Bancroft-Clover
Water and Sanitation District

Annual Financial Report

December 31, 2016 and 2015

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Haynie & Company
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Independent Auditor's Report

Members of the Board of Directors
Bancroft-Clover Water & Sanitation District
Jefferson County, Colorado

We have audited the accompanying financial statements of Bancroft-Clover Water & Sanitation District as of and for the years ended December 31, 2016 and 2015 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
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.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bancroft-Clover Water & Sanitation District, as of December 31, 2016 and 2015, and the respective 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.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Bancroft-Clover Water & Sanitation District's financial statements as a whole. The other supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Haynie & Co

Littleton, Colorado
June 29, 2017

Bancroft-Clover Water & Sanitation District
Management's Discussion and Analysis

This section of the District's annual financial report presents our analysis of the District's financial performance during the Fiscal Years ended December 31, 2016 and 2015. Please read it in conjunction with the financial statements.

Financial Highlights

Bancroft-Clover Water and Sanitation District increased its net position by $3,442,624, in 2016 compared to an increase in net position of $4,624,899, in 2015. This decrease was primarily due to lower contributed capital assets received in 2016 compared to 2015. There was an increase in tap fee collections which were a result of the continuing build out of the Belmar area, new infill development, and the Green Gables re-development. Green Gables Reserve is a 152 acre development located at W. Jewel Ave. and S. Wadsworth Blvd. After the anticipated three year buildout, the development will contain 300 single family homes, 300 apartment units and a commercial/retail center.

The Board increased rates for water and sewer service to absorb increased rates from the District's partners, Denver Water and The Metro Wastewater Reclamation District. Due to the warmer temperatures extending into late fall, water sales revenues were $747,719 higher than budgeted. Sewer treatment revenue was budgeted using 2011 usage as the base year. Actual customer use for the low winter period was less than the 2011 base, which resulted in sewer treatment revenue ending $82,979 less than budget.

Overview of the Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

Statement of Net Position

The Statement of Net Position provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses, and Changes in Net Position

This statement measures the results of the District's operations over the past year and may be used to determine profitability, credit worthiness, and whether the District has successfully recovered all its costs through its user fees, taxes and other charges.

Statement of Cash Flows

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash

Statement of Cash Flows (continued)

resulting from operations, non-capital financing, capital and related financing, and investing activities. It also provides answers to such questions as where did the cash come from, how cash was used, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that can help answer that question. These two statements report the net position of the District and the related change in these assets. The District's net position, (the difference between assets and liabilities), is one way to measure financial health or financial position. Over time increases in the District's net position are one indicator that the District's financial health is improving. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, or changed governmental legislation.

Net Position

As part of our analysis, we provide a summary of the District's Statement of Net Position (below):

Condensed Statement of Net Position

December 31,	**2016**	**2015**	**2016-2015 $ Change**	**% Change**
Current assets	$13,382,947	$ 9,448,622	$ 3,934,325	41.6%
Capital and other assets	30,915,518	31,477,340	(561,822)	-1.8%
Total assets	44,298,465	40,925,962	3,372,503	8.2%
Current liabilities	467,668	540,091	(72,423)	-13.4%
Deferred inflows of resources	574,401	572,099	2,302	0.4%
Total liabilities and deferred inflows of resources	1,042,069	1,112,190	70,121	-6.3%
Net investment in capital assets	21,877,540	20,614,434	1,263,106	6.1%
Unrestricted net position	21,378,856	19,199,338	2,179,518	11.4%
Total net position	$43,256,396	$39,813,772	$ 3,442,624	8.6%

The District's net position increased by $3,442,624 or 8.6% due primarily to increases in cash along with water and sewer system capital assets.

The Statement of Net Position shows the changes in the financial position and, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in the following chart, during the year, the District's operating and non-operating revenues increased by $1,176,974 or 10.1% compared to last year due mainly to an increase of $1,076,537 in total water revenue. This total increase was offset by an increase in expenses of $1,223,294. This increase was primarily driven by higher purchase prices for water.

