

BERKELEY WATER AND SANITATION DISTRICT
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015



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BERKELEY WATER AND SANITATION DISTRICT

REPORT ON FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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BASIC FINANCIAL STATEMENTS



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Berkeley Water and Sanitation District
Adams and Jefferson Counties, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, we express no such opinion. An audit also includes evaluation the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

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

Other Matters

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iii – viii be presented to supplement the financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards board, who consider it to be an essential part of the 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 on pages iii – viii in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Accounting principles generally accepted in the United States of America require the budgetary information on page 16 be presented to supplement the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Supplementary Information

The other supplementary information on pages 16 – 18 is presented for the purposes of additional analysis and legal requirements and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The other supplementary information on page 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or any other form of assurance on this information.


Howard W. Masini CPA, P.C.
Lakewood, CO
March 3, 2017

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016**

The Management's Discussion and Analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD & A) should be read in conjunction with the District's basic financial statements.

Financial Highlights

- Net Position increased by \$254,016 (4.94%) when compared to 2015.
- District **operating revenues** increased by \$125,988 (19.97%) from 2015 to 2016.
- District **non-operating revenues** increased by \$21,909 (7.45%) from 2015 to 2016.
- District **operating expenses** decreased by \$(58,466) (7.07%) from 2015 to 2016.
- District **general and administrative** expenses increased by \$977 (0.38%) from 2015 to 2016.

Overview of the Financial Statements

The basic financial statements of the District are presented as a special purpose government engaged only in business type activities – providing water and sewer utility services.

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

The *Statement of Revenues, Expenses and Changes in Net Position* present information which reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* report the District's cash flows from operating, non-capital financing, capital and investing activities.

These financial statements distinguish functions of the District that will be principally supported by service charges. The functions of the District include effective and economical operation of water and sanitation systems within the jurisdictional boundaries of the District.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary comparisons presented for legal compliance.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016**

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

SUMMARY OF STATEMENTS OF NET POSITION

	2016	2015
Assets		
Current assets	\$ 1,022,761	\$ 1,013,667
Deferred outflows of resources	260,333	266,032
Capital assets, net	4,557,412	4,780,091
Total assets	5,840,506	6,059,790
Liabilities		
Current liabilities	110,715	550,768
Deferred inflows of resources	260,333	266,032
Long-term liabilities	74,352	101,900
Total liabilities	445,400	918,700
Net position		
Investment in capital assets, net of related debt	4,455,512	4,726,271
Unrestricted	892,547	367,384
Restricted for developer funds	15,547	14,535
Restricted for emergencies	31,500	32,900
Total net position	5,395,106	5,141,090
Total liabilities and net position	\$ 5,840,506	\$ 6,059,790

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$5,395,106. The largest portion of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

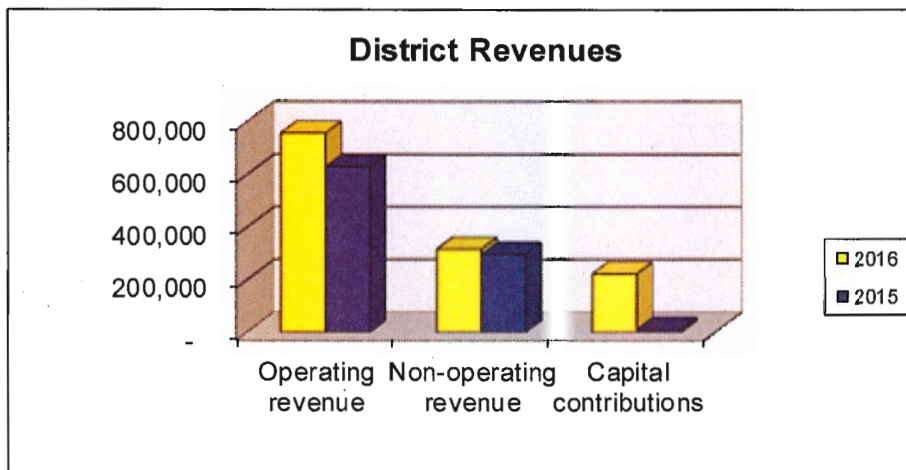
**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016**

