

North Table Mountain Water & Sanitation District

Annual Financial Statements and
Independent Auditor's Report

December 31, 2016 and 2015



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Independent Auditor's Report

Members of the Board of Directors
North Table Mountain Water & Sanitation District
Adams County, Colorado

We have audited the accompanying financial statements of the business-type activities of North Table Mountain Water & Sanitation District (the "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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of North Table Mountain 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, as listed in the table of contents, 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 an opinion on the financial statements that collectively comprise North Table Mountain Water & Sanitation District's financial statements as a whole. The other supplementary information sections are presented for purposes of additional analysis and are 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.



Littleton, Colorado
June 13, 2017

North Table Mountain Water & Sanitation District Management Discussion and Analysis

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

Financial Highlights

- Net position increased by \$1,504,358, due primarily to a large decrease in capital improvement charges.
- District operating expenses decreased by \$317,929 (4.8%) and operating revenues increased by \$193,351 (3.8%) from 2015 to 2016, resulting in a net operating loss decrease of \$511,280 (33.8%). This is driven largely by a significant decrease in depreciation expense.
- The District's total assets increased by \$946,139 (2.5%) 2015 to 2016, due largely to current year income, which was used to purchase investments.

Overview of the Financial Statements

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

The *Statements of Net Position* present 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 *Statements 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 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 statements for some items that will only result in cash flows in future fiscal periods.

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

These financial statements distinguish functions of the District that will be principally supported by user fees, developer contributions and tap fees. The functions of the District include effective and economical operation of water and wastewater sewer systems within the jurisdictional boundaries of the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The district-wide financial statements include only the District itself.

The District adopts an annual appropriated budget to recognize the fiscal impact of operations, non-operating revenues and contributions. A budgetary comparison statement has been provided to demonstrate compliance with this requirement.

The basic financial statements of the District can be found on pages 1-3 of this report.

District-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$37,915,929 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. The District's investment in its capital assets is reported net of related debt. It should be noted that the District has no outstanding long-term debt.

The balance of *unrestricted net position*, \$16,008,413, may be used to meet the government's ongoing obligations to customers and creditors. \$216,000 of the District's net position has been reserved for emergencies.

At the end of the current fiscal year, the District reported positive balances in all categories of net position, for the District as a whole.

Financial Analysis of the District's Funds

NET POSITION		
December 31,	2016	2015
ASSETS		
Current assets	\$ 16,444,253	\$ 14,998,748
Capital assets, net	<u>21,691,516</u>	<u>22,190,882</u>
Total assets	<u>38,153,769</u>	<u>37,189,630</u>
 LIABILITIES		
Current liabilities	121,617	690,368
Long-term liabilities	<u>98,223</u>	<u>87,691</u>
Total liabilities	<u>219,840</u>	<u>778,059</u>
 NET POSITION		
Net investment in capital assets	21,691,516	22,190,882
Reserved for emergencies	216,000	206,000
Unrestricted	<u>16,008,413</u>	<u>14,014,689</u>
	<u>\$ 37,915,929</u>	<u>\$ 36,411,571</u>

CHANGE IN NET POSITION

December 31,	2016	2015
Operating revenues	\$ 5,285,497	\$ 5,092,146
Operating expenses	6,285,178	6,603,107
Nonoperating revenues (expenses)	37,039	17,488
Capital contributions	2,467,000	3,974,326
NET INCOME	1,504,358	2,480,853
NET POSITION BEGINNING OF YEAR	36,411,571	33,930,718
NET POSITION END OF YEAR	\$ 37,915,929	\$ 36,411,571

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital expenditures, in addition to operations and non-operating revenues and capital contributions.

The total actual revenues (both operating and non-operating) of the District were greater than budget by \$633,982. The total actual expenses (both operating and non-operating) of the District were less than budget by \$1,254,491.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its business type activities as of December 31, 2016 amounts to \$21,691,516 (net of accumulated depreciation). This investment in capital assets includes water and sewer line systems, office furniture and fixtures, vehicles, land and buildings. The total decrease in the District's investment in capital assets for the current fiscal year was 2.2% percent, due mainly to current year depreciation.

