

ROARING FORK WATER AND
SANITATION DISTRICT

Financial Statements and Independent
Auditor's Report

December 31, 2016

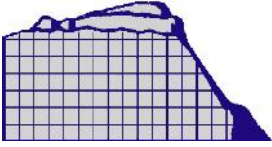


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Roaring Fork Water & Sanitation District
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Paul D. Miller CPA, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Roaring Fork Water & Sanitation District
Glenwood Springs, Colorado

I have audited the accompanying financial statements of the business-type activities of Roaring Fork Water & Sanitation District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion 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 from 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 opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Roaring Fork Water & Sanitation District, as of December 31, 2016, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3-5 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 us 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 Roaring Fork Water & Sanitation District's financial statements taken as a whole. The budgetary comparison information on page 18-19 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Paul D. Miller, CPA, LLC

Grand Junction, CO
April 28, 2017

ROARING FORK WATER & SANITATION DISTRICT
Management's Discussion and Analysis
For the Year 2016

The Roaring Fork Water & Sanitation District offers the readers of the District's financial statements this narrative overview and analysis of the District's financial activities during the fiscal year ending December 31, 2016.

FINANCIAL STATEMENT OVERVIEW

The audited financial statements of the District can be found on pages 6 through 18. These provide information about the District's financial position as of December 31, 2016, its results of operations and the resulting cash flows for the year as well as information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Following is an explanation of each of the audited financial statements of the District that you will find on the succeeding pages.

Statement of Net Position: Provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in assets (Net Position).

Statement of Revenues, Expenses, and Changes in Net Position: Provides information about the District's annual operating activities and how they have affected Net Position.

Statement of Cash Flows: Provides an analysis of the sources and uses of District cash during the year and how the operating and investment activities affected the District's cash balances.

Notes to the Financial Statement: Provides additional, required disclosures about the District's accounting policies, deposits, investments, risk management, long-term debt, and other required information.

Schedule of Revenues, Expenses, and Net Position - Budget and Actual: Provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities.

CONDENSED ENTITY FINANCIAL INFO

Statement of Net Position

	2016	2015	Change
Assets			
Current Assets	\$ 4,514,030	\$ 3,985,446	\$528,584
Non-Current Assets	5,610,529	5,783,160	(172,631)
Total Assets	<u>10,124,559</u>	<u>9,768,606</u>	<u>355,953</u>
Liabilities			
Current Liabilities	84,301	60,804	23,497
Non-Current Liabilities	1,752,596	1,799,237	(46,641)
Total Liabilities	<u>1,836,897</u>	<u>1,860,041</u>	<u>(23,144)</u>
Deferred Inflow fo Resources			
Property taxes	336,676	328,906	7,770
Net Position	<u>\$ 7,950,986</u>	<u>\$ 7,579,659</u>	<u>\$371,327</u>

ROARING FORK WATER & SANITATION DISTRICT
Management's Discussion and Analysis
For the Year 2016

Statement of Revenues, Expenses, and Changes in Net Position

	2016	2015
Operating Revenue	\$ 630,909	\$ 559,653
Operating Expense	815,095	830,670
Operating Income (Loss)	(184,186)	(271,017)
Non-Operating Revenue	555,513	550,627
Change in Net Position	371,327	279,610
Net Position - Beginning of Year	7,579,659	7,300,049
Net Position - End of Year	\$ 7,950,986	\$ 7,579,659

ANALYSIS OF OVERALL FINANCIAL POSITION

- Net Position increased in 2016 by \$371,327 to \$7,950,986. This is a result of an operating loss of \$184,186 plus non-operating revenues of \$555,513. This amount has been designated by the Board for future capital projects.
- Unrestricted cash and cash equivalents of the District at December 31, 2016, totaled \$4,115,872.
- The District funds its operating expenses from service fees and other miscellaneous income. Property taxes are used to supplement the operations of the District. Property taxes, including specific ownership, collected for 2016 was \$350,611 and for 2015 was \$270,932. The increase in operating revenue from 2015 to 2016 is due to new customers and increased water usage by customers.
- The District funds its capital projects through a portion of the water and sewer tap fees, interest income and existing reserve funds. Non-operating revenue for 2016 was \$4,886 more than 2015, which is largely due to an increase in property taxes and investment interest income that balanced less plant investment fees received in 2016.

