

RALSTON VALLEY WATER AND SANITATION DISTRICT

FINANCIAL STATEMENTS

December 31, 2016



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Board of Directors
Ralston Valley Water and Sanitation District
Arvada, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Ralston Valley Water and Sanitation District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Ralston Valley Water and Sanitation District, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 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 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 financial position of the Ralston Valley Water and Sanitation District as of December 31, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 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 Matters (Supplementary Information)

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ralston Valley Water and Sanitation District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. 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 the information directly to the underlying accounting 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We previously audited the Ralston Valley Water and Sanitation District's basic financial statements as of and for the year ended December 31, 2015, and we expressed an unmodified opinion on those financial statements in our report dated April 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



July 14, 2017

Ralston Valley Water and Sanitation District Management's Discussion and Analysis

As management of The Ralston Valley Water and Sanitation District, we offer readers of the District's basic financial statements his narrative and analysis of the financial activities of the Ralston Valley Water and Sanitation District for the year ending December 31, 2016.

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

Financial Highlights

The District's total net position increased by \$159,916 compared with its total net position in 2015. District operating revenues increased \$134,890 based largely on the fact that we sustained a dry summer and extended dry fall. We continue, as do all water utilities, to rely heavily on water sales for revenue. Purchased water was \$390,147, that is \$55,147 more than the 2016 budget. Sewage treatment charges were \$20,075 lower than projected due to the extended dry season and lower water table. Repair and maintenance was primarily sewer main jetting and minor repairs, for a cost of \$35,699. Legal fees were \$12,643 above budget projections because of threatened litigation that never materialized. Net cash increased by operations was \$81,171 in 2016. This compares to a net cash position loss of \$69,007 in 2015. Administrative and general expenses increased \$4,697. Changes in net position can be attributed to converting cash to capital assets plus depreciation. There was one water and sewer tap sold in 2016.

The operations of the District are funded solely by revenue received from utility billing for water and sewer service to District residents. Capital improvements are funded through the loan established with the Colorado Water Resources and Power Development Authority.

Overview of 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 financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

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

*The statement of **Revenues, Expenses, and Changes in Net Position** presents information showing how the District's net position changed over the course of the 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 statement that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end.)*

*The **Statement of Cash Flows** reports the District's cash flows from operating, noncapital 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 the effective and economical operation of water and sewer 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.

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

Ralston Valley Water and Sanitation District

Net Position

	2016	2015
Total Assets		
Total Current Assets	\$ 1,561,804	\$ 1,462,795
Non Current Assets		
Capital assets not depreciated	24,263	24,263
Capital Assets being depreciated	2,479,095	2,579,482
Restricted Cash and Investments	115,160	93,657
Total Non Current Assets	2,618,518	2,697,402
Total Assets	4,180,322	4,160,197
Liabilities		
Current Liabilities	128,284	148,403
Long Term Liabilities	1,482,704	1,601,387
Total Current Liabilities	1,610,988	1,749,790
Deferred Inflows of Resources	200,058	201,047
Net Position		
Net Investment in Capital Assets	1,045,827	1,008,375
Restricted for Debt Service	115,160	93,657
Restricted for Emergencies	48,566	47,523
Unrestricted	1,159,723	1,059,805
Total Net Position	2,369,276	2,209,360
Total Liabilities, Deferred Inflows of Resources, and Net Position	4,180,322	4,160,197

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, total assets exceeded total liabilities and deferred inflows of resources by \$2,369,276. A large portion of the District's net position reflects its net investment in capital assets. The District uses these capital assets to provide service to citizens; consequently these assets are not available for future spending.