Bancroft-Clover Water & Sanitation District

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2016	2015	2016-2015 $ Change	% Change
Operating revenue	$ 12,107,388	$ 10,982,323	$ 1,125,065	10.2%
Non-operating revenue	732,209	680,300	51,909	7.6%
Total revenues	12,839,597	11,662,623	1,176,974	10.1%
Depreciation expense	685,404	643,622	41,782	6.5%
Other operating expense	10,354,601	9,173,221	1,181,380	12.9%
General & administrative expense	921,892	922,058	(166)	0.0%
Non-operating expense	8,865	8,567	298	3.5%
Total expenses	11,970,762	10,747,468	1,223,294	11.4%
Capital contributions	2,573,789	3,709,744	(1,135,955)	-30.6%
Change in net position	3,442,624	4,624,899	(1,182,275)	-25.6%
Beginning net position	39,813,772	35,188,873	4,624,899	13.1%
Ending net position	$ 43,256,396	$ 39,813,772	$ 3,442,624	8.6%

Budgetary Highlights

As required by State Law, the District adopts a budget and appropriates funds by December 16 for the following fiscal year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado. In 2016, no supplemental appropriation was requested. Budget to actual comparative statements are included as Supplemental Information in the audited financial statements.

Capital Assets and Debt Administration

At the end of 2016, the District had invested $21,877,540 in net property, plant and equipment representing an increase of 6.1% over prior year. The table below summarizes the changes in property, plant and equipment.

Capital assets

	December 31, 2016	December 31, 2015	Net Changes	%
Buildings	$ 2,196,082	$ 2,196,082	$ -	0.0%
Water system	22,184,475	21,173,828	1,040,647	4.8%
Sewer system	14,786,579	13,883,873	902,706	6.5%
Furniture & equipment	958,500	923,343	35,157	3.8%
Land	144,728	144,728	-	0.0%
Subtotal	40,270,364	38,321,854	1,948,510	5.1%
Less: accumulated depreciation	(18,392,824)	(17,707,420)	(685,404)	7.4%
Net Property, Plant & Equipment	$ 21,877,540	$ 20,614,434	$ 1,263,106	6.1%

Capital Assets and Debt Administration (continued)

System increases are due to contributions from small development projects as well as the Green Gables development project. In 2016 the Green Gables redevelopment project accounted for $890,995 in contributed water system capital and, $442,574 in constructed sewer system capital. Other notable projects in 2016 included $309,523 in constructed sewer systems for the W. Mexico and Lee Street project.

Long-Term Debt

The District continues to have zero long-term debt.

ECONOMIC FACTORS AND 2016 SERVICE RATES

The District's Board of Directors and management considered many factors when setting the 2016 budget, including user fees and charges and replacement of service lines. As in past years, the District conducted an analysis of the impact Denver Water's 2016 water and sewer rate schedule would have on its customers. A private consulting firm was engaged to calculate water and sewer rates based on it's cost of service. Operating revenues were budgeted to increase by 8.8% to offset the 19.2% increase from the District's suppliers, In 2016 Denver Water and Metro Sewer's costs were budgeted to increase by 3.8% and 16.0%, respectively. These rates reflect the increase in revenues necessary to fund operations and capital projects. In most years, treated water and sewer processing are the two largest cost items in the District budget.

**Final 2017 Budget vs.
Final 2016 Budget**

	2017 Budget	2016 Budget	2017-2016 $ Change	% Change
Operating revenue	$ 12,351,691	$ 11,458,564	893,127	7.8%
Non-operating revenue	2,145,841	991,368	1,042,485	94.5%
Total revenues	14,497,532	12,449,932	1,935,612	15.4%
Other operating expense	10,231,538	10,610,228	(376,691)	-3.6%
General & administrative expense	984,363	825,893	46,483	5.0%
Non-operating expense	1,038,948	1,647,440	(608,492)	-36.9%
Total expenses	12,254,849	13,083,561	(940,700)	-7.1%
Change in net position	2,242,683	(633,629)	2,876,312	-453.9%
Beginning net position	5,441,452	6,075,081	(633,629)	-10.4%
Ending net position	$ 7,684,135	$ 5,441,452	2,242,683	41.2%

In the 2017 budget, Bancroft-Clover's net position is expected to increase by, $2,242,683, over 2016. The budgeted increase in net position is due to two factors, operating revenue and non-operating expenses. Operating revenue is budgeted to increase by, $893,127, due to a higher volume of water sold and water and sewer rate increases of 2.5% and 3.0%, respectively. Non-operating expenses are budgeted to decrease by, $608,492, largely due to lower capital spending scheduled in 2017.

