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BYERS WATER AND SANITATION DISTRICT

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

with

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS

and

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

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Contents

KENT BEICHLE, CPA
P.O.BOX 33949, NORTHGLENN, COLORADO 80233-0949
303-792-0410

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Board of Directors
Byers Water and Sanitation District
Byers, Colorado

I have audited the accompanying financial statements of the Byers Water and Sanitation District as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

KENT BEICHLE, CPA

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis and budgetary comparison information on pages 3-7 and 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Kent Beichle, CPA

June 27, 2017

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

BYERS WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Byers Water and Sanitation District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended December 31, 2016. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2016

- The District's net position increased by $19 thousand or 1.4 percent from $1.291 million to $1.310 million.
- Operating revenues increased by $30 thousand or 7.0 percent from $433 thousand to $463 thousand.
- Operating expenses increased by $8 thousand or 1.9 percent from $436 thousand to $444 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Other Required Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statements of Revenues, Expenses and Changes in Net Position identifying the District's revenues and expenses for the fiscal year ended December 31, 2016. This statement provides information on the District's operations over the past fiscal year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance for the last fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the District's financial condition and also indicate that the financial condition of the District improved during the last fiscal year. The District's net position reflect the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

NET POSITION

A summary of the District's Statements of Net Position is presented below.

Table 1
Condensed Statements of Net Position
(In thousands of dollars)

	2016	2015	Dollar Change	Percent Change
Current and Other assets	$ 388.7	$ 391.3	$ (2.6)	(.7)%
Capital Assets, net	964.4	1,011.0	(46.6)	(4.6)%
Total Assets	1,353.1	1,402.3	(49.2)	(3.5)%
Current Liabilities	43.2	66.6	(23.4)	(35.1)%
Long-term debt	-	44.3	(44.3)	(100.0)%
Total Liabilities	43.2	110.9	(67.7)	(61.0)%
Net investment in capital assets, net of related debt	964.4	938.7	25.7	2.7%
Unrestricted net position	345.5	352.7	(7.2)	(2.0)%
Total Net Position	$1,309.9	$1,291.4	$ 18.5	$ 1.4%

As the table indicates, total net position increased by $18.5 thousand or 1.4% in 2016 as compared to 2015. Current and other assets decreased by $2.6 thousand for the year due to a net income of $18 thousand plus depreciation of $97 thousand minus capital improvements of $50 thousand and loan principal payment of $71 thousand.

NET POSITION, CONTINUED

Capital assets decreased by $47 thousand for the year because of capital improvements of $50 thousand minus deprecation of $97 thousand.

Total liabilities for the district decreased by $67.7 thousand for the year as a result of a $72.4 thousand principal payment on the note payable and an increase in security deposits of $2.4 thousand and accounts payable of $2.3 thousand.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN POSITION

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position
(In thousands of dollars)

	2016	2015	Dollar Change	Percent Change
Operating Revenues	$ 463.1	$ 432.8	$ 30.3	7.0%
Nonoperating revenues	.6	.5	.1	20.0%
Total Revenues	463.7	433.3	30.4	7.0%
Depreciation expense	97.0	96.2	.8	.8%
Other Operating Expenses	347.5	339.9	7.6	2.2%
Nonoperating expenses	.7	4.0	(3.3)	(82.5)%
Total Expenses	445.2	440.1	5.1	1.2%
Changes in Net Position	18.5	(6.8)	25.3	372.1%
Beginning Net Position	1,291.4	1,298.2	6.8	(.5)%
Ending Net Position	$1,309.9	$1,291.4	$ 18.5	$ 1.4%

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION, CONTINUED

Total revenues in 2016 increased by $30.3 thousand as compared to 2016 due to a rate increase for both sewer and water.

Expenses were $5.1 thousand higher in 2016 as compared to 2015. The majority of the increase in operating expenses was due to the payroll increases of $4 thousand. Other expenses were similar to 2015 except repairs and maintenance which increased by $8 thousand.

CAPITAL ASSETS

As of December 31, 2016, the District's net investment in capital assets totaled $964.4 thousand, which is a decrease of $46.6 thousand or 4.6% less than the capital asset balance of $1,011.0 thousand at December 31, 2015. A comparison of the District's capital assets over the past two fiscal years is presented in Note 4 of the financial statements.

Capital improvements the District made in 2016 included well repairs and water meters.

Capital improvements for 2017 include fire hydrants, radio read meters and a vehicle.

LONG-TERM DEBT

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

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Byers Water and Sanitation District at P.O. Box 301, Byers, Colorado 80103.