Ralston Valley Water and Sanitation District

Revenues, Expenses, and Changes in Net Position

	2016	2015
Operating Revenues		
Charges for Services	\$ 801,851	\$ 669,378
Miscellaneous Income	5,361	2,950
Total Operating Revenues	807,218	672,328
Operating Expenses		
Administrative and General	179,356	174,659
Water Purchases	390,147	318,479
Sewage Treatment Charges	135,850	161,972
Repairs and Maintenance	35,699	53,036
Depreciation	100,387	96,990
Total Operating Expenses	841,439	805,136
Income (Loss) From Operations	(34,221)	(132,808)
Non Operating Revenues (Expenses)		
Interest Income	\$ 1,016	\$ 943
Connection Fees	30	
Property Taxes	200,235	173,932
Specific Ownership Taxes	19,296	17,112
Treasurer Fees	(3,012)	(2,611)
Interest Expenses	(57,286)	(62,200)
Total Non Operating Revenues (Expenses)	160,279	127,176
Tap Fees	33,898	
Change in Net Position	159,916	(5,632)
Net Position Beginning	2,209,360	2,214,992
Net Position Ending	\$ 2,369,276	\$ 2,209,360

Budgetary Highlights

*The District's original budget for expenditures was **\$930,335** for the year ended December 31, 2016. Actual expenditures were **\$943,429**. Actual expenditures were more than the budgeted amount by **\$13,094**. The majority of this difference plus or minus is attributed to sewage treatment charges, purchased water, professional fees, and capital outlay.*

*The total revenue for the District was **\$1,065,893** which was more than the 2016 budgeted revenues by **\$168,293**.*

Capital Asset and Debt Administration

The Ralston Valley Water and Sanitation District has successfully incorporated the funding acquired to make Capital Improvements throughout the District. Improvements range from additional water distribution connections to the City of Arvada to sliplining and reducing infiltration into the collection system. The additional connections to the water distribution system allow for better flow and supply throughout the District. The sewer system rehabilitation projects will reduce annual treatment charges as well as extend the life of the sewer facilities. These projects were funded by annual property tax assessments on residents of the District. This is the result of the successful May 2006 mill levy election for Capital Improvement funds.

Funding is being provided by the Colorado Water Resources and Power Development Authority which has a 20 year loan with the District. Terms of the loan provide for bi-annual payments in May and November with an interest rate of 3.75% annually. The remaining cash available from the sewer project was used to buy down the CWRPDA sewer loan balance.

Economic Factors and the Next Year's Budget and Rates

The Ralston Valley Water and Sanitation District Board of Directors moved to increase water and sewer rates upon receiving notification of sewer and water increases from the City of Arvada and the Metropolitan Reclamation District. See the District's monthly financial reports for monthly and year to date water and sewer revenue totals. Water revenue was up due to dry summer conditions and sewage treatment was down due to successful sewer main rehabilitation.

The Board of Directors approves water and sewer tap increases annually for any future development within the District.

Requests for Information

The financial report is designed to provide a general overview of the RVWSD for all of those who have interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

*Phil Wathier
District Manager
Ralston Valley Water and Sanitation District
P.O. Box 749
Arvada, Colorado 80001
(303) 424-9526*

BASIC FINANCIAL STATEMENTS

RALSTON VALLEY WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2016

	2016	2015
ASSETS		
Current Assets		
Cash (Note 3)	\$ 1,248,217	\$ 1,167,046
Accounts Receivable	101,351	82,904
Property Taxes Receivable	200,058	201,047
Prepaid Expenses	12,178	11,798
TOTAL CURRENT ASSETS	1,561,804	1,462,795
Noncurrent Assets		
Restricted Cash and Investments (Note 3)	115,160	93,657
Capital Assets, Not Being Depreciated (Note 4)	24,263	24,263
Capital Assets, Being Depreciated (Note 4)	2,479,095	2,579,482
TOTAL NONCURRENT ASSETS	2,618,518	2,697,402
TOTAL ASSETS	\$ 4,180,322	\$ 4,160,197
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ -	\$ 435
Accrued Liabilities	246	246
Accrued Interest Payable	9,110	9,882
Loans Payable, Current Portion (Note 6)	118,928	137,840
TOTAL CURRENT LIABILITIES	128,284	148,403
Long-Term Liabilities		
Arvada Paralleling Contract (Note 5)	106,021	105,777
Arvada Cost Recovery Contract (Note 5)	38,080	38,080
Loans Payable (Note 6)	1,338,603	1,457,530
TOTAL LONG-TERM LIABILITIES	1,482,704	1,601,387
TOTAL LIABILITIES	1,610,988	1,749,790
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	200,058	201,047
NET POSITION		
Net Investment in Capital Assets	1,045,827	1,008,375
Restricted for Debt Service	115,160	93,657
Restricted for Emergencies	48,566	47,523
Unrestricted	1,159,723	1,059,805
TOTAL NET POSITION	2,369,276	2,209,360
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 4,180,322	\$ 4,160,197