BUDGET VARIANCE ANALYSIS

- Actual operating revenues in 2016 were \$46,849 more than the budgeted revenues for the District.
- Actual expenditures in 2016 were \$12,426 less than the budgeted expenditures for the District.
- Actual non-operating revenues in 2016 were \$47,912 more than the budgeted non-operating revenues for the District. This is largely due to taps being sold that were unexpected.
- Actual non-operating expenditures in 2016 were \$45,386 less than the budgeted non-operating expenditures for the District. This is largely due to water and sewer capital projects budgeted for, but not started in 2016.

ROARING FORK WATER & SANITATION DISTRICT
Management's Discussion and Analysis
For the Year 2016

The 2016 budget was adopted in November 2015.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets

In 2016, the District invested \$69,601 in asset upgrades and maintenance, of this amount, \$19,720 is construction in process as the District begins plans for a wastewater treatment plant expansion.

Long Term Debt

The District did not acquire any new debt in 2016. The District continues to repay the developers for the cost of the wholesale facilities through tap fees that are collected. In 2016, taps were collected; therefore, payments were made to Developers of \$46,641.

ANALYSIS OF CURRENTLY KNOWN FACTS

The District continues to monitor its growth in anticipation for necessary system upgrades. The District sets money aside each year for future replacement of the water and wastewater systems. In 2016, the District set aside \$463,584.

FINANCIAL CONTACT

The District's financial statements are designed to present users (service users, taxpayers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions concerning this report or need additional financial information, please contact the District management at Roaring Fork Water & Sanitation District, P O Box 1002, Glenwood Springs, CO 81602 or call 970-945-2144.

Roaring Fork Water & Sanitation District
Statement of Net Position
December 31, 2016

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 409,815
Cash - Designated	3,706,057
Accounts Receivable:	
Customers (Net of \$0 allowance)	24,884
Accounts Receivable Other	8,994
Property Taxes	336,676
Prepaid Expenses:	
Other	21,410
Water Contracts	6,194
Total Current Assets	4,514,030

Noncurrent Assets:

Capital Assets, net of applicable accumulated depreciation	
Land and Improvements	316,300
Source of Supply	628,092
Water Treatment Plant & Distribution System	1,681,740
Sewer Treatment Plant & Distribution System	2,289,536
Equipment	206,717
CIP-Plant expansion	471,667
Furniture & Fixtures	16,477
Net Capital Assets	5,610,529

Total Assets

10,124,559

LIABILITIES

Current Liabilities:

Accounts Payable	81,209
Prepaid Service Fees	3,092
Total Current Liabilities	84,301

Noncurrent Liabilities

Customer Advance	30,000
Accounts Payable Developer - Water	944,802
Accounts Payable Developer-Sanitation	777,794
Total Noncurrent Liabilities	1,752,596

Total Liabilities

1,836,897

Deferred Inflow of Resources

Property taxes	336,676
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NET POSITION

Invested in Capital Assets	5,610,529
Restricted for Tabor Emergency	24,920
Unrestricted	2,315,537
Total Net Position	\$ 7,950,986

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

Roaring Fork Water & Sanitation District
Statement of Revenues, Expenses & Changes in Net Position
For the year ended December 31, 2016

	Enterprise Funds		Totals
	Water	Sewer	
Operating Revenue:			
Charges for Services	\$ 305,532	\$ 318,801	\$ 624,333
Miscellaneous	3,288	3,288	6,576
Total Operating Revenue	308,820	322,089	630,909
Operating Expenses:			
Treatment	11,346	568	11,914
Source of Supply	4,945	-	4,945
Transmission, Collection and Distribution	5,254	71,578	76,832
Contractual Services	19,800	46,200	66,000
Utilities	21,253	44,634	65,887
Repairs and Maintenance	46,677	56,693	103,370
Depreciation	108,280	133,951	242,231
General and Administrative	121,958	121,958	243,916
Total Operating Expenses	339,513	475,582	815,095
Operating Income (Loss)	(30,693)	(153,493)	(184,186)
Non-Operating Revenue & (Expenses):			
Taxes:			
Property	166,927	166,926	333,853
Specific Ownership	8,078	8,077	16,155
Penalty & Interest on Taxes	302	301	603
Miscellaneous income	1,250	1,250	2,500
Interest Income	4,711	10,012	14,723
Total Non-Operating Revenues	181,267	186,566	367,833
Income (Loss) Before Capital Contributed	150,574	33,073	183,647
Plant Investment Fees	68,080	119,600	187,680
Change In Net Position	\$ 218,654	\$ 152,673	\$ 371,327
Net Position - Beginning of Year			7,579,659
Net Position - End of Year			\$ 7,950,986