Requests for Information

This financial report is designed to give its readers 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:

Tim Lowe, District Manager
Bancroft-Clover Water & Sanitation District
900 S. Wadsworth Boulevard
Lakewood, CO 80226

Basic Financial Statements

Bancroft-Clover Water & Sanitation District

Statements of Net Position

December 31, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 6,046,582	$ 4,141,854
Investments	5,391,978	3,458,971
Accounts receivable:		
Customers	1,142,383	1,059,225
Other	117,748	112,093
Property taxes receivable	578,720	576,369
Deposits	9,350	9,350
Inventories, supplies and materials	96,186	90,760
Total Current Assets	13,382,947	9,448,622
Capital Assets		
Not Being Depreciated		
Land	144,728	144,728
Total Capital Assets, Not Being Depreciated	144,728	144,728
Being Depreciated		
Buildings	2,196,082	2,196,082
Water system	22,184,475	21,173,828
Sewer system	14,786,579	13,883,873
Furniture and equipment	958,500	923,343
Total Capital Assets, Being Depreciated	40,125,636	38,177,126
Less accumulated depreciation	(18,392,824)	(17,707,420)
Net Capital Assets, Being Depreciated	21,732,812	20,469,706
Net Capital Assets	21,877,540	20,614,434
Noncurrent Assets		
Investments—long-term	9,037,978	10,862,906
Total Assets	$44,298,465	$40,925,962
Liabilities Deferred Inflow of Resources and Net Position		
Current Liabilities		
Accounts payable	$ 467,668	$ 540,091
Total Current Liabilities	467,668	540,091
Deferred Inflow of Resources		
Deferred property tax	574,401	572,099
Total Deferred Inflow of Resources	574,401	572,099
Net Position		
Net investment in capital assets	21,877,540	20,614,434
Unrestricted	21,378,856	19,199,338
Total Net Position	43,256,396	39,813,772
Total Liabilities, Deferred Inflow of Resources and Net Position	$44,298,465	$40,925,962

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

Bancroft-Clover Water & Sanitation District

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended December 31, 2016 and 2015

	2016	2015
Water Operations		
Revenue		
Water sales	$ 8,765,399	$ 7,709,421
Tap connection charges	20,562	19,875
Late charges	91,820	71,948
Total Water Revenue	8,877,781	7,801,244
Direct Water Expenses	7,498,484	6,612,843
Gross Income from Water Operations	1,379,297	1,188,401
Sewer Operations		
Revenue		
Sewage treatment	3,229,605	3,181,080
Total Sewer Operations	3,229,605	3,181,080
Direct Sewer Expense	3,484,362	3,146,485
Gross Income from Sewer Operations	(254,757)	34,595
General and Administrative Expenses	979,049	979,574
Operating Income (Loss)	145,491	243,422
Nonoperating Revenues (Expenses)		
General property tax	575,064	508,760
Specific ownership tax	47,927	48,992
Net investment income (loss)	109,218	122,548
County Treasurer's collection fees	(8,562)	(7,628)
Miscellaneous	(303)	(939)
Total Nonoperating Revenues (Expenses)	723,344	671,733
Income Before Captital Contributions	868,835	915,155
Capital Contributions		
Tap fees received	1,671,250	1,261,006
Contributed capital assets	902,539	2,448,738
Total Capital Contributions	2,573,789	3,709,744
Change in Net Position	3,442,624	4,624,899
Net Position—Beginning of Year	39,813,772	35,188,873
Net Position—End of Year	$43,256,396	$39,813,772

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

Bancroft-Clover Water & Sanitation District
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Cash received from customers	$ 12,018,573	$ 10,907,388
Cash paid to suppliers for goods and services	(10,263,138)	(9,095,424)
Cash paid to employees for services	(1,091,202)	(1,017,744)
Net Cash From Operating Activities	664,233	794,220
Cash Flows from Non-capital Financing Activities:		
Property and specific ownership tax	614,380	550,317
Other nonoperating revenue (expense)	(303)	(939)
Net Cash From Non-capital Financing Activities	614,077	549,378
Cash Flows from Capital and Related Financing Activities:		
Tap fees received	1,671,250	1,261,006
Acquisition of property and equipment	(1,045,971)	(312,946)
Net Cash From Capital and Related Financing Activities	625,279	948,060
Cash Flows from Investing Activities:		
Sale of investments	3,465,000	550,000
Purchase of investments	(3,464,129)	(2,049,332)
Interest income received	268	399
Net Cash From Investing Activities	1,139	(1,498,933)
Net Change in Cash and Cash Equivalents	1,904,728	792,725
Cash and Cash Equivalents—beginning of year	4,141,854	3,349,129
Cash and Cash Equivalents—end of year	$ 6,046,582	$ 4,141,854