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

RALSTON VALLEY WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for Services	\$ 801,857	\$ 669,378
Miscellaneous Income	5,361	2,950
	<u>807,218</u>	<u>672,328</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Administrative and General	179,356	174,659
Water Purchases	390,147	318,479
Sewage Treatment Charges	135,850	161,972
Repairs and Maintenance	35,699	53,036
Depreciation	100,387	96,990
	<u>841,439</u>	<u>805,136</u>
TOTAL OPERATING EXPENSES		
NET INCOME (LOSS) FROM OPERATIONS	<u>(34,221)</u>	<u>(132,808)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	1,016	943
Arvada/Denver Connection Fees, Net	30	-
Property Taxes	200,235	173,932
Specific Ownership Taxes	19,296	17,112
Treasurer Fees	(3,012)	(2,611)
Interest Expense	<u>(57,286)</u>	<u>(62,200)</u>
	<u>160,279</u>	<u>127,176</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	126,058	(5,632)
CAPITAL CONTRIBUTIONS		
Tap Fees and Capital Improvement Fees	<u>33,858</u>	<u>-</u>
	<u>159,916</u>	<u>(5,632)</u>
CHANGE IN NET POSITION		
NET POSITION, Beginning	<u>2,209,360</u>	<u>2,214,992</u>
NET POSITION, Ending	<u>\$ 2,369,276</u>	<u>\$ 2,209,360</u>

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

RALSTON VALLEY WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 788,841	\$ 666,393
Cash Paid to Employees	(104,785)	(104,290)
Cash Paid to Vendors and Suppliers	<u>(637,082)</u>	<u>(626,678)</u>
Net Cash Provided (Used) by Operating Activities	<u>46,974</u>	<u>(64,575)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	-	(250,568)
Water and Sewer Tap Fees Received	31,608	-
Capital Improvement Fees Received	2,250	-
Arvada/Denver Connection Fees Collected	4,270	-
Payments to Arvada/Denver	(4,240)	-
Arvada Paralelling Fees Collected	244	-
Taxes Received	216,449	188,450
Loan Principal Payments	(137,839)	(112,092)
Loan Interest Payments	<u>(58,058)</u>	<u>(62,989)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>54,684</u>	<u>(237,199)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	<u>1,016</u>	<u>943</u>
Net Cash Provided by Investing Activities	<u>1,016</u>	<u>943</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	102,674	(300,831)
CASH AND CASH EQUIVALENTS, Beginning	<u>1,260,703</u>	<u>1,561,534</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 1,363,377</u></u>	<u><u>\$ 1,260,703</u></u>
RECONCILIATION OF NET INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Income (Loss) from Operations	\$ (34,221)	\$ (132,808)
Adjustments to Reconcile Net Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities		
Depreciation	100,387	96,990
Changes in Assets and Liabilities		
Accounts Receivable	(18,377)	(5,935)
Prepaid Expenses	(380)	(1,506)
Accounts Payable	<u>(435)</u>	<u>(21,316)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 46,974</u></u>	<u><u>\$ (64,575)</u></u>

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

RALSTON VALLEY WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ralston Valley Water and Sanitation District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting Entity

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. Financial accountability exists if the District appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the District.

Based upon the application of this criteria, no additional organizations are included within the District’s reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses an enterprise fund to account for its operations. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where fees are charged to external users for goods or services.

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for a specific use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position

Cash and Investments - Cash equivalents include investments with an original maturity of three months or less. The District’s investment in the Colorado Surplus Asset Fund Trust (CSAFE) was reported at the net asset value per share, which was measured using amortized cost.

RALSTON VALLEY WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Receivables - Receivables are recorded as bad debts at the time they are determined to be uncollectible. No allowance for doubtful accounts has been established as management believes all amounts are collectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets include property, infrastructure, and equipment. Capital assets are defined by the District as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Water Distribution and Sewer Collection Systems	40 years
Equipment	5 - 20 years

Compensated Absences - The District does not have a formal sick leave policy. However, full time employees are allowed to accrue vacation time. Unused vacation time is generally paid prior to the end of each fiscal year. Accrued but unpaid vacation time is paid at separation of employment, and is recorded as a liability in the financial statements when earned.