	Capital Assets		Percentage Change
	(net of depreciation)		
	2016	2015	
Land	\$ 533,774	\$ 533,774	0%
Raw water rights	1,016,974	962,025	5.7%
Water treatment plant	6,841,355	6,841,355	0%
Collection, transmission and distribution systems	34,164,472	33,635,022	1.6%
Leasehold improvements	3,500	3,500	0%
Equipment and vehicles	3,024,125	2,860,411	5.7%
Construction in progress	-	25,782	(100)%
Accumulated depreciation	(23,892,684)	(22,670,987)	5.4%
Net Capital Assets	\$ 21,691,516	\$ 22,190,882	

Additional information on the District's capital assets can be found in Note 4, on page 11.

The District currently receives a substantial portion of its revenue from its water and sewer services.

Requests for Information

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

North Table Mountain Water & Sanitation District
14806 West 52nd Avenue
Golden, CO 80403

Basic Financial Statements

North Table Mountain Water & Sanitation District

Statements of Net Position December 31, 2016 and 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$11,819,430	\$12,973,072
Investments	3,834,115	1,274,369
Accounts receivable:		
Trade accounts	640,384	605,704
Inventory	147,538	145,603
Prepaid expenses	2,786	-
Total Current Assets	16,444,253	14,998,748
Capital Assets		
Land	533,774	533,774
Raw water rights	1,016,974	962,025
Water treatment plant	6,841,355	6,841,355
Collection, transmission and distribution systems	34,164,472	33,635,022
Leasehold improvements	3,500	3,500
Equipment and vehicles	3,024,125	2,860,411
Construction in progress	-	25,782
Total Capital Assets	45,584,200	44,861,869
Less accumulated depreciation	(23,892,684)	(22,670,987)
Net Capital Assets	21,691,516	22,190,882
Total Assets	\$38,135,769	\$37,189,630
 Liabilities and Net Position		
Liabilities		
Current liabilities		
Accounts payable	\$ 86,937	\$ 99,394
Accrued liabilities	34,680	590,974
Total Current Liabilities	121,617	690,368
Long-Term Liabilities		
Compensated absences	98,223	87,691
Total Liabilities	219,840	778,059
Net Position		
Net investment in capital assets	21,691,516	22,190,882
Unrestricted	16,008,413	14,014,689
Reserved for emergencies	216,000	206,000
Total Net Position	37,915,929	36,411,571
Total Liabilities and Net Position	\$38,135,769	\$37,189,630

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

North Table Mountain Water & Sanitation District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Water sales	\$ 3,533,764	\$ 3,246,251
Sewer charges	1,760,199	1,752,528
Discount - 4%	<u>(133,290)</u>	<u>(124,318)</u>
Water sales, net of discounts	5,160,673	4,874,461
Inspection fees	42,167	156,750
Penalties, late charges and other revenues	<u>82,657</u>	<u>60,935</u>
Total operating revenues	<u>5,285,497</u>	<u>5,092,146</u>
Operating Expenses		
Wage and salary expense	1,604,851	1,559,877
Depreciation	1,221,695	1,827,727
Wastewater expense	1,154,986	1,100,280
Raw water expense	848,847	730,075
Insurance expense	386,499	328,626
Repairs and maintenance	171,712	302,069
Utilities	193,951	208,431
Supplies expense	217,836	104,122
Employee expense	130,408	127,797
Payroll tax expense	126,512	122,844
Office expenses	86,802	87,548
Professional fees	63,217	37,991
Vehicle expense	33,742	38,678
Other expenses	<u>44,120</u>	<u>27,042</u>
Total operating expenses	<u>6,285,178</u>	<u>6,603,107</u>
Operating Income (Loss)	<u>(999,681)</u>	<u>(1,510,961)</u>
Nonoperating Revenues (Expenses)		
Interest income	21,144	220
Net investment income	15,895	8,833
Gain on sale of capital assets	<u>-</u>	<u>8,435</u>
Total Nonoperating Revenues (Expenses)	<u>37,039</u>	<u>17,488</u>
Loss Before Capital Contributions	<u>(962,642)</u>	<u>(1,493,473)</u>
Capital Contributions		
Tap fees	2,439,825	2,372,750
Capital improvement charges	<u>27,175</u>	<u>1,601,576</u>
Total Capital Contributions	<u>2,467,000</u>	<u>3,974,326</u>
Change in Net Position	1,504,358	2,480,853
Net Position—Beginning of Year	<u>36,411,571</u>	<u>33,930,718</u>
Net Position—End of Year	<u>\$ 37,915,929</u>	<u>\$ 36,411,571</u>