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

Bancroft-Clover Water & Sanitation District
Statements of Cash Flows (continued)
For the Years Ended December 31, 2016 and 2015

	2016	2015
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Operating income (loss)	$ 145,491	$ 243,422
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	685,403	643,622
Changes in assets and liabilities:		
Change in accounts receivable—		
Water and sewer	(83,157)	(81,678)
Other	(5,655)	6,742
Change in inventories, supplies and materials	(5,426)	(4,994)
Change in accounts payable	(72,423)	(12,894)
Total Adjustments	518,742	550,798
Net Cash From Operating Activities	$ 664,233	$ 794,220
Non-cash transactions		
Contributed assets	$ 902,539	$2,448,738
Mark to market adjustment	108,950	122,149
	$1,011,489	$2,570,887

The accompanying notes are an integral part of these statements.

Bancroft-Clover Water & Sanitation District
Notes to Audited Financial Statements
December 31, 2016 and 2015

1. Definition of Reporting Entity

Bancroft-Clover Water & Sanitation District (District), a quasi-municipal corporation, was established on August 30, 1954 as a Title 32 Special District to provide water and sanitation services to southeastern Lakewood and portions of unincorporated Jefferson County, Colorado.

The District contracts with the City and County of Denver through its Board of Water Commissioners (Board) to purchase water to serve the District's customers. The District contracts with Metro Wastewater Reclamation District to provide its raw sewage processing.

2. Summary of Significant Accounting Policies

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

Financial Reporting Entity

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 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.

Fund Accounting

The Proprietary Fund is composed of water and sewer operations. It is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting

Enterprise fund accounting is utilized in accordance with generally accepted accounting principles. The financial statements are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Revenues received in advance are recorded as a liability for deferred revenue and the liability is removed when earned.

The District has elected to follow Governmental Accounting Standards Board (GASB) pronouncements.

Property, Plant and Equipment

Capital assets which include land, buildings, water and sewer distribution and collection systems and furniture and equipment are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repair 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.

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

Buildings	30 years
Water System	50 years
Sewer System	50 years
Furniture and Equipment	5 - 7 years

Interest costs incurred during the construction phase are capitalized as incurred.

Budget and Budgetary Accounting

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 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. The appropriation is at the total fund expenditures level and lapses at year end. Contributions of water and/or sewer lines are not reflected as a budgetary revenue or expenditure as they do not generate or require the use of funds available.

2. Summary of Significant Accounting Policies (continued)

Operations

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's ongoing operations. The District's principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Tap Fees and Contributed Lines

Tap fees are recorded as revenue when received and contributed lines are recorded at year end.

Cash and Cash Equivalents

The District considers cash deposits and highly liquid investments with an intended maturity of three months or less to be cash equivalents.

Investments

The District's policy is to account for investments at fair market value in accordance with GASB 31. Gains or losses on the sale of investments are recognized when the investment is sold.

Accounts Receivable

Accounts receivable are determined to be fully collectible as shown at December 31, 2016 and 2015; therefore, an allowance for doubtful accounts is not recorded in the financial statements.

Inventories

Inventory is stated at the lower of cost or market, using the first-in, first-out method, and consists of expendable supplies.

Compensated Absences

The District has a policy which allows employees to accumulate unused personal leave time. Personal leave time is accrued annually based on years of service. The maximum carryover limit is 352 hours. The District records a liability at year end for the amount of carryover.

2. Summary of Significant Accounting Policies (continued)

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The net asset amount is also adjusted by any bond issuance deferral amounts. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. All other net positions are reported as unrestricted. For 2016, the District's Unrestricted Net Position totaled $21,378,856 which was $2,179,518, or 11.4% more than 2015.