Deferred Inflows of Resources - Property taxes earned but levied for a subsequent year are reported as deferred inflows of resources in the financial statements.

Net Position - Net position is restricted when constraints placed on the use of resources are externally imposed.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied in December, and collected in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, receivables and corresponding deferred inflows of resources are reported at year end.

RALSTON VALLEY WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Information

The financial statements include certain prior-year comparative information, but not at the level of detail required for a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2015, from which the information was derived.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary information reported in the financial statements:

- Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain public comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any revisions that alter the total expenditures must be approved by the Board of Directors.
- The budget is presented on a non-GAAP budgetary basis. Capital outlay and debt principal are budgeted as expenditures and depreciation is not budgeted.
- All appropriations lapse at year end.

Legal Compliance

For the year ended December 31, 2016, the District's expenditures exceeded the amounts budgeted by \$13,094. This may be a violation of State statutes.

RALSTON VALLEY WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2016, the District had bank deposits of \$1,035,526 collateralized with securities held by the financial institution's agent but not in the District's name.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. 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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with ratings established by the nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in a single issuer, except for corporate securities.

Local Government Investment Pool - At December 31, 2016, the District had \$115,160 invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSAFE. CSAFE operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. CSAFE is rated AAAM by Standard and Poor's. Investments are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

RALSTON VALLEY WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

At December 31, 2016, the District had investments of \$115,160 restricted by election for debt service.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, is summarized below:

	<u>Balances</u> 12/31/15	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/16
Capital Assets, Not Being Depreciated				
Easements	\$ 24,263	\$ -	\$ -	\$ 24,263
Total Capital Assets, Not Being Depreciated	<u>24,263</u>	<u>-</u>	<u>-</u>	<u>24,263</u>
Capital Assets, Being Depreciated				
Water System	2,073,886	-	-	2,073,886
Sewer System	1,896,336	-	-	1,896,336
Equipment	<u>51,259</u>	<u>-</u>	<u>-</u>	<u>51,259</u>
Total Capital Assets, Being Depreciated	<u>4,021,481</u>	<u>-</u>	<u>-</u>	<u>4,021,481</u>
Less Accumulated Depreciation				
Water System	(711,945)	(53,106)	-	(765,051)
Sewer System	(705,836)	(44,371)	-	(750,207)
Equipment	<u>(24,218)</u>	<u>(2,910)</u>	<u>-</u>	<u>(27,128)</u>
Total Accumulated Depreciation	<u>(1,441,999)</u>	<u>(100,387)</u>	<u>-</u>	<u>(1,542,386)</u>
Capital Assets, Being Depreciated, Net	<u>2,579,482</u>	<u>-</u>	<u>-</u>	<u>2,479,095</u>
Total Capital Assets, Net	<u>\$ 2,603,745</u>	<u>\$ (100,387)</u>	<u>\$ -</u>	<u>\$ 2,503,358</u>

NOTE 5: AGREEMENTS

Arvada Paralleling Contract

In 1974, the District entered into an agreement with the City of Arvada to provide sewer collection services. The District collects a \$244 surcharge with every sewer tap fee sold to defray the costs of any additions or parallel lines that may be needed for the City's system. The City may request reimbursement for these surcharge fees at any time. The District's liability for any additional lines is limited to the surcharge fees collected. At December 31, 2016, the District's liability under this agreement was \$106,021.

RALSTON VALLEY WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: AGREEMENTS (Continued)

Arvada Cost Recovery Contract

The City of Arvada allowed the District to use a water transmission main line, which saved the District substantial construction costs. In 1974, the District agreed to reimburse the City with an initial down payment plus future payments totaling \$60,000. The District collects a \$30 fee with each residential tap fee and remits the fees to the City in payment of this obligation. During the year ended December 31, 2016, the District collected fees of \$30. However, the fees were not remitted to the City at the City's direction. The remaining liability at December 31, 2016, was \$38,080.