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

North Table Mountain 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	\$ 5,250,817	\$ 5,015,712
Cash paid to suppliers for goods and services	(3,775,182)	(2,245,913)
Cash paid to employees for services	(1,594,319)	(1,559,748)
Cash paid on behalf of employees	(256,920)	(250,641)
Other operating revenue	-	5,815
Net Cash From Operating Activities	(375,604)	965,225
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(722,331)	(1,736,597)
Sale of capital assets	-	8,435
System development fees collected	2,467,000	3,974,326
Net Cash From Capital and Related Financing Activities	1,744,669	2,246,164
Cash Flows from Investing Activities:		
Investments matured/sold	1,274,369	1,500,000
Investments purchased	(3,834,746)	-
Net investment income received	37,670	8,016
Net Cash from Investing Activities	(2,522,707)	1,508,016
Net Change in Cash and Cash Equivalents	(1,153,642)	4,719,405
Cash and Cash Equivalents—Beginning of Year	12,973,072	8,253,667
Cash and Cash Equivalents—End of Year	\$ 11,819,430	\$ 12,973,072
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net operating income (loss)	\$ (999,681)	\$ (1,510,961)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	1,221,697	1,827,727
Changes in assets and liabilities:		
Accounts receivable	(34,680)	(76,434)
Interest receivable	-	5,815
Inventory	(1,935)	(43,943)
Prepaid expenses	(2,786)	76,334
Accounts payable	(12,457)	95,584
Accrued liabilities	(556,294)	590,974
Compensated absences	10,532	129
Total Adjustments	624,077	2,476,186
Net Cash From Operating Activities	\$ (375,604)	\$ 965,225

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

North Table Mountain Water & Sanitation District

Notes to Financial Statements

December 31, 2016 and 2015

1. Definition of Reporting Entity

North Table Mountain Water & Sanitation District (District) was formed by order of the District Court of Jefferson County, Colorado, in November of 1958. The District is a quasi-municipal corporation and political subdivision of the State of Colorado, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32). The primary operating function of the District is to provide treated water and sewage removal for both residential and industrial users within the District's boundaries.

Since the major part of its income is derived from user charges, the District is classified and accounted for as an "Enterprise Fund". Because of the self-supporting nature of the District, its accounting is on the accrual basis much like a private, profit-making business. However, unlike a private business, the District is not subject to federal and state income taxes.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

2. Summary of Significant Accounting Policies

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

Basis of Accounting

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 capital assets are shown as increases in assets. Tap fees and contributed lines received are recorded as capital contributions when received.

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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.

Capital Assets

The District's property and equipment are carried at cost in the case of outright purchases or construction. In the case of property contributed by sub-dividers or customers, such as water and sewer lines, the asset is recorded at an estimated fair market value at the date of contribution as determined by the District's consulting engineers.

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

Water treatment plant	10-30 years
Collection, Transmission and Distribution Systems	30 years
Leasehold improvements	5 years
Equipment	5-15 years

Accounts Receivable

The District does not provide a reserve for estimated uncollectible accounts for water and sewer services since such accounts are negligible. The District policy regarding delinquent accounts is to place a lien against the real estate and not provide water or sewer services until back charges are paid. A security deposit from customers also helps to ensure collection.

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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.

Operations

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

Tap Fees

Tap fees are recorded as contributions and combined with contributed lines on the Statements of Revenue, Expenses and Changes in Net Position.