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2016	2015
Revenue		
Operating revenue	\$ 756,892	\$ 630,904
Non-operating revenue	315,778	293,869
Total revenue	1,072,670	924,773
Expenses		
Sewer treatment/Repairs and maintenance	536,093	597,798
Non-operating expenses	11,660	10,302
General and Administrative, net of depreciation	252,465	251,488
Depreciation	240,395	237,156
Total expenses	1,040,613	1,096,744
Income (Loss) from Operations	32,057	(171,971)
Tap fees and developer contributions	221,959	17,720
Change in Net position	254,016	(154,251)
Net position - Beginning of Year	5,141,090	5,295,341
Net position - End of Year	\$ 5,395,106	\$ 5,141,090

Revenues:

The District experienced an overall increase in revenue including tap fees during the year of \$352,136. In



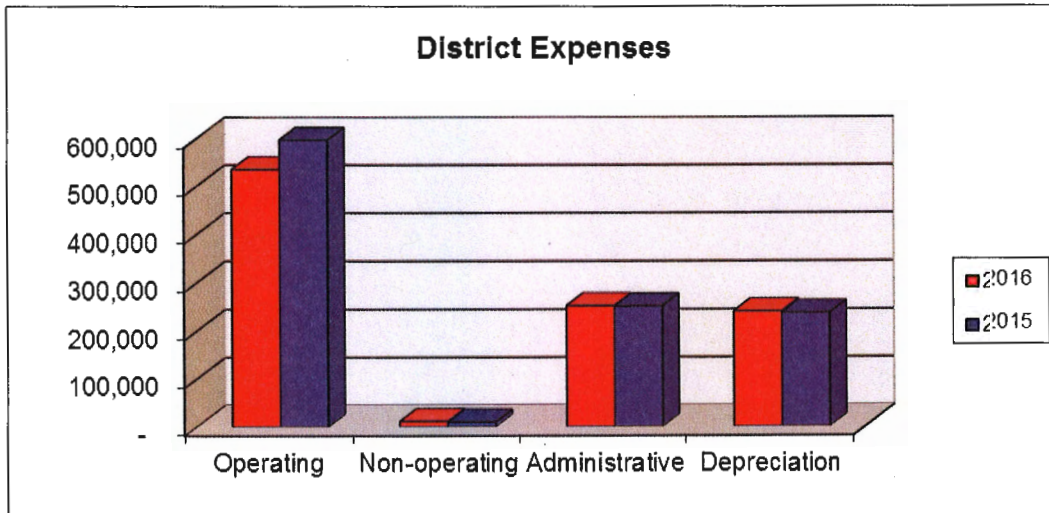
2016 there were several factors that contributed to the increase. The Board adopted a rate increase for 2016 which increased the current monthly sanitary sewer charges by \$2.67 per account. In addition, the Board approved an \$8 per month water service charge to the District's customers, which was to be collected by Denver Water and then remitted

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016**

to Berkeley Water and Sanitation District, this water service charge was the first time the District had received any water service charge from its customers. In addition, as a result of the District's increased assessed valuation and an increase in the mill levy from 3.169 to 3.360 (after the District petitioned the Department of Local Affairs for an exemption to the TABOR reduction) property tax revenues collected increased by approximately \$24,500 (11%). As a result of increased developer projects going on in the District, \$221,959 in taps fees were received in 2016, an increase from 2015 when only \$17,720 in tap fees were received.

Expenses:

Compared to 2015 the District expenses decreased by approximately \$56,131. The largest decrease was sewer treatment charges and maintenance and repairs, a total decrease of \$61,705. Sewer treatment charges are billed to the District by Metro Wastewater at a set rate (decrease over 2015 of \$30,875). The District experienced a decrease in maintenance and repairs of \$30,830, as the amount of water main breaks in the District during 2016 decreased from 2015. In addition, depreciation expense that the District recorded on their capital assets during the year increased slightly by approximately \$3,200.



Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay in addition to operations and non-operating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect "funds available".