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

Management Estimates

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

Property Taxes

The District collects property tax from property owners within the district based on assessed values at December 31 of the prior year. Property owners are to pay these assessments either in full by April 30th or in halves by February 28/29th and June 15th. These taxes are collected by Jefferson County and remitted to the district on the 10th day of the month following collection. Tax revenues remitted to the District for 2016 totaled $575,064.

3. Cash, Cash Equivalents and Investments

Cash Deposits

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

3. Cash, Cash Equivalents and Investments

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

At December 31, 2016 and 2015, the District's cash deposits had a bank balance and a carrying balance as follows:

	2016		2015	
	Carrying Balance	Bank Balance	Carrying Balance	Bank Balance
Cash on hand	$ 500	$ -	$ 500	$ -
Cash in checking	6,046,082	6,739,188	4,141,354	3,981,928
	$ 6,046,582	$ 6,739,188	$ 4,141,854	$ 3,981,928

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through PDPA.

The District’s cash deposits are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes deposits not covered by depository insurance and uncollateralized. Category 2 includes deposits not covered by depository insurance, but are collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance, but are collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The District had no Category 3 deposits in 2016 and 2015, respectively.

	2016	2015
Insured deposits	$ 250,000	$ 250,000
Category 1	500	500
Category 2	5,796,082	3,891,354
Total cash and equivalents	$ 6,046,582	$ 4,141,854

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

3. Cash, Cash Equivalents and Investments (continued)

- obligations of the United States and certain U.S. government agency securities,
- general obligation and revenue bonds of U.S. local government entities, bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

The District's investments are recorded at fair value based on quoted market prices. District investments are securities that are held by the entity or its agent in the District's name, and are insured or registered by the District or its agent. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, or would further limit its investment choices. The District places no limit on the amount the District may invest in any one issuer.

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

		Remaining Maturity (in Months)		
2016		**12 Months or**	**13 to 24**	**25 to 60**
Type of Investment	**Fair Value**	**Less**	**Months**	**Months**
U.S. Treasury Securities	$ 14,429,956	$ 5,391,978	$ 2,288,805	$ 6,749,173
Total Investments	$ 14,429,956	$ 5,391,978	$ 2,288,805	$ 6,749,173

		Remaining Maturity (in Months)		
2015		**12 Months or**	**13 to 24**	**25 to 60**
Type of Investment	**Fair Value**	**Less**	**Months**	**Months**
U.S. Treasury Securities	$ 14,321,877	$ 3,458,971	$ 5,341,730	$ 5,521,176
Total Investments	$ 14,321,877	$ 3,458,971	$ 5,341,730	$ 5,521,176

The District does not have a policy that addresses limitations on the amount that can be invested in anyone issuer. As of December 31, 2016, U.S. Treasury Securities of $14,429,956 comprised 100% of the District's investment portfolio.

3. Cash, Cash Equivalents and Investments (continued)

At December 31, 2016, cash deposits and investment, are classified on the statements of net position as follows:

December 31,	**2016**	**2015**
Cash and cash equivalents		
Petty cash	$ 500	$ 500
Cash deposits	6,046,082	4,141,354
Total Cash	$ 6,046,582	$ 4,141,854
Investments		
Investments—current	5,391,978	3,458,971
Investments—long-term	9,037,978	10,862,906
Total Investments	$ 14,429,956	$ 14,321,877
Total Cash and Investments	$ 20,476,538	$ 18,463,731

4. Capital Assets

An analysis of the changes in net capital asset for the years ended December 31, 2016 and 2015 follows:

	December 31, 2015	**Additions**	**Retirements /Transfers**	**December 31, 2016**
Capital assets, not being depreciated:				
Land	$ 144,728	-	-	$ 144,728
Total capital assets, not being depreciated	144,728	-	-	144,728
Capital assets, being depreciated:				
Buildings	2,196,082	-	-	2,196,082
Water systems	21,173,828	1,010,647	-	22,184,475
Sewer systems	13,883,873	969,778	(67,072)	14,786,579
Furniture and equipment	923,343	35,157	-	958,500
Total capital assets, being depreciated	38,177,126	2,015,582	(67,072)	40,125,636

Bancroft-Clover Water and Sanitation District
Notes to Audited Financial Statements (continued)
December 31, 2016 and 2015