Contributed Capital

Contributed capital represent contributions for plant and equipment acquired by the District primarily through donations by customers, developers and sub-dividers. These contributions are in the form of water and sewer lines installed and paid for by others and deeded over to the District and meter package charges paid by customers of the District.

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. Gains or losses on the sale of investments are recognized when the investment is sold.

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Inventories

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

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 position is 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.

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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications did not have an impact on the District's change in net position.

3. Cash, Cash Equivalents and Investments

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

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 11,819,430	\$ 12,973,072
Investments	<u>3,834,115</u>	<u>1,274,369</u>
Total	<u><u>\$ 15,653,545</u></u>	<u><u>\$ 14,247,441</u></u>

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

3. Cash, Cash Equivalents and Investments (continued)

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 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 the 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
Deposits with financial institutions	\$ 11,818,742	\$ 11,823,810	\$ 12,972,597	\$ 12,997,943
Petty cash	688	-	475	-
	\$ 11,819,430	\$ 11,823,810	\$ 12,973,072	\$ 12,997,943

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 and collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

3. Cash, Cash Equivalents and Investments (continued)

name and uncollateralized. Category 2 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

	2016	2015
Insured deposits	\$ 500,000	\$ 500,000
Category 1	688	475
Category 2	11,323,810	12,497,943
Total cash and investments	\$ 11,824,498	\$ 12,998,418

Investments and Credit Risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest. The District also adopted an investment policy that specifies instruments the District may invest in, which include:

- Bank and/or Time Certificates of Deposit (Money Market)
- Banking institutions that are regulated by the FDIC and the Colorado Division of Banking
- Local Government Investment pools
- Securities:
 - U.S. Government Treasury Bills & Notes
 - Obligations of the following U.S. Agencies:
 - Federal Home Loan Bank(FHLP)
 - Federal Home Loan Mortgage Corp. (FHLMC)
 - Federal National Mortgage Association (FNMA)
 - Federal Farm Credit Bank (FFCB)
 - A 1 +/P1 Commercial Paper (rating of AAA and/or AA)

The local government investment pools, which include Colorado Surplus Asset Fund Trust (CSAFE) is rated AAAM by Moody's for the years ended December 31, 2016 and 2015.

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

3. Cash, Cash Equivalents and Investments (continued)

Interest Rate Risk

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

Revenue bonds of U.S. local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to three years or less.

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

2016

Type of Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Less than one year	\$ 7,144,211
Fixed Income	Less than one year	<u>3,834,115</u>
Total Investments		<u>\$ 10,978,326</u>

2015

Type of Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Less than one year	\$ 3,466,397
Fixed Income	Less than one year	<u>1,274,369</u>
Total Investments		<u>\$ 4,740,766</u>

CSAFE

At December 31, 2016 and 2015, the District had \$7,144,211 and \$3,466,397, respectively, invested in the CSAFE, which is an investment vehicle established by State statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00.

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

4. Capital Assets

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

	Balance December 31, 2015	Additions/ Transfers	Retirements/ Transfers	Balance December 31, 2016
Capital assets, not being depreciated:				
Land	\$ 533,774	\$ -	\$ -	\$ 533,774
Raw water rights	962,025	54,949	-	1,016,974
Construction in progress	<u>25,782</u>	<u>503,999</u>	<u>(529,781)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,521,581</u>	<u>558,948</u>	<u>(529,781)</u>	<u>1,550,748</u>
Capital assets, being depreciated:				
Water treatment plant	6,841,355	-	-	6,841,355
Collection, transmissison and distribution system	33,635,022	529,450	-	34,164,472
Leasehold improvements	3,500	-	-	3,500
Equipment and vehicles	<u>2,860,411</u>	<u>163,714</u>	<u>-</u>	<u>3,024,125</u>
Total capital assets, being depreciated	<u>43,340,288</u>	<u>693,164</u>	<u>-</u>	<u>44,033,452</u>
Less accumulated depreciation for:				
Water treatment plant	(3,441,437)	(201,332)	-	(3,642,769)
Collection, transmissison and distribution system	(17,285,527)	(884,618)	-	(18,170,145)
Leasehold improvements	(3,500)	-	-	(3,500)
Equipment and vehicles	<u>(1,940,523)</u>	<u>(135,747)</u>	<u>-</u>	<u>(2,076,270)</u>
Total accumulated depreciation	<u>(22,670,987)</u>	<u>(1,221,697)</u>	<u>-</u>	<u>(23,892,684)</u>
Total capital assets, being depreciated, net	<u>20,669,301</u>	<u>(528,533)</u>	<u>-</u>	<u>20,140,768</u>
Total capital assets, net	<u>\$ 22,190,882</u>	<u>\$ 30,415</u>	<u>\$ (529,781)</u>	<u>\$ 21,691,516</u>