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

Roaring Fork Water & Sanitation District
Statement of Cash Flows
For the year ended December 31, 2016

Cash Flow from Operating Activities:	
Cash Received From Customers	\$ 613,822
Cash Paid to Suppliers	(544,478)
Net Cash Provided (Used) by Operating Activities	69,344
Cash Flows from Non-Capital Financing Activities:	
Taxes Received	350,610
Net Cash Provided (Used) by Non-Capital Activities	350,610
Cash Flows from Capital Financing Activities:	
Payment of Long-term debt	(46,641)
Non-operating Miscellaneous Income	2,500
Plant Investment Fees	187,680
Acquisition of Capital Assets	(69,601)
Net Cash Provided (Used) by Capital Financing Activities	73,938
Cash Flows from Investing Activities:	
Interest on Investments	14,723
Net Cash Provided (Used) by Investing Activities	14,723
Net Increase in Cash & Cash Equivalents	508,615
Cash & Cash Equivalents, January 1,	3,607,257
Cash & Cash Equivalents, December 31,	\$ 4,115,872
Reconciliation of Cash & Cash equivalents:	
Checking	\$ 409,815
Designated Cash & cash equivalents	
Water Reserve	922,172
Plant Expansion	1,982,458
Sewer Reserve	565,735
Water system Investment Fund	165,692
	3,636,057
	\$ 4,045,872
Reconciliation of Net Operating Income (Loss) to:	
Net Cash provided by (Used) by Operations:	
Net Income (Loss) from Operations	\$ (184,186)
Adjustments to Reconcile Net Income (Loss) to	
Net Cash Provided by (Used in) Operations	
Depreciation Expense	242,231
Decrease (Increase) in Customer Receivables	(7,597)
Decrease (Increase) in Prepaid Expenses	(4,601)
Increase (Decrease) in Accounts Payable	26,411
Increase (Decrease) in Prepaid Service Fees	(2,914)
Total Adjustments	253,530
Net Cash Provided (Used) by Operating Activities	\$ 69,344

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

Roaring Fork Water & Sanitation District
Notes to the Financial Statements
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies of the Roaring Fork Water & Sanitation District (the District) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies consistently applies in the preparation of financial statements.

FINANCIAL REPORTING ENTITY

The Roaring Fork Water & Sanitation District (the District) was organized pursuant to provisions set forth the Colorado Special District Act. The governing body of the District consists of a five member Board of Directors which is elected by the registered voters of the District. The purpose of the District is to provide water and wastewater treatment services to the District's service area. The Board is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. The reporting entity consists of (a) the primary government; i.e. the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization governing body and is either able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e. unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also include in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all District operations.

BASIS OF PRESENTATIONS/BASIC FINANCIAL STATEMENTS

The basic financial statements include fund financial statements for a Proprietary Fund. The District is a special-purpose government engaged only in business-type activities. For these governments, only enterprise fund financial statements are presented.

The accounts of the District are organized and operated on a fund basis. The operations are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, Net Position, revenues, and expenses.

The focus of proprietary fund measurement is a determination of operating income, changes in the Net Position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector, the District's Enterprise Fund is a proprietary fund type. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATIONS/BASIC FINANCIAL STATEMENTS-continued

net revenues, (b) has third-party requirements that cost of providing services including capital costs, be recovered with fees and charges, or (c) has a pricing policy designed for the fees and charges of record similar costs.

Proprietary Fund *operating revenue and expenses* are related to providing management and operational services within the District. Revenues and expenses arising from capital and non-capital financing activities and from investing activities are presented as non-operating revenues and expenses.

BASIS OF ACCOUNTING

The Proprietary Fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property and specific ownership taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

CAPITAL ASSETS

The fund of the District is accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities associated with the activity of the District are included on the balance sheet. Equipment and property that cost \$1,000 or more and has a minimum life of two years is recorded at cost. Depreciation of all fixed assets is charged as an expense against operations. Depreciation is provided over estimated useful lives of 5-40 years using the straight-line method. Repairs and maintenance expense is charged to expense as incurred while significant betterments and replacements are recorded as increases to equipment. As assets are retired or disposed of, the cost and associated accumulated depreciation are removed from the accounts, and gains or losses on the sale or disposal are included in income.

BUDGETS AND BUDGETARY ACCOUNTING

The District uses the following procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to October 15, the District's Secretary, or other qualified person appointed by the Board, submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A "Notice of Budget" is published when the budget is received.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to December 15, the Board shall adopt by resolution, the budget for the ensuing fiscal year and shall certify the tax levy to the County Commissioners.