NOTE 6: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2016:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/16</u>	<u>Due Within</u> <u>One Year</u>
CWRPDA Loan (Water)	\$ 827,611	\$ -	\$ 58,768	\$ 768,843	\$ 60,993
CWRPDA Loan (Sewer)	<u>767,759</u>	<u>-</u>	<u>79,071</u>	<u>688,688</u>	<u>57,935</u>
Total	<u>\$ 1,595,370</u>	<u>\$ -</u>	<u>\$ 137,839</u>	<u>\$ 1,457,531</u>	<u>\$ 118,928</u>

On August 9, 2006, the District entered into two loan agreements with the Colorado Water Resources and Power Development Authority (CWRPDA) to finance upgrades to the water and sewer systems. Interest accrues on the loans at 3.75% per annum. Principal and interest payments are due semi-annually on May 1 and November 1, through May 1, 2027.

Future payments for the outstanding debt are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 118,928	\$ 53,553	\$ 172,481
2018	123,430	49,051	172,481
2019	128,102	44,379	172,481
2020	132,951	39,530	172,481
2021	137,983	34,498	172,481
2022 - 2026	772,327	90,078	862,405
2027	<u>43,810</u>	<u>822</u>	<u>44,632</u>
Total	<u>\$ 1,457,531</u>	<u>\$ 311,911</u>	<u>\$ 1,769,442</u>

RALSTON VALLEY WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: PUBLIC ENTITY RISK POOL

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For these risks of loss, the District participates in the Colorado Special Districts Property and Liability Pool (the "Pool"), a separate and independent governmental and legal entity formed by intergovernmental agreement.

The purposes of the Pool are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, their employees and officers.

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool.

It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members.

The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

In November, 1992, 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 amendment is subject to many interpretations, but the District believes it is in substantial compliance with the requirements of the amendment.

The District has established emergency reserves representing 3% of qualifying expenses, as required by the amendment. At December 31, 2016, the emergency reserve of \$48,566 was reported as restricted net position in the financial statements.

SUPPLEMENTARY INFORMATION

RALSTON VALLEY WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUES			
Water Service Charges	\$ 560,000	\$ 637,358	\$ 77,358
Sewer Service Charges	165,900	164,499	(1,401)
Miscellaneous Income	-	5,361	5,361
Interest Income	700	1,016	316
Arvada/Denver Water Connection Fees	-	4,270	4,270
Property Taxes	171,000	200,235	29,235
Specific Ownership Taxes	-	19,296	19,296
Water Tap Fees	-	25,272	25,272
Sewer Tap Fees	-	6,336	6,336
Capital Improvement Fees	-	2,250	2,250
TOTAL REVENUES	897,600	1,065,893	168,293
EXPENDITURES			
Answering Service	1,500	1,735	(235)
Arvada/Denver Water Connection Fees	-	4,240	(4,240)
Auto Expense	3,400	4,159	(759)
Billing Service	7,900	12,072	(4,172)
Directors Fees	6,000	5,100	900
Engineering	2,500	-	2,500
Payroll Taxes	10,000	8,906	1,094
Insurance	9,500	14,092	(4,592)
Professional Services	6,000	18,643	(12,643)
Office Supplies	5,500	5,155	345
Rent	5,016	5,424	(408)
Salaries	100,000	99,685	315
Utilities and Telephone	1,200	924	276
Water Quality Testing	3,000	2,671	329
Water Purchases	335,000	390,147	(55,147)
Sewage Treatment Charges	155,925	135,850	20,075
Repairs and Maintenance	50,000	35,699	14,301
Miscellaneous	-	790	(790)
Treasurer Fees	-	3,012	(3,012)
Debt Service	179,328	195,125	(15,797)
Contingency	48,566	-	48,566
TOTAL EXPENDITURES	930,335	943,429	(13,094)
CHANGE IN NET POSITION, Budgetary Basis	\$ <u>(32,735)</u>	122,464	\$ <u>155,199</u>
ADJUSTMENTS TO GAAP BASIS			
Depreciation Expense		(100,387)	
Loan Principal		137,839	
CHANGE IN NET POSITION, GAAP Basis		\$ <u>159,916</u>	

See the accompanying Independent Auditors' Report.