4. Capital Assets (continued)

	December 31, 2015	Additions	Retirements /Transfers	December 31, 2016
Less accumulated depreciation for:				
Buildings	(879,589)	(52,711)	-	(932,300)
Water systems	(8,855,353)	(376,155)	-	(9,231,508)
Sewer systems	(7,187,935)	(218,086)	-	(7,406,021)
Furniture and equipment	(784,543)	(38,452)	-	(822,995)
Total accumulated depreciation	(17,707,420)	(685,404)	-	(18,392,824)
Total capital assets, being depreciated, net	20,469,706	1,330,178	(67,072)	21,732,812
Capital assets, net	$ 20,614,434	$ 1,330,178	$ (67,072)	$ 21,877,540

Depreciation expense for the years ended December 31, 2016 and 2015 was charged to the following operations:

	2016	2015
Direct water expense	$ 403,359	$ 386,481
Direct sewer expense	224,888	199,626
General and administration	57,157	57,515
Total Expenses	$ 685,404	$ 643,622

5. Net Position

The District has net position consisting of two components — net investment in capital assets and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation. The District had no outstanding debt as of December 31, 2016 and 2015. As of December 31, 2016 and 2015, the District had net investment in capital assets of $21,877,540 and $20,614,434, respectively.

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had no restricted net position as of December 31, 2016 and 2015.

5. Net Position (continued)

Unrestricted net position consists of net position that do not meet the definition of net investment in capital assets or restricted capital assets.

6. Contracts and Commitments

Water Service Contract

The District is provided water under a master meter distributor's contract with the Board of Water Commissioners of the City and County of Denver (Denver Water Board). The contract provides, among other things, that Denver Water Board will serve the District until build out, may restrict the right of the District to issue new taps and requires compliance to their Operating Rules and Engineering Standards.

Sewage Treatment Contract

The District is a "special connector" by agreement with Metro Wastewater Reclamation District (Metro) which provides the treatment of sewage collected within the District. The standard service agreement with Metro provides for annual charges to be assessed by formula against the District on an estimated basis. Corrections to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system. The composition of the charges from the 2016 and 2015 estimates are as follows:

	2016	2015
Certified Estimate for current year	$ 2,448,227	$ 2,481,680
Adjustment of second preceding year estimate to actual finding	(136,850)	40,595
Preliminary adjustment of preceding year estimate, over preceeding year certified estimate	(434,406)	310,745
Total annual charges	$ 1,876,971	$ 2,883,020

7. 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 pays annual premiums for liability, property, public officials' liability and workers

7. Risk Management (continued)

compensation coverage. Settled claims have not exceeded this coverage in any of the past three fiscal years.

8. Employee Retirement Plan

The District participates in the Colorado County Officials and Employees Retirement Association Defined Contribution Plan (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become participants after one full month of employment. Under this plan, six percent of the employees' compensation is withheld and remitted to the CCOERA along with a matching payment of six percent from the District.

The District's contributions, plus earnings, become vested, based on years of service, at a rate of 50% after three years; 75% after four years; and 100% after 5 years. Unvested contributions for employees who leave employment before five years of participation are used to reduce the District's current period contribution requirement. Plan provisions and contributions requirements are established and may be amended by CCOERA and would have to be approved by the District's Board of Directors. There is no liability for benefits under the plan beyond the District's matching payments.

Both the District and the participating employees made the required six percent contributions for 2016 and 2015. Some employees elect to contribute more than the required six percent.

The District's and employees' contributions to the plan for the years ended December 31, 2016 and 2015 were as follows:

	2016	**2015**
Plan Members	$ 49,350	$ 41,193
District	$ 43,070	$ 41,193*

The District has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. This plan is also administered by CCOERA. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years.

*This includes $11,722 in forfeitures applied to direct pension expense in 2015. Forfeitures are funds paid into an employees retirement plan with the assumption of that employee fully vesting. If the employee separates from the company prior to fully vesting, excess funds are held by plan administrator as forfeitures and can be used as a credit by the company in lieu of future contributions.

9. Intergovernmental Agreements

Technical Advisory Committee Agreement

Effective July 31, 2003, the District became a participant of the Technical Advisory Committee (TAC). The committee was formed to promote cooperative strategies to respond to drought and research water rates and fees in the Denver area. The TAC consists of a designated representative from each participant. The participant's share of the costs is based on the participant's percentage share of the total number of accounts. A year-end reconciliation of actual costs to budgeted costs is calculated and amounts are refunded or billed to participants or credited to the participant's payment due for the subsequent year. The percentage share for each participant is adjusted as of December 31 or each year based on the total number of participants. The agreement automatically renews for each participant from calendar year to year. For the years ended December 31, 2016 and 2015, the District paid $8,773 and $9,733, respectively, under this agreement.