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETS AND BUDGETARY ACCOUNTING-continued

4. On or before December 31, the Board shall pass an annual appropriating ordinance in which such sums of money shall be appropriated as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.
5. The budget for the fund is adopted on a basis consistent with state statutes for governmental units, which provides that debt principal payments and capital outlay are treated as expenditures.
6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues in excess of the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.
7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget.
8. Budget appropriations lapse at the end of each year.

The District legally adopted its annual budget for 2016.

FAIR VALUE OF FINANCIAL INSTRUMENTS

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires disclosures of fair value information about financial instruments. The District has a number of financial instruments, including cash and equivalents, receivables, accounts payable, and notes payable, none of which are held for trading purposes. The District estimates that the fair value of its financial instruments at December 31, 2016, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of Net Position.

USE ESTIMATES

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

CUSTOMER ACCOUNTS RECEIVABLE

The District considers customer accounts receivable to be fully collectible. The District is empowered to place a lien on real property in the case of nonpayment. Accordingly, no allowance for doubtful accounts is required.

All service fees become a lien on property if not paid. All service fees were considered collectable at December 31, 2016.

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2016

COMPENSATED ABSENCES

The District has no employees; therefore, there are no provisions for compensated absences

PROPERTY TAXES RECEIVABLE AND DEFERRED INFLOW OF RESOURCES

Property taxes are levied on December 15 and attached as an enforceable lien on property on January 1st of the following year. They may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without penalty or interest. Taxes which are not paid within the prescribed time bear interest at a rate of 1% per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th. Property taxes are levied and collected on behalf of the District by Garfield County and are reported as revenue when received by the County Treasurer. Property taxes levied in the current year and payable in the following year are reported as a receivable at December 31st. However, since the taxes are not available to pay current liabilities, the receivable is recorded as a deferred inflow of resources.

DESIGNATED ASSETS

Certain cash amounts have been designated to reflect tap payments and developer contributions that are being held for future capital improvements

DEVELOPER CONTRIBUTED FIXED ASSETS

The Developer donated fixed assets are valued at their estimated fair market value when the system is turned over to the District. At this point, the District is responsible to maintain the systems.

LONG-TERM OBLIGATIONS

Long-term obligation of the District consists of two account payables related to reimbursement of tap fees to developers.

SUBSEQUENT EVENTS

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

CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows for the proprietary fund, all short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase they have a maturity date no longer than three months.

RESTRICTED ASSETS/RESERVATIONS OF FUND BALANCES

Assets are reported as restricted when limitation on their use changes the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Reservations of fund balance arise from certain Board designations of fund balance, as well as the aforementioned constraints. It is the District's policy to use restricted funds for expenditures for which both restricted and unrestricted funds are available.

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2016

NOTE 2 - DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102% of the uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations secured by first lien mortgages on real property located in the state. PDPA allows the institutions 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 uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA.

On December 31, 2016, the District's bank deposits (Checking and Money Market) were covered by federal depository insurance (FDIC) or collateralized under PDPA in accordance with state statutes and had bank balances in the amount of \$2,133,414 of which \$250,000 was covered by FDIC and \$1,883,414 by PDPA as describe above.

It is the policy of the District to invest public funds in a manner which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the District, and conform to all federal, state and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest and include:

Obligations of the United States and certain U.S. government agency securities, including securities issued by FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), FHLMC (Federal Home Loan Mortgage Corporation), the Federal Farm Credit Bank, the Federal Land Bank, the Export-Import Bank, and by the Tennessee Valley Authority, and certain international agency securities, including the World Bank;

General obligation and revenue bonds of U.S. local government entities, the District of Columbia, the territorial possessions of the U.S. rated in the highest two rating categories by two or more of the nationally recognized rating agencies;

Bankers' acceptances of certain banks;

Certain securities lending agreements;

Commercial paper;

Written repurchase agreements collateralized by certain authorized securities;

Certain money market funds;

Guaranteed investment contracts;

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2016

NOTE 2 – DEPOSITS -continued

Local government investment pools; and

The investing local government's own securities including certificates of participation and lease obligations.

Total Cash and Cash Equivalents

A summary of the District's cash and investments on December 31, 2016 is as follows:

Checking	<u>\$ 2,133,414</u>
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Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, Deposits and Investment Risk Disclosures, are included in the notes below.