FINANCIAL STATEMENTS

BYERS WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2016

ASSETS

Current Assets:	
Cash and cash equivalents (Note 3)	$ 117,121
Certificates of deposit	222,564
Accounts receivable	37,768
Prepaid expenses	11,198
Total Current Assets	388,651
Capital Assets (Notes 4 and 6):	
Nondepreciable capital assets:	
Land	2,352
Total nondepreciable capital assets	2,352
Depreciable capital assets:	
Plant and equipment	2,963,878
Less accumulated depreciation	(2,001,763)
Total depreciable capital assets	962,115
Total capital assets	964,467
Total Assets	$1,353,118

DEFERRED OUTFLOWS OF RESOURCES

LIABILITIES

Current Liabilities:	
Accounts payable	$ 3,210
Payroll taxes payable	6,256
Security deposits	33,740
Total Current Liabilities	43,206

DEFERRED INFLOWS OF RESOURCES

NET POSITION

Net Investment in capital assets,	$ 964,467
Unrestricted	345,445
Total Net Position	$1,309,912

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

BYERS WATER AND SANITATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended December 31, 2016

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Water and sewer services	$ 264,942	$198,145	$ 463,087
Total Operating Revenues	264,942	198,145	463,087
Operating Expenses:			
Salaries and directors fees	100,420	50,210	150,630
Employee benefits	30,194	15,097	45,291
Legal, auditing, insurance and permits	7,924	3,962	11,886
Office supplies and expense	12,090	6,045	18,135
Repairs and maintenance	22,203	38,557	60,760
Electricity	24,339	6,321	30,660
Depreciation	64,697	32,348	97,045
Miscellaneous	7,917	3,959	11,876
Testing and chlorine	6,558	11,622	18,180
Total Operating Expenses	276,342	168,121	444,463
Net Operating Income (Loss)	(11,400)	30,024	18,624
Add Non-Operating Revenues:			
Interest income	282	282	564
	282	282	564
Less Non-Operating Expenses:			
Interest expense	-	687	687
	-	687	687
Net income (loss)	$ (11,118)	$ 29,619	18,501
Net position:			
Beginning of Year			1,291,411
End of Year			$1,309,912

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

BYERS WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS

Years Ended December 31, 2016

Cash flows from operating activities:	
Cash receipts from customers	$ 463,530
Cash payments to suppliers for goods and services	(193,831)
Cash payment to employees for services	(150,630)
Net cash provided by operating activities	119,069
Cash flows from capital and related financing activities:	
Purchase of capital assets	(50,467)
Principal paid on debt	(72,356)
Interest paid on debt	(1,230)
Net cash used in capital and related financing activities	(124,053)
Cash flows from investing activities:	
Interest received on investments	564
Purchase of certificates of deposit	(20,810)
Net cash used by investing activities	(20,246)
Net decrease in cash and cash equivalents	(25,230)
Cash and cash equivalents, beginning of year	142,351
Cash and cash equivalents, end of year	$ 117,121
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Income	$ 18,624
Adjustments:	
Depreciation	97,045
Net change in assets and liabilities:	
Prepaid expenses	(2,202)
Accounts receivable	443
Accounts payable	642
Payroll taxes payable	2,077
Security deposits	2,440
Net cash provided by operating activities	$ 119,069

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

(1) Description of Entity

Reporting Entity

The Byers Water and Sanitation District operates under an elected five-person Board of Directors. The Board of Directors hires a manager to oversee the daily operations of the District. The District's major operations include water and sewer services for an unincorporated area in Arapahoe county known as Byers, Colorado. No other agency or authority is controlled by or controls the District.

In June 1999, the GASB approved Statement #34 Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. This statement provides for significant changes in financial reporting and is scheduled for phased implementation over a three year period of time based on the size of the government. The District is required to implement this statement for the year ended December 31, 2004.

(2) Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The District's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting,* to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, on any Accounting Research Bulletins on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity: or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered

(2) Summary of Significant Accounting Policies, Continued

Basis of Presentation and Accounting, Continued

with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets, net of related debt; and unrestricted components.

Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual resulted may differ from those estimates.

Cash Equivalents and Investments

The District considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents.

All bank balances of deposits as of the balance sheet dates are entirely insured. (See Note 3)

Capital Assets

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as assets with an initial, individual cost of more than $2,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The District did not capitalize interest during

(2) Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

fiscal year 2016. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense.