The total budgeted revenue of the District (three funds combined, including internal transfers) was more than actual revenues by \$113,055. The total actual expenditures (three funds combined, including internal transfers) of the District were less than budgeted by \$331,052.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016**

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets at December 31, 2016 amounts to \$4,557,412 (net of accumulated depreciation). This investment in capital assets includes water rights, operating system and equipment. Analysis of changes in capital assets was as follows:

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Easements	\$ 9,100	\$ 9,100	--
Construction in progress	--	353,566	(100%)
Sewer System	4,111,972	4,111,972	--
Water lines	5,227,586	4,856,304	7.65%
Buildings and improvements	322,796	322,796	--
Fire Hydrants	139,138	139,138	--
Office equipment	53,621	53,621	--
Vehicles	19,596	19,596	--
	<u>9,883,809</u>	<u>9,866,093</u>	.18%
Less:			
Accumulated depreciation	(5,326,397)	(5,086,002)	(4.51%)
Total capital assets, net	<u>\$ 4,557,412</u>	<u>\$ 4,780,091</u>	4.89%

Current year additions to capital assets included final payment a water main replacement project, replacing a 6" piping with 12" piping.

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

Long Term Debt

As of December 31, 2016, the District had total debt of \$101,900, decreasing by \$25,252 or 16%, as shown below:

Long-term liabilities (including current portion)

	<u>2016</u>	<u>2015</u>	<u>Variance</u>	<u>Percentage Change</u>
Long-term liabilities	\$ <u>101,900</u>	\$ <u>128,275</u>	\$ <u>(26,375)</u>	(21%)

Additional details on long-term liabilities are in Note 5 in the Notes to Financial Statements.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016**

Economic Factors and Next Year's Budget and Rates

- The District did not increase sanitation charges in 2017 but will continue to collect the \$8 water service charge on Berkeley's water customers until the District has converted to a Total Service Contract with Denver.
- As development continues to occur around the Gold Line and Federal Boulevard, the District anticipates to continue to collect tap fees to be used towards on-going capital improvements.
- The Metro Wastewater charges have increased by approximately \$100,000 in 2017. In 2016, the District paid \$106,592 per quarter versus \$132,498 per quarter.
- The District will continue to jet and televise one third of the District in 2017 as well as the hot spots to avoid backups within the sanitation system.
- Capital improvement projects have been identified and rated for the sanitation system to reduce infiltration and potentially reduce the Metro Wastewater charges.

Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Sharon Whitehair, 4455 West 58th Avenue, Arvada, Colorado, 80002.

BERKELEY WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 and 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted	\$ 896,119	\$ 656,897
Restricted developer funds	15,547	14,535
Investment certificate of deposit	-	247,255
Accounts receivable:		
Customer accounts and liens	77,697	80,869
	24,230	5,627
Cash on hand with County Treasurer	1,572	1,548
Prepaid expenses	7,596	6,936
Total current assets	1,022,761	1,013,667
 DEFERRED OUTFLOWS OF RESOURCES		
Property taxes receivable	260,333	266,032
 CAPITAL ASSETS		
Easements	9,100	9,100
Construction in progress	-	353,566
Land, buildings and improvements	322,796	322,796
Water lines	5,227,586	4,856,304
Sewer lines	4,111,972	4,111,972
Fire hydrants	139,138	139,138
Office furniture and equipment	53,621	53,621
Vehicles	19,596	19,596
Total	9,883,809	9,866,093
Less accumulated depreciation	(5,326,397)	(5,086,002)
Net capital assets	4,557,412	4,780,091
 TOTAL ASSETS	 \$ 5,840,506	 \$ 6,059,790
 LIABILITIES, DEFERRED INFLOW AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 24,749	\$ 125,509
Due to Highland Hills Parks and Recreation District	-	205,220
Due to Metro Wastewater and Denver Water	37,980	154,090
Retainage payable	-	17,328
Accrued payroll and compensated absences	7,578	7,734
Accrued interest payable	1,318	1,668
Due to developers	11,542	12,844
Current portion of long-term debt	27,548	26,375
Total current liabilities	110,715	550,768
 LONG-TERM LIABILITIES		
Lease obligation	74,352	101,900
 DEFERRED INFLOW OF RESOURCES		
Deferred property tax revenue	260,333	266,032
 NET POSITION		
Investment in capital assets, net of related debt	4,455,512	4,726,271
Temporarily restricted	15,547	14,535
Unrestricted	892,547	367,384
Restricted - for emergencies	31,500	32,900
Total net position	5,395,106	5,141,090
 TOTAL LIABILITIES AND NET POSITION	 \$ 5,840,506	 \$ 6,059,790

The Notes to Financial Statements and Independent Auditor's Report are an integral part of these statements.