The concentration of credit risk, or risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. The District's policy places no limit on the amount the District may invest in any one issuer; however, the District maintains general guidelines for investments to ensure proper diversification by security type and institution. All investments are issued or explicitly guaranteed by securities of the U.S. government or insured by the Public Depository Protection Act and therefore are not subject to concentration of credit risk

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board. As of December 31, 2016, the District had no investments that were subject to interest rate risk as described above.

The District was not subject to foreign currency risk on December 31, 2016.

NOTE 3 - INVESTMENTS

At year-end, the District had invested \$1,982,458 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. This pool is not required to and is not registered with the SEC. COLOTRUST funds are rated AAA by Standard and Poor's, an AAR/V1+ from Fitch's and an Aaa from Moody's rating services.

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2016

NOTE 4 – RISK ASSESSMENT

The District is exposed to various risks of loss related to property and casualty loss. The District joined with other Colorado Special Districts as a member of the Colorado Special Districts Property and Liability Pool.

The pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public official's liability, and equipment coverage to its members. The pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000.

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

NOTE 5 – LONG-TERM LIABILITIES

Accounts Payable to Developer:

The District has agreements with the several developers to reimburse the costs of construction and installation of the sewer and water systems.

TAP FEE REIMBURSEMENT - DOMESTIC WATER:

The District reimburses \$1,575 of each \$3,700 water tap received from customers to reimburse the developers of the respective subdivisions, or their successors, the cost of the wholesale water facilities for each subdivision until the cost of the wholesale water facilities is recovered by the developers to the best of the District's ability. Change in the amount payable was as follows:

Balance 12/31/15	\$ 970,562
Payment 2016	<u>25,760</u>
Balance 12/31/16	<u>\$ 944,802</u>

TAP FEE REIMBURSEMENT – SANITARY SEWER

The District reimburses \$3,900 of each \$6,500 sewer tap received from customers to the developer of the respective subdivision, or their successors, the cost of the wholesale sewer facilities for each subdivision until the cost of the wholesale sewer facilities is recovered by the developers to the best of the District's ability. Change in the amount payable was as follows:

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2016

NOTE 5 – LONG-TERM LIABILITIES- continued

The change in the sewer agreement during 2016 is as follows:

Balance 12/31/15	\$ 798,675
Payment 2016	<u>20,881</u>
Balance 12/31/16	<u>\$ 777,794</u>

NOTE 6 – WATER RIGHTS

Water Rights

The District has received water rights in various ditches and wells from the developer of the District. The rights were either included in the purchase price of the original ranch property and have been subsequently estimated, or have been decreed through court action and the costs involved have been capitalized.

NOTE 7 - TABOR

In November 1992, Colorado voters approved Amendment 1 to the State Constitution, which is commonly known as the Taxpayers' Bill of Rights, or the TABOR Amendment. The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refunding to lower interest rates and adding employees to pension plans). The amendment does not apply to units of local government that are defined as an "Enterprises".

The amendment defined the District's year ended December 31, 1996 as the initial base year for purposes of defining compliance with the amendment. Increases in revenues from one year to the next are limited by local growth and inflation. The amendment defines inflation and local growth. The District must refund excess income to taxpayers on some sort of reasonable basis unless the voters were to approve retention of the revenue.

The District believes that, since it has "De-Bruced," and is exempt from the provisions of the Tabor Amendment, as it is currently understood, it is in compliance with the law. Many of the provisions may not become fully understood without judicial review.

NOTE 8 – CONTRIBUTED CAPITAL

Contributed capital for 2016 consisted of plant investment fees (Tap Fees) of \$68,080 for water taps and \$119,600 for sewer taps.

ROARING FORK WATER & SANITATION DISTRICT
Notes to the Financial Statements
December 31, 2016

NOTE 9 – CAPITAL ASSETS

A summary of changes in fixed assets follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Land & Improvements	\$ 364,655	\$ -	\$ -	\$ 364,655
Source of Supply	1,112,482	17,022	-	1,129,504
Water Plant & Distribution	2,919,282	-	-	2,919,282
Sewer Plant & Distribution	4,235,502	-	-	4,235,502
Equipment	500,234	32,859	-	533,093
Furniture & Fixtures	53,593	-	-	53,593
Total	<u>9,185,748</u>	<u>49,881</u>	<u>-</u>	<u>9,235,629</u>
CIP Plant Expansion	451,947	19,720	-	471,667
Total Property, Plant & Equipment	<u>9,637,695</u>	<u>69,601</u>	<u>-</u>	<u>9,707,296</u>
Accumulated Depreciation	<u>(3,854,536)</u>	<u>(242,231)</u>	<u>-</u>	<u>(4,096,767)</u>
Net Property, Plant & Equipment	<u>\$ 5,783,159</u>	<u>\$ (172,630)</u>	<u>\$ -</u>	<u>\$ 5,610,529</u>

Depreciation for the year ended computed on the straight-line basis over estimated useful lives of 5-40 years was as follows.