Alameda Water and Sanitation District Agreement

The District has a formal agreement with Alameda Water and Sanitation District (Alameda) dated August 15, 2011 for the shared use of the Sanderson Gulch sewer line with Alameda to reimburse a portion of the costs subsequent to each year end. Based on the agreement, Alameda is to reimburse the District for the average flow per Equivalent Residential Unit (EQR) for properties flowing into the Sanderson Gulch Metering Facility. The cost per EQR is based on the annual charge for service charged by Metro Wastewater Reclamation District as well as any costs of maintenance of the Bancroft-Clover facilities.

Green Mountain Water and Sanitation District

The District has a formal agreement with Green Mountain Water and Sanitation District (Green Mountain) for the shared use of Weir Gulch sewer line. Based on the agreement, the District is to reimburse Green Mountain for a certain percentage of the Weir Gulch Metering Facility costs charged by Metro Wastewater Reclamation District.

Bear Creek Water and Sanitation District

The District has a formal agreement dated November 3, 1969 with Bear Creek Water and Sanitation District (Bear Creek) for a connection to the District’s system. Under the agreement, Bear Creek installed approximately 1,870 feet of 12-inch pipe and a water meter to feed up to 250 single family residential taps in their district. Bear Creek maintains the water meter and vault, and the District maintains the 12-inch pipe line. Water supplied to Bear Creek through this connection is credited to the District each billing cycle.

9. Intergovernmental Agreements (continued)

The District also has a formal agreement with Bear Creek Water and Sanitation District dated April 11, 2011 for a shared use of the Bear Creek sewer line, with Bear Creek to reimburse a portion of the costs subsequent to each year-end. Based on the agreement, the District is to reimburse Bear Creek for a pro-rated share of the Bear Creek Metering Facility costs charged by Metro Wastewater Reclamation District.

South Sheridan Water and Sanitation District
The District has a formal agreement with the South Sheridan Water and Sanitation District (South Sheridan) dated February 8, 2012 that sets forth the terms for the District and South Sheridan to provide sanitary sewer services to each other. It was determined that there are certain properties within the District's boundaries being serviced by South Sheridan and likewise, certain properties within South Sheridan's boundaries being serviced by the District. Per the agreement, each district will pay the other district the respective costs for services provided to these properties.

10. 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 the exclusion. However, TABOR still applies to the assessment of the District's mill levy.

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

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.

Supplementary Information

Bancroft-Clover Water & Sanitation District

Schedule of Direct Water Operating Expenses

For the Years Ended December 31, 2016 and 2015

	2016	2015
Source of Supply		
Purchased water	$ 6,231,894	$ 5,341,395
Power purchased for pumping	23,902	23,687
Total Source of Supply	6,255,796	5,365,082
Transmission, Distribution and Other Expenses		
Depreciation	403,359	386,481
Salaries and wages	340,419	330,426
Employee pensions	120,349	89,760
Repairs and maintenance—lines	139,948	147,597
Engineering fees	77,185	114,924
Water tap installations	34,317	10,660
Miscellaneous	70	310
Taxes—payroll	26,593	25,738
Repairs and maintenance—services	50,119	85,701
Repairs and maintenance—equipment	8,901	7,212
Automobile and truck expense	10,920	16,925
Telephone	9,669	9,384
Tools and equipment expense	2,481	12,167
Fire hydrant maintenance	7,987	4,901
Water quality	2,311	529
Operating supplies	1,710	1,504
Continuing education	3,387	1,976
Uniforms	927	1,186
Safety Equipment	2,036	380
Total Transmission, Distribution and Other Expenses	1,242,688	1,247,761
Total Direct Water Expenses	$ 7,498,484	$ 6,612,843