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

4. Capital Assets (continued)

	Balance December 31, 2014	Additions/ Transfers	Retirements/ Transfers	Balance December 31, 2015
Capital assets, not being depreciated:				
Land	\$ 533,774	\$ -	\$ -	\$ 533,774
Raw water rights	962,025		-	962,025
Construction in progress	<u>170,077</u>	<u>1,550,931</u>	<u>(1,695,226)</u>	<u>25,782</u>
Total capital assets, not being depreciated	<u>1,665,876</u>	<u>1,550,931</u>	<u>(1,695,226)</u>	<u>1,521,581</u>
Capital assets, being depreciated:				
Water treatment plant	6,086,492	965,739	(210,876)	6,841,355
Collection, transmission and distribution system	33,275,009	747,589	(387,576)	33,635,022
Leasehold improvements	4,591	-	(1,091)	3,500
Equipment and vehicles	<u>2,935,306</u>	<u>151,845</u>	<u>(226,740)</u>	<u>2,860,411</u>
Total capital assets, being depreciated	<u>42,301,398</u>	<u>1,865,173</u>	<u>(826,283)</u>	<u>43,340,288</u>
Less accumulated depreciation for:				
Water treatment plant	(3,248,403)	(498,343)	305,309	(3,441,437)
Collection, transmission and distribution system	(16,872,111)	(842,517)	429,101	(17,285,527)
Leasehold improvements	(4,591)	-	1,091	(3,500)
Equipment and vehicles	<u>(1,560,157)</u>	<u>(486,866)</u>	<u>106,500</u>	<u>(1,940,523)</u>
Total accumulated depreciation	<u>(21,685,262)</u>	<u>(1,827,726)</u>	<u>842,001</u>	<u>(22,670,987)</u>
Total capital assets, being depreciated, net	<u>20,616,136</u>	<u>37,447</u>	<u>15,718</u>	<u>20,669,301</u>
Total capital assets, net	<u>\$ 22,282,012</u>	<u>\$ 1,588,378</u>	<u>\$ (1,679,508)</u>	<u>\$ 22,190,882</u>

5. Retirement Plans

Deferred Compensation Plan

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by American Century Investors, Inc. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of

North Table Mountain Water & Sanitation District

Notes to Financial Statements (continued)

December 31, 2016 and 2015

their salary until future years. The deferred compensation is not available to the employee until termination, retirement, death or unforeseen emergencies.

5. Retirement Plans (continued)

On December 28, 1998, the District amended the plan to require all amounts deferred to be held in trust for the exclusive benefit of participating employees and not be accessible by the District or its creditors. As such, the plan balances are not included in the District financial statements.

Retirement Plan

The District adopted a non-qualified employer contributory retirement plan (North Table Mountain Water and Sanitation District Employee Retirement Plan) effective January 1, 1987. The District's current minimum contribution rate established by the Board of Directors is 5% of total compensation of each eligible participant. The District will contribute an additional 2% of total compensation, provided the employee defers at least 4% of their salary to the Plan. Employees are eligible to participate in the plan after completion of one full year of service and become fully vested after five years of participation.

During the years ended December 31, 2016 and 2015, the District contributed \$94,815 and \$99,240, respectively to the plan. Total covered payroll under the plan during the years ended December 31, 2016 and 2015 was \$1,406,378 and \$1,376,728, respectively.

6. Net Position

The District has net position consisting of three components — net investment in capital assets, reserved for emergencies and unrestricted.