Depreciation Water	\$ 108,820
Depreciation Sewer	<u>133,951</u>
Total Depreciation	<u>\$ 242,231</u>

Supplemental Information

Roaring Fork Water & Sanitation District
Statement of Revenue & Expenses-Actual and Budget (Non-GAAP Budgetary Basis)
For the year ended December 31, 2016

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues:			
Water System Charges	\$ 308,820	273,637	\$ 35,183
Sewer System Charges	322,089	310,423	11,666
Interest Income	14,723	5,175	9,548
Miscellaneous income	2,500	2,500	0
Plant Investment Fees	187,680	153,000	34,680
Taxes:			
Property Taxes	333,853	334,626	(774)
Specific Ownership	16,155	12,000	4,155
Penalty & Interest on Taxes	603	300	303
Total Revenue	1,186,422	1,091,661	94,761
Expenses:			
Water System:			
Raw Water Purchased	4,945	7,300	2,355
Chemicals	11,346	10,700	(646)
Testing	5,254	4,250	(1,004)
Plant Operator	19,800	19,800	-
Maintenance & Repairs	39,270	22,565	(16,705)
Supplies	-	535	535
Utilities	21,253	23,545	2,292
Hydrant Repair & Maintenance	7,407	7,440	33
Capital Outlays	-	-	-
Total Water System	109,275	96,135	(13,140)
Sewer System:			
Utilities	44,634	60,120	15,486
Chemicals	568	1,000	432
Testing	4,220	4,500	280
Maintenance & Repairs	56,693	77,945	21,252
Operator Contracts	46,200	46,200	-
Permit Expense	2,425	2,485	60
Sludge Disposal	61,320	39,700	(21,620)
Supplies	3,613	2,980	(633)
Capital Outlays	-	-	-
Contingency	-	-	-
Total Sewer System	219,673	234,930	15,257

Roaring Fork Water & Sanitation District
Statement of Revenue & Expenses-Actual and Budget (Non-GAAP Budgetary Basis)
For the year ended December 31, 2016

	Actual	Budget	Variance Favorable (Unfavorable)
Administration:			
Auto & Travel	\$ 4,942	\$ 4,950	8
Billing Clerk	29,106	29,120	14
Customer Service Manager	39,522	39,150	(372)
Data Processing	7,798	9,600	1,802
District Manager	51,100	44,200	(6,900)
County Treasurer Fees	6,689	5,720	(969)
Dues & Training	1,383	2,075	692
Insurance	14,981	14,645	(336)
Office Supplies	11,713	10,270	(1,443)
Miscellaneous	5	1,260	1,255
Directors Fees	3,975	3,900	(75)
Mapping	7,137	12,000	4,863
Postage	2,628	1,600	(1,028)
Professional Services			
Audit	5,200	5,300	100
Engineering	22,180	30,900	8,720
Legal	25,094	29,500	4,406
Other	2,492	2,000	(492)
Utilities	7,971	8,035	64
Capital Outlays	-	-	-
Total Administration	243,916	254,225	10,309
Debt Service:			
Tap Reimbursement to Developer-Water	25,760	23,625	(2,135)
Tap Reimbursement to Developer-Sewer	20,881	19,500	(1,381)
Total Debt Service	46,641	43,125	(3,516)
Capital Outlay:			
Water Treatment	17,022	7,500	(9,522)
Sewer Treatment	52,576	74,000	21,424
Capital Projects	-	37,000	37,000
Total Capital Outlay	69,598	118,500	48,902
Total Expenses	689,103	746,915	57,812
Net Income Non-GAAP Budgetary Basis	497,319	\$ 344,746	\$ 152,573
Adjustments to GAAP Basis:			
Add:			
Capital Outlays	69,598		
Debt Service Payments	46,641		
Less:			
Depreciation Expense	(242,231)		
Total Adjustments to GAAP Basis	(125,992)		
Net Income (Loss) GAAP Basis	371,327		
Net Position, January 1,	7,579,659		
Net Position, December 31,	\$ 7,950,986		