**BERKELEY WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
OPERATING REVENUE		
Sewer service fees	\$ 722,672	\$ 629,954
Water service fees	20,391	
Inspection fees, license fees and hydrant contributions	13,829	950
Total operating revenue	756,892	630,904
OPERATING EXPENSES		
Sewer treatment charges	426,108	456,983
Repairs and maintenance	109,985	140,815
Depreciation expense	232,326	229,087
Total operating expenses	768,419	826,885
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	167,001	166,975
Engineering	11,062	18,206
Legal	35,079	29,775
Accounting and audit	8,075	6,500
Computer support	1,650	1,850
Insurance	8,722	9,167
Office lease	8,232	5,558
Office supplies and expense	6,666	7,884
Depreciation expense	8,069	8,069
Director's fees	4,600	4,500
Other	1,378	1,073
Total general and administrative expenses	260,534	259,557
(LOSS) FROM OPERATIONS	(272,061)	(455,538)
NON - OPERATING INCOME (EXPENSE)		
Property taxes, net of abatements	262,650	238,150
Specific ownership taxes	21,720	17,823
Lien fees	22,500	24,970
Interest income	2,511	4,884
Miscellaneous income	6,397	8,042
Interest expense	(5,007)	(6,149)
County Treasurers' and clerk and recorder fees	(6,653)	(4,153)
Net non-operating income	304,118	283,567
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	32,057	(171,971)
CAPITAL CONTRIBUTIONS		
Tap fee revenue and development fees	221,959	17,720
Total capital contributions	221,959	17,720
CHANGES IN NET POSITION	254,016	(154,251)
NET POSITION - BEGINNING OF YEAR	5,141,090	5,295,341
NET POSITION - END OF YEAR	\$ 5,395,106	\$ 5,141,090

The Notes to Financial Statements and Independent Auditors' Report are an integral part of these statements.

**BERKELEY WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and counties	\$ 741,437	\$ 599,409
Miscellaneous cash received	6,397	8,042
Cash payments made to employees for salaries and benefits	(167,157)	(166,802)
Cash payments to suppliers	<u>(1,062,937)</u>	<u>(171,667)</u>
Net cash provided (required) by operating activities	<u>(482,260)</u>	<u>268,982</u>
NON-CAPITAL FINANCING ACTIVITIES		
Property taxes	262,650	238,150
Specific ownership taxes	21,720	17,823
Lien fees	22,500	24,970
Treasurers' fees	<u>(6,653)</u>	<u>(4,153)</u>
Net cash provided by non-capital financing activities	<u>\$ 300,217</u>	<u>276,790</u>
CAPITAL FINANCING ACTIVITIES		
Construction of capital assets	(17,716)	(353,566)
Principal paid on lease	(26,375)	(25,252)
Interest paid on lease	(5,357)	(6,481)
Tap fees received	<u>221,959</u>	<u>17,720</u>
Net cash (required) by capital financing activities	<u>172,511</u>	<u>(367,579)</u>
INVESTING ACTIVITIES		
Maturity of certificate of deposit	247,255	
Interest received on cash and investments	<u>2,511</u>	<u>1,589</u>
Net cash provided by investing activities	<u>249,766</u>	<u>1,589</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	240,234	179,782
Cash and cash equivalents - unrestricted and restricted - beginning of year	<u>671,432</u>	<u>491,650</u>
Cash and cash equivalents - unrestricted and restricted - end of year	<u>\$ 911,666</u>	<u>\$ 671,432</u>

(continued)

The Notes to Financial Statements and Independent Auditors' Report are an integral part of these statements.

**BERKELEY WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016		2015
RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES			
Operating (loss)	\$ (272,061)	\$	(455,538)
Adjustments to reconcile operating (loss) to net cash provided (required) by operating activities:			
Depreciation	240,395		237,156
Miscellaneous income	6,397		8,042
Changes in operating assets and liabilities:			
Accounts receivable	(15,431)		(31,360)
Cash on hand with County Treasurer	(24)		(135)
Prepaid insurance	(660)		1,998
Accounts payable	(100,760)		119,164
Due to Highland Hills Parks and Recreation District	(205,220)		205,220
Due to Metro Wastewater and Denver Water	(116,110)		154,090
Retainage payable	(17,328)		17,328
Accrued payroll	(156)		173
Due to developers and others	(1,302)		12,844
	\$ (482,260)	\$	268,982
Net cash provided (required) by operating activities			

The Notes to Financial Statements and Independent Auditors' Report are an integral part of these statements.