The useful lives of property, plant and equipment for purposes of computing depreciation:

	Years
Office equipment and tools	10
Buildings and sheds	15
Fences, pump house and equipment, water tank and tower, wells and pumps, water storage facility and administration building	20
Sewer transmission and distribution lines	50
Vehicle	5

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

(2) Summary of Significant Accounting Policies, Continued

Tap Fee Contributions

Effective January 1, 1979, National Council on Governmental Accounting clarified it's position that tap fees are to be reported as contributed capital and this position has been adopted by State of Colorado. The District did not receive any tap fees in 2016.

Compensated Absences

A liability for compensated absences has not been accrued in the financial statements because the amount cannot be reasonably determined and is immaterial in amount.

Net Position

Net position, comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position are classified in the following three components:

Net investment in capital assets, net of related debt-This component of net position of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted-This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position-This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets, net of related debt".

Budgetary Principles

The District's Board of Directors prepares a budget in December of each year on a cash basis. The adopted budget can be amended during the year based upon unforeseen revenues and expenditures. All expenditures from the budget are approved by the Board of Directors during their monthly meetings. There were no amendments to the budget during the 2016 calendar year.

(2) Summary of Significant Accounting Policies, Continued

Tabor Amendment

The District complies with all provisions of the Tabor Amendment.

(3) Deposits

The District's cash and deposit policies are approved by the Board of Directors and governed by Colorado Statute. The Colorado Public Deposit Protection Act and the Savings and Loan Public Deposit Protection Act of Colorado (PDPA) require 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 is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The fair value of the collateral must be at least equal to the aggregate uninsured deposits. As of December 31, 2016, the district's deposits included $117,121 of demand deposits and $222,564 of certificates of deposit due in 2017. All deposits are either insured or collateralized.

(4) Capital Assets

A summary of changes in capital assets is as follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Non-depreciable capital assets:				
Land	$ 2,352	$ -	$ -	$ 2,352
Total non-depreciable capital assets	2,352	-	-	2,352
Depreciable capital assets:				
Water and sewer system	2,771,824	50,467	-	2,822,291
Buildings and sheds	90,662	-	-	90,662
Vehicle	50,925	-	-	50,925
Total capital assets being depreciated	2,913,411	50,467	-	2,963,878
Less accumulated depreciation	1,904,718	97,045	-	2,001,763
Total capital assets being depreciated, net	1,008,692	(46,578)	-	962,115
Total capital assets, net	$1,011,045	$(46,578)	$ -	$ 964,467

(5) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for risk of loss. The District is insured by Colorado Districts Property and Liability Pool.

The District did not have settled claims that exceeded the District's commercial insurance coverage in any of the past three years. There has been no significant reduction in the District's insurance coverage from the previous year.

(6) Long-Term Debt

The District financed the construction of a waste water plant by borrowing from the Colorado Water Resources and Power Development Authority. The total amount of the loan is $435,000. The interest rate on the loan is 4.5% with a maturity date of May 1, 2018. Payments of $15,462 are due semi-annually. The note was paid in full by the District in March of 2016.

REQUIRED SUPPLEMENTARY INFORMATION

BYERS WATER AND SANITATION DISTRICT

SCHEDULE 1 - SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Water and sewer services	$ 425,000	$ 425,000	$ 463,087	$ 38,087
Security deposits	5,588	5,588	5,800	212
Interest income	600	600	564	(36)
Total Revenues	431,188	431,188	469,451	38,263
Expenditures:				
Salaries and directors fees	162,653	162,653	150,630	12,023
Employee benefits	46,000	46,000	45,291	709
Legal, auditing, insurance and permits	15,700	15,700	11,886	3,814
Office supplies and maintenance	15,350	15,350	18,135	(2,785)
Repairs and maintenance	83,912	83,912	60,760	23,152
Electricity	35,000	35,000	30,660	4,340
Miscellaneous	5,400	5,400	11,876	(6,476)
Testing and chlorine	12,000	12,000	18,180	(6,180)
Security deposit refunds	1,500	1,500	1,314	186
Capital expenditures	40,000	40,000	50,467	(10,467)
Loan payments	30,925	30,925	73,586	(42,661)
Total Expenditures	448,440	448,440	472,785	(24,345)
Total Revenues Over Expenditures	$ (17,252)	$ (17,252)	$ (3,334)	$ 13,918

Reconciliation of Budget Net Income to General Accepted Accounting Principles Net Loss:

Net loss per budget	$ (3,334)
Security deposits	(5,800)
Security deposit refunds	1,314
Depreciation	(97,045)
Loan payments	73,586
Interest expense	(687)
Capital expenditures	50,467
Net income per general accepted accounting principles basis	$ 18,501