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 \$21,691,516 and \$22,190,882, respectively.

Restricted net position include net assets 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 \$216,000 and \$206,000 of restricted net position as of December 31, 2016 and 2015, respectively, which fulfills the TABOR requirement for local governments to emergency reserves representing at least 3% of fiscal year spending (excluding debt service).

Unrestricted net position consists of net position that do not meet the definition of invested in capital assets or restricted. When an expenditure is incurred for purposes for which both

North Table Mountain Water & Sanitation District
Notes to Financial Statements (continued)
December 31, 2016 and 2015

restricted and unrestricted net position are available, restricted resources are considered expended.

7. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado Special Districts Property and Liability Pool (the "Pool"), which 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.

Supplementary Information

North Table Mountain Water & Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2016

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>2016 Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating Revenues				
Water sales	\$ 2,875,985	\$ 2,875,985	\$ 3,533,764	\$ 657,779
Sewer charges	1,725,027	1,725,027	1,760,199	35,172
Discount - 4%	(116,402)	(116,402)	(133,290)	(16,888)
Water sales, net of discounts	4,484,610	4,484,610	5,160,673	676,063
Inspection fees	129,989	129,989	42,167	(87,822)
Penalties, late charges and other revenues	73,955	73,955	82,657	8,702
Total operating revenues	<u>4,688,554</u>	<u>4,688,554</u>	<u>5,285,497</u>	<u>596,943</u>
Operating Expenses				
Wage and salary expense	1,849,088	1,849,088	1,604,851	244,237
Depreciation	1,438,537	1,438,537	1,221,695	216,842
Wastewater expense	1,281,288	1,281,288	1,154,986	126,302
Raw water expense	852,712	852,712	848,847	3,865
Insurance expense	437,500	437,500	386,499	51,001
Repairs and maintenance	631,500	631,500	171,712	459,788
Utilities	218,750	218,750	193,951	24,799
Supplies expense	209,376	209,376	217,836	(8,460)
Employee expense	40,090	40,090	130,408	(90,318)
Payroll tax expense	-	-	126,512	(126,512)
Office expenses	95,625	95,625	86,802	8,823
Professional fees	37,500	37,500	63,217	(25,717)
Vehicle expense	43,750	43,750	33,742	10,008
Other expenses	42,284	42,284	44,120	(1,836)
Capital outlay	1,084,000	1,084,000	722,331	361,669
Total operating expenses	<u>8,262,000</u>	<u>8,262,000</u>	<u>7,007,509</u>	<u>1,254,491</u>
Operating Income (Loss)	<u>(3,573,446)</u>	<u>(3,573,446)</u>	<u>(1,722,012)</u>	<u>1,851,434</u>
Nonoperating Revenues (Expenses)				
Interest income	-	-	21,144	21,144
Net investment income	-	-	15,895	15,895
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>37,039</u>	<u>37,039</u>
Income Before Capital Contributions	<u>(3,573,446)</u>	<u>(3,573,446)</u>	<u>(1,684,973)</u>	<u>1,888,473</u>
Capital Contributions				
Tap fees	2,534,116	2,534,116	2,439,825	(94,291)
Capital improvement charges	-	-	27,175	27,175
Total Capital Contributions	<u>2,534,116</u>	<u>2,534,116</u>	<u>2,467,000</u>	<u>(67,116)</u>
Change in Net Position	<u>(1,039,330)</u>	<u>(1,039,330)</u>	<u>782,027</u>	<u>1,821,357</u>
Net Position—Beginning of Year	<u>12,400,000</u>	<u>12,400,000</u>	<u>36,411,571</u>	<u>24,011,571</u>
Net Position—End of Year	<u>\$11,360,670</u>	<u>\$11,360,670</u>	<u>\$37,193,598</u>	<u>\$ 25,832,928</u>
Reconciliation to GAAP-Basis Financial Statements				
Change in net position - budget basis			\$ 782,027	
Capital outlay			<u>722,331</u>	
Change in net position - GAAP basis			<u>\$ 1,504,358</u>	