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Berkeley Water and Sanitation District (District) was formed by order of the District Court in and for Adams and Jefferson Counties, Colorado, in February of 1961. The District is a quasi-municipal corporation and political subdivision of the State of Colorado. The District was established to ensure orderly and uniform administration of water and sewer operations within the jurisdictional boundaries of the District (see Note 6).

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

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

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units accounted for as a proprietary enterprise funds. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the USA. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense, expenditures for property, plant and equipment are shown as increases in assets and redemption of bonds is recorded as a reduction in liabilities. Tap fees, development fees and contributed assets are recorded as capital contributions when received.

The District distinguishes between *operating* revenues and expenses and *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing business of providing water and wastewater service. The primary operating revenues are for charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

C. Assets, Liabilities and Net position

The financial transactions of the District are recorded under generally accepted accounting principles applicable to Enterprise Funds.

1. Cash and Cash Equivalents Unrestricted and Restricted

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

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net position (continued)

2. Net Position - Restricted

Reserved net position have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado, \$31,500 and \$32,900 of the net position has been reserved in compliance with this requirement for the years ended December 31, 2016 and 2015, respectively

3. Capital Assets

Capital assets are recorded at cost at the time of acquisition. Gifts or contributions of property are recorded at fair market value at the time received. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Sewer System, water lines	40 years
Buildings and improvements	40 years
Fire hydrants	10 - 40 years
Office equipment	5 – 10 years

4. Repairs and Maintenance

Repairs and maintenance of a routine nature are charged to annual expenses, while those which improve or extend the useful life of the asset are classified as capital assets and depreciated over their estimated useful life.

5. Tap Fees

Tap fees and capital improvement charges are treated as contributed capital in accordance with the principles of Governmental Accounting, Auditing and Financial Reporting published by the National Council on Governmental Accounting.

6. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The County certifies the assessed valuation of the District in October of the preceding year and the District is obligated to certify the mill levies to the County by December 15 of the preceding year. Taxes are levied on January 1 and payable in the following year in one installment on April 30 or two installments on February 28 and June 15. Billing and collection for property taxes is handled by

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net position (continued)

6. Property Taxes (continued)

Jefferson and Adams County, Colorado. The Counties subsequently remits the taxes to the District on a monthly basis based on collections.

7. Use of Estimates

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

8. New Accounting Pronouncements

Effective January 1, 2013, the District implemented the provisions of GASB No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" (GASB No.63) and the provisions of GASB No. 65, "*Items Previously Reported as Assets and Liabilities*" (GASB No. 65).

GASB No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4 "*Elements of Financial Statements*" (Concepts Statement No. 4). Concepts Statement No. 4 defines a deferred outflow of resources as a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future period. The impact on the District's financial statements has been to replace the term "net position" with "net position".

The District's unearned property tax revenue to be collected in 2017 is considered to be a deferred inflow of resources and is reflected on the Statement of Net Position.

**BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 - Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net position (continued)

8. New Accounting Pronouncements (continued)

GASB No. 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Some assets previously reported as assets are now reported as an outflow of resources/expenses. One of these is debt issuance costs. The District's beginning net position may have been restated to reflect expensing all debt issuance costs that had been previously capitalized. The effect of this treatment has no impact on the District's December 31, 2016 audited financial statements as the District has no debt issuance costs previously capitalized.

Effective for year ends beginning after June 15, 2015 GASB No. 72 "*Fair Value Measurement and Application*" establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The District implemented the provisions of this pronouncement beginning January 1, 2016.

NOTE 2 - Stewardship, Compliance and Accountability

A. Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year for the Water and Sewer Funds. Formal budgetary integration is also employed to comply with the State of Colorado Budget Law. The amounts not included in non-GAAP budgetary basis schedules are reflected on the schedules in the budget section of this report.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Budgets are required by state law for all proprietary funds. Prior to October 15, a proposed operating budget for each fund is submitted to the Directors for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Pursuant to statute public hearings are conducted by the Board of Directors to obtain taxpayer comments. The budget is formally adopted by resolution after considering comments received.

**BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 - Stewardship, Compliance and Accountability (continued)

A. Budgets and Budgetary Accounting (continued)

3. The required mill levy is adopted by resolution no later than December 15. The mill levy is then certified to the county commissioners.

B. Tax, Spending and Revenue Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments.

The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes from its provisions Enterprises. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10 percent of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment.