Bancroft-Clover Water & Sanitation District

Schedule of Direct Sewer Operating Expenses

For the Years Ended December 31, 2016 and 2015

	2016	2015
Transmission, Distribution and Other Expenses		
Depreciation	$ 224,887	$ 199,626
Repairs and maintenance—general	18,594	56,543
Repairs and maintenance—preventative	122,706	164,229
Sanitary sewer line TV	101,465	89,987
Salaries and wages	85,105	82,607
Engineering fees	29,404	50,255
Employee pensions	30,085	22,857
Taxes—payroll	6,648	6,434
Utilities	3,772	3,468
Truck expense	2,528	4,209
Telephone	2,415	2,233
Repairs and maintenance—equipment and buildings	2,117	1,733
Operating supplies	726	399
Continuing education	844	497
Sewer operator certification	110	200
Uniforms	232	297
Tools	202	264
Safety equipment	509	666
Equipment expense	192	148
Total Collection and Transmission Expenses	632,541	686,652
Sewage Treatment Expenses—Outside Service		
Metro Wastewater	2,833,098	2,442,427
Other	18,723	17,406
Total Sewage Treatment Expenses—Outside Services	2,851,821	2,459,833
Total Direct Sewer Expenses	$ 3,484,362	$ 3,146,485

Bancroft-Clover Water & Sanitation District
Schedule of General and Administrative Expenses
For the Years Ended December 31, 2016 and 2015

	2016	2015
Salaries and wages	$ 338,637	$ 333,369
Employee pensions and benefits	116,903	100,168
Depreciation	57,157	57,516
Mailing expense	60,219	61,215
Office supplies and expenses	22,818	24,911
Water rate and tap fee study	12,612	16,000
Repairs and maintenance—equipment and other	28,161	30,220
Payroll taxes	26,463	26,385
Accounting services	21,025	29,350
Insurance	37,212	64,561
Auditing	18,000	18,000
Computer expense	30,460	13,944
Legal	31,628	46,600
TAC expenses	8,773	9,773
Utilities	4,084	4,236
Bank charges	60,992	31,146
Equipment rent	20,566	14,196
Seminars	7,004	11,745
Telephone	5,863	5,606
Computer support	21,558	24,549
Directors' fees	6,400	5,800
Automobile expense	2,706	699
Dues	2,656	2,548
Human resources consulting	-	750
Meetings	3,893	1,097
Engineering fees	23,256	24,146
Other expenses	4,843	11,396
Publications	79	78
Lien fees	(351)	(234)
Continuing education	5,432	9,804
Total General and Administrative Expenses	$ 979,049	$ 979,574

Bancroft-Clover Water & Sanitation District

Statement of Revenue, Expenditures and Changes in Funds Available
Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2016

	Original and Final Budget	2016 Actual	Variance Favorable (Unfavorable)	2015 Actual
Revenue				
Operating revenues:				
Water sales	$ 8,017,680	$ 8,765,399	$ 747,719	$ 7,709,421
Tap connection charges	53,300	20,562	(32,738)	19,875
Sewage treatment	3,312,584	3,229,605	(82,979)	3,181,080
Late charges	75,000	91,820	16,820	71,948
Non-operating revenues:				
General property tax	452,408	575,064	122,656	508,760
Specific ownership tax	45,000	47,927	2,927	48,992
Net investment income	150,250	109,218	(41,032)	122,548
Tap fees	342,460	1,671,250	1,328,790	1,261,006
Miscellaneous	1,250	(302)	(1,552)	(939)
Total Revenue	$ 12,449,932	$ 14,510,543	$ 2,060,611	12,922,691
Expenditures:				
Operating expense—water:				
Source of supply	$ 6,381,335	$ 6,199,409	$ 181,926	5,340,265
Transmission, distribution and other expenses	856,144	895,716	(39,572)	886,097
Operating expense—sewer:				
Collection and transmission	521,880	426,377	95,503	504,432
Sewage treatment	2,850,869	2,833,098	17,771	2,442,427
General and administrative expenses	825,893	930,455	(104,562)	929,687
Capital outlay:				
Water	491,412	111,906	379,506	65,768
Sewer	1,156,028	965,979	190,049	217,113
Administrative	-	35,157	(35,157)	47,744
Total Expenditures	13,083,561	12,398,097	$ 685,464	10,433,533
Change in net position (budgetary basis)	$ (633,629)	$ 2,112,446	$ 2,746,075	$ 2,489,158
Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP):				
Contributed assets		902,539		
Depreciation		(685,403)		
Capital outlay		1,113,042		
Change in net position (GAAP basis)		3,442,624		
Net position, beginning of year		39,813,772		
Net position, end of year		$ 43,256,396		