues over (under) enterprise expenditures and other financing sources (uses)	<u>(564,923)</u>	<u>(46,258)</u>	<u>518,665</u>
GENERAL GOVERNMENT:			
Revenues			
Property taxes	807,635	814,891	7,256
Specific ownership taxes	60,600	63,166	2,566
Net investment income	1,250	17	(1,233)
Total revenues	<u>869,485</u>	<u>878,074</u>	<u>8,589</u>
Expenditures			
County Treasurer's fees	12,115	12,098	17
Directors fees	6,500	7,000	(500)
Legal	5,500	2,129	3,371
Elections and publications	1,200	848	352
Accounting and audit	9,000	10,573	(1,573)
Insurance	3,800	-	3,800
Taxes and benefits	600	536	64
Miscellaneous	4,500	4,844	(344)
Office, telephone, utilities	500	-	500
Emergency reserve	3,853	-	3,853
Total expenditures	<u>47,568</u>	<u>38,028</u>	<u>9,540</u>
Excess (deficit) of revenues over (under) general government expenditures	<u>821,917</u>	<u>840,046</u>	<u>18,129</u>
Other financing sources (uses)			
Transfer to enterprise fund	(821,917)	(834,289)	(12,372)
Total other financing sources (uses)	<u>(821,917)</u>	<u>(834,289)</u>	<u>(12,372)</u>
Excess (deficit) of revenues over (under) enterprise expenditures and other financing sources (uses)	<u>-</u>	<u>5,757</u>	<u>5,757</u>
Total district revenues	2,409,862	2,473,089	63,227
Total district expenditures	<u>2,974,785</u>	<u>2,513,590</u>	<u>461,195</u>
Total excess (deficit) of revenues over (under) expenditures	<u>\$ (564,923)</u>	<u>(40,501)</u>	<u>\$ 524,422</u>
Funds available - beginning of year		5,055,280	
Funds available - end of year		<u>\$ 5,014,779</u>	

The accompanying Notes to the Financial Statements are an integral part of these statements.

Alameda Water and Sanitation District

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

For the Year Ended December 31, 2016

Revenues (budgetary basis)	<u>\$ 2,473,089</u>
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>2,473,089</u>
Expenditures (budgetary basis)	2,513,590
Depreciation and amortization	123,197
Capital outlay	(6,500)
Transfers	<u>(1,289)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>2,628,998</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ (155,909)</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.