The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations in the amendment's language in order to determine its compliance.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). The District has reserved \$31,500 for this purpose.

On May 5, 1998, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR, effective for the years 1996 and thereafter.

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - Cash Deposits and Investments

Cash Deposits:

As of December 31, 2016, the carrying amount of the District's cash deposits was \$911,666. The District's cash demand deposits are held at financial institutions in which deposits are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation.

Colorado State statutes govern the entity's deposit of cash. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by 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.

Investments:

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

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

Colorado statutes specify investment instruments in which local governments may invest which includes:

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

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - Cash Deposits and Investments (continued)

The investments made by the District are carried at (net amortized) cost and a schedule of these investments at December 31, 2016 is presented below:

Cash deposits and investments held by the District as of December 31, 2016 were as follows:

	Book Balance	Bank Balance
<i>Cash Deposits</i>		
Cash deposits, insured	\$ 250,000	\$ 250,000
Cash deposits, uninsured	661,366	662,156
Cash on hand	300	--
Total cash deposits and investments	<u>\$ 911,666</u>	<u>\$ 912,156</u>

NOTE 4 - Capital Assets

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

	Balance at January 1, 2016	Transfers/ Increases	Transfers/ Decreases	Balance at December 31, 2016
Capital assets not being depreciated:				
Construction in progress	\$ 353,566	\$ 17,716	\$ (371,282)	\$ --
Easements	9,100	--	--	9,100
Total capital assets not being depreciated	<u>362,666</u>	<u>17,716</u>	<u>(371,282)</u>	<u>9,100</u>
Capital assets being depreciated:				
Sewer system	4,111,972	--	--	4,111,972
Water lines	4,856,304	--	371,282	5,227,586
Buildings and improvements	322,796	--	--	322,796
Fire hydrants	139,138	--	--	139,138
Office equipment	53,621	--	--	53,621
Vehicles	19,596	--	--	19,596
Total capital assets being depreciated	<u>9,503,427</u>	<u>--</u>	<u>371,282</u>	<u>9,874,709</u>
Less accumulated depreciation for:				
Sewer system	(2,568,440)	(102,799)	--	(2,671,239)
Water lines	(2,241,549)	(126,049)	--	(2,367,598)
Buildings and improvements	(84,734)	(8,069)	--	(92,803)
Fire Hydrants	(118,062)	(3,478)	--	(121,540)
Office equipment	(53,621)	--	--	(53,621)
Vehicles	(19,596)	--	--	(19,596)
Total accumulated depreciation	<u>(5,086,002)</u>	<u>(240,395)</u>	<u>--</u>	<u>(5,326,397)</u>
Total capital assets being depreciated, net	<u>4,417,425</u>	<u>(240,395)</u>	<u>371,282</u>	<u>4,548,312</u>
Capital assets, net	<u>\$ 4,780,091</u>	<u>\$ (222,679)</u>	<u>\$ --</u>	<u>\$ 4,557,412</u>

**BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 5 - Long-term Liabilities

The District's capital lease as of December 31, 2016 and its 2016 debt transactions are as follows:

Beginning Balance	Additions	Deletions	Ending Balance
\$ 128,275	\$ --	\$ (26,375)	\$ 101,900

Note 5 - Long-term Liabilities (continued)

The detail of the District's long-term obligation is as follows:

Building Lease Purchase— Wells Fargo Investment Services

March 2005; lease term of 15 years, two installments due each year on March 15 and September 15, commencing September 15, 2005. Interest only payments of \$7,239 for the first year. Beginning September 15, 2006 principal and interest payments are due in the amount of \$15,866. The obligation bears a 4.40% interest rate. The lease can be bought out at any time at existing value plus a buy-out fee. This obligation is for the purchase of the new District office building and the purchase of a truck for the District. The obligation contains a \$1 bargain purchase option at the expiration of the obligation term.

\$ 101,900

Future estimated minimum lease payments in the years ending:

	Principal	Interest	Total
2017	\$ 27,548	\$ 4,184	\$ 31,732
2018	28,774	2,958	31,732
2019	30,054	1,678	31,732
2020	15,524	342	15,866
	\$ 101,900	\$ 9,162	\$ 111,062

Interest paid on the lease for the years ended December 31, 2016 and 2015 was \$5,007 and \$6,149, respectively. The District is not obligated for any special assessment debt at December 31, 2016.

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 - Service Contracts

The District has an agreement with the Denver Board of Water Commissioners of the City and County of Denver for water distribution service. All water service in the District is provided and billed by the Denver Water Board to the users under a "Read and Bill" contract.

The District has an agreement with and is a member of Metropolitan Wastewater Reclamation District (Metro) for sewage treatment and disposal. The District pays Metro sewage treatment fees and bills the users for sewer service.

The District is responsible for the maintenance and future construction costs of its water and sewer lines and retains title to its lines in the District.

NOTE 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 agents; and natural disasters. The Colorado Special Districts Property and Liability Pool (the Pool) is an organization created by inter-governmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate.

It provides coverage for property claims up to the values declared, and liability claims for up to \$1,000,000. It is reinsured for up to 80% of the first \$250,000 of each casualty claim and for 100% of the excess. Public official liability claims are reinsured for the full limit of \$1,000,000.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members.

NOTE 9 - Evaluation of Subsequent Events

The District has evaluated subsequent events through March 3, 2017, the date which the financial statements were available to be issued. There were no subsequent events that required recognition or additional disclosure.

The District is located in Adams County Colorado. The Gallagher Amendment in the Colorado Constitution requires an adjustment to the Residential Adjustment Rate (RAR) in order to maintain a constant relationship between the statewide share of residential taxable value and the statewide share of nonresidential taxable value. The amendment prevents the share of residential property from increasing relative to other classes of property due to an increase in home values. The effects of this Amendment may result in a reduction of property tax revenue for tax collection in 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Berkeley Water and Sanitation District
Schedule of Revenue, Expenses and Changes in Funds Available
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2016

	BUDGETED AMOUNTS			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Property taxes	\$ 266,032	\$ 266,032	\$ 262,650	\$ (3,382)
Specific ownership taxes	15,000	15,000	21,720	6,720
Interest income	4,000	4,000	2,511	(1,489)
Miscellaneous income	-	-	1,297	1,297
Total revenues	285,032	285,032	288,178	3,146
EXPENSES				
Salaries and benefits	43,050	43,050	113,625	(70,575)
Engineering	-	-	740	(740)
Legal	30,000	30,000	33,902	(3,902)
Accounting and audit	4,500	4,500	8,075	(3,575)
County Treasurers fees	8,000	8,000	6,653	1,347
Computer support	-	-	1,650	(1,650)
Insurance	-	-	8,722	(8,722)
Building and Condo expenses	4,100	4,100	8,232	(4,132)
Office supplies and expense	10,400	10,400	6,599	3,801
Directors' fees	4,529	4,529	4,600	(71)
Other - administrative	8,800	8,800	1,182	7,618
Debt service:				
Principal	26,375	26,375	26,375	-
Interest	5,357	5,357	5,007	350
Election	7,000	7,000		7,000
Transfers (to) from	96,732	96,732		96,732
Total operating expenses	248,843	248,843	225,362	23,481
EXCESS (DEFICIENCY) REVENUE OVER (UNDER)				
EXPENDITURES (BUDGETARY BASIS)	36,189	36,189	62,816	26,627
Funds Available - Beginning of Year	423,267	423,267	489,274	66,007
Funds Available - End of Year	\$ 459,456	\$ 459,456	\$ 552,090	\$ 92,634

See Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

Berkeley Water and Sanitation District
Schedule of Revenue, Expenses and Changes in Funds Available
Budget and Actual (Non-GAAP Budgetary Basis)
Wastewater Fund
For the Year Ended December 31, 2016

	<u>BUDGETED AMOUNTS</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
REVENUES				
Sewer service fees	\$ 698,916	\$ 698,916	\$ 722,672	\$ 23,756
Imprest fees	8,950	8,950	-	(8,950)
Contributed capital - tap fees	33,760	33,760	99,586	65,826
Lien fees	30,000	30,000	22,500	(7,500)
Inspection and License fees	400	400	13,629	13,229
Miscellaneous income	-	-	5,000	5,000
	<u>772,026</u>	<u>772,026</u>	<u>863,387</u>	<u>91,361</u>
EXPENSES				
Sewer treatment charges	442,968	442,968	426,108	16,860
Repairs and maintenance	43,000	43,000	33,520	9,480
Other - operations	3,000	3,000	-	3,000
Salaries and benefits	74,618	74,618	53,376	21,242
Engineering	10,500	10,500	8,852	1,648
Imprest engineering	3,000	3,000	-	3,000
Legal	5,000	5,000	-	5,000
Imprest legal	1,000	1,000	-	1,000
Accounting and audit	4,800	4,800	-	4,800
Office supplies and expense	1,300	1,300	70	1,230
Other - administrative	2,600	2,600	-	2,600
Training	500	500	194	306
Transfers (to) from	100,000	100,000	-	100,000
	<u>692,286</u>	<u>692,286</u>	<u>522,120</u>	<u>170,166</u>
EXCESS (DEFICIENCY) REVENUE OVER (UNDER)				
EXPENDITURES (BUDGETARY BASIS)	79,740	79,740	341,267	261,527
Funds Available - Beginning of Year	-	-	-	-
Funds Available - End of Year	<u>\$ 79,740</u>	<u>\$ 79,740</u>	<u>\$ 341,267</u>	<u>\$ 261,527</u>

See Independent Auditors' Report

Berkeley Water and Sanitation District
Schedule of Revenue, Expenses and Changes in Funds Available
Budget and Actual (Non-GAAP Budgetary Basis)
Water Fund
For the Year Ended December 31, 2016

	<u>BUDGETED AMOUNTS</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
REVENUES				
Water service fees	\$ 117,984	\$ 117,984	\$ 20,391	\$ (97,593)
Contributed capital - tap fees	16,960	16,960	122,373	105,413
Imprest fees	18,550	18,550	-	(18,550)
Inspections and fees	400	400	300	(100)
Transfers (to) from	196,732	196,732	-	(196,732)
	<u>350,626</u>	<u>350,626</u>	<u>143,064</u>	<u>(207,562)</u>
EXPENSES				
Repairs and maintenance	121,532	121,532	76,464	45,068
Salaries and benefits	65,000	65,000	-	65,000
Engineering	24,500	24,500	1,470	23,030
Imprest Engineering	7,000	7,000	-	7,000
Legal	5,000	5,000	1,177	3,823
Imprest Legal	2,000	2,000	-	2,000
Accounting and audit	4,800	4,800	-	4,800
Office supplies and expense	1,300	1,300	-	1,300
Other - administrative	2,600	2,600	-	2,600
Training	500	500	-	500
Capital outlay	-	-	17,716	(17,716)
	<u>234,232</u>	<u>234,232</u>	<u>96,827</u>	<u>137,405</u>
EXCESS (DEFICIENCY) REVENUE OVER (UNDER)				
EXPENDITURES (BUDGETARY BASIS)	116,394	116,394	46,237	(70,157)
Funds Available - Beginning of Year	-	-	-	-
Funds Available - End of Year	<u>\$ 116,394</u>	<u>\$ 116,394</u>	<u>\$ 46,237</u>	<u>\$ (70,157)</u>

See Independent Auditors' Report

Berkeley Water and Sanitation District
Reconciliation of Budgetary Basis (Actual) To
Schedule of Revenue, Expenses and Changes in Funds Available
For the Year Ended December 31, 2016

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>General Fund</u>	<u>Total Funds</u>
ACTUAL EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	\$ 341,267	\$ 46,237	\$ 62,816	\$ 450,320
(Deduct) items which are not expenditures:				
Depreciation	(102,799)	(129,527)	(8,069)	(240,395)
Add items which are not GAAP expenses:				
Purchase of capital assets	-	17,716		17,716
Principal portion of long-term debt	-		26,375	26,375
	<u>238,468</u>	<u>(65,574)</u>	<u>81,122</u>	<u>254,016</u>
CHANGE IN NET POSITION (GAAP BASIS)	\$	\$	\$	\$

See Independent Auditors' Report

Berkeley Water and Sanitation District
Five-Year Summary of Assessed Valuation, Mill Levy
And Property Taxes Collected
December 31, 2016

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2012	60,466,548	3.353	202,744	200,702	98.99%
2013	83,727,830	3.353	215,343	214,625	99.67%
2014	83,124,400	2.713	225,516	225,877	100.16%
2015	75,194,065	3.174	238,874	238,150	99.70%
2016	79,027,059	3.174	266,032	262,650	98.73%

Estimate for the year ended December 31, 2017:

2017	77,158,653	3.374	260,333		
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NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years. Information received from the County Treasurers does not permit identification of specific year of assessment.

See Independent Auditors' Report