

BERKELEY WATER AND SANITATION DISTRICT
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

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July 20, 2018

BERKELEY WATER AND SANITATION DISTRICT

REPORT ON FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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BASIC FINANCIAL STATEMENTS



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Berkeley Water and Sanitation District (District) as of and for the years ended December 31, 2017 and 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkeley Water and Sanitation District as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenues, Expenses and Changes in Funds Available Budget and Actual (Non-GAAP Budget Basis), and Reconciliation of Budgetary Basis (Actual) to Statements of Revenue, Expenses and Changes in Funds Available 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 consider it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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



Howard W. Masini CPA, P.C.

March 14, 2018

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

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

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

Financial Highlights

- District **operating revenues** increased by \$119,512 (15.79%) from 2016 to 2017.
- District **non-operating revenues(expenses)** decreased by \$5,097 (1.7%) from 2016 to 2017.
- District **operating expenses** increased by \$74,421 (9.68%) from 2016 to 2017.
- District **general and administrative** expenses increased by \$6,168 (2.3%) from 2016 to 2017.

Overview of the Financial Statements

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

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

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

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

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

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

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

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

SUMMARY OF STATEMENTS OF NET POSITION

	2017	2016
Assets		
Current assets	\$ 1,271,736	\$ 1,022,761
Deferred outflows of resources	291,386	260,333
Capital assets, net	4,351,400	4,557,412
Total assets	5,914,522	5,840,506
Liabilities		
Current liabilities	95,429	110,715
Deferred inflows of resources	291,386	260,333
Long-term liabilities	45,578	74,352
Total liabilities	432,393	445,400
Net position		
Investment in capital assets, net of related debt	4,277,048	4,455,512
Unrestricted	1,149,795	892,547
Restricted for developer funds	20,786	15,547
Restricted for emergencies	34,500	31,500
Total net position	5,482,129	5,395,106
Total liabilities and net position	\$ 5,914,522	\$ 5,840,506

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$5,482,129. The largest portion of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

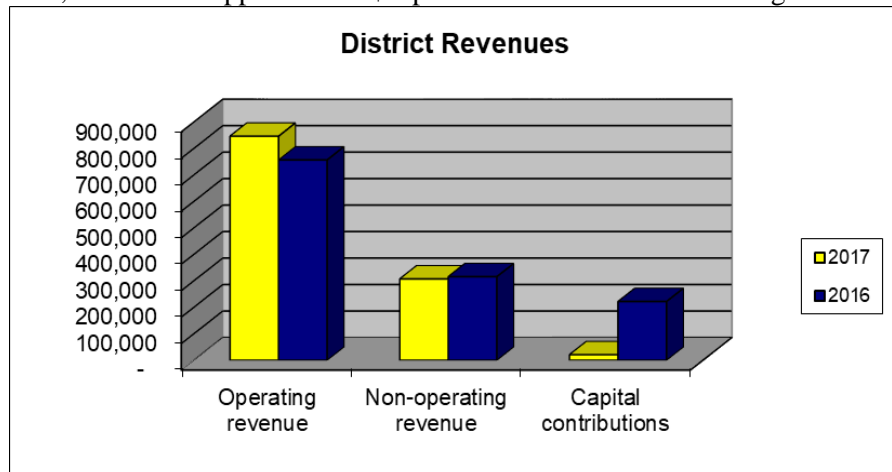
**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>
Revenue		
Operating revenue	\$ 876,404	\$ 756,892
Non-operating revenue	307,396	315,778
Total revenue	<u>1,183,800</u>	<u>1,072,670</u>
Expenses		
Sewer treatment/Repairs and maintenance	605,873	536,093
Non-operating expenses	8,375	11,660
General and Administrative, net of depreciation	258,633	252,465
Depreciation	245,036	240,395
Total expenses	<u>1,117,917</u>	<u>1,040,613</u>
Income from Operations	<u>65,883</u>	<u>32,057</u>
Tap fees and developer contributions	<u>21,140</u>	<u>221,959</u>
Change in Net position	87,023	254,016
Net position - Beginning of Year	<u>5,395,106</u>	<u>5,141,090</u>
Net position - End of Year	<u>\$ 5,482,129</u>	<u>\$ 5,395,106</u>

Revenues:

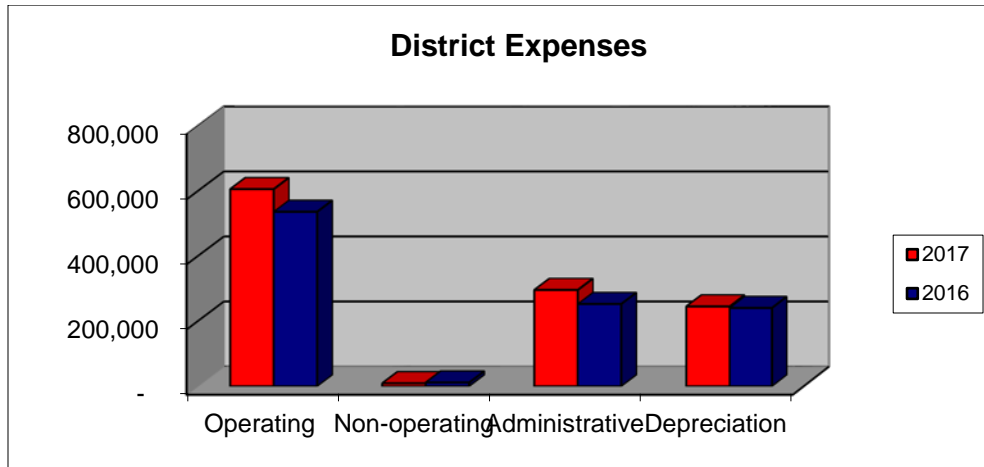
The District experienced an overall increase in operating and capital contribution revenue during the year of approximately \$81,300. In 2016, the Board approved an \$8 per month water service charge to the District's customers, which was to be collected by Denver Water and then remitted to Berkeley Water and Sanitation District. In 2017, the service fee collected was \$147,101. This was partially offset by a decrease in capital contributions of approximately \$200,000.



**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

Expenses:

The net increase in District expenses was \$80,500 in 2017. Sewer treatment charges increased approximately \$105,700. Sewer treatment charges are billed to the District by Metro Wastewater at a set rate. The District experienced a decrease in maintenance and repairs of approximately \$36,000, as the amount of water main breaks in the District during 2017 decreased from 2016.



Budgetary Highlights

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

The total budgeted revenue of the District (three funds combined, including internal transfers) was more than actual revenues by \$20,973. The total actual expenditures (three funds combined, including internal transfers) of the District were less than budgeted by \$121,057.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets at December 31, 2017 amounts to \$4,312,374 (net of accumulated depreciation). This investment in capital assets includes water rights, operating system and equipment. Analysis of changes in capital assets was as follows:

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Easements	\$ 9,100	\$ 9,100	--
Sewer System	4,111,972	4,111,972	--
Water lines	5,266,610	5,227,586	.7%
Buildings and improvements	322,796	322,796	--
Fire Hydrants	139,138	139,138	--
Office equipment	53,621	53,621	--
Vehicles	19,596	19,596	--
	<u>9,922,833</u>	<u>9,866,093</u>	.6%
Less:			
Accumulated depreciation	(5,571,433)	(5,326,397)	(4.60%)
Total capital assets, net	<u>\$ 4,351,400</u>	<u>\$ 4,557,412</u>	5.40%

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

Long Term Debt

As of December 31, 2017, the District had total debt of \$74,352, decreasing by \$27,548 or 27%, as shown below:

Long-term liabilities (including current portion)

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	<u>Percentag e Change</u>
Long-term liabilities	\$ <u>74,352</u>	\$ <u>101,900</u>	\$ <u>(27,548)</u>	(27%)

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

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

Economic Factors and Next Year's Budget and Rates

- The District expects to complete \$1.1M in capital improvements in 2018 through 2020 due to an agreement with Denver Water to go from a Read and Bill to a Total Service with Improvements system.
- The District budgeted \$58,000 for sewer line jetting and video. This line item no longer reflects water repairs or maintenance.
- In 2018, televising of sewer mains will be performed in the District during the second quarter of the year. Hot spots will be jetted and televised in the fall of 2018. The District has adopted a policy to jet one third of the District's sewer mains every year and televise one third of the District's sewer mains in five years. In 2018, the District will jet one third of the District based on the 3-year jetting schedule and hot spot list at a cost of \$32,244.80.
- The District will pay Metro fees of approximately \$455,844 for 2018 or \$113,961 each quarter. The equivalent of eight water and sewer tap fees was allocated in the budget. In addition, the Board adopted a \$2,000 system development fee for 2018 for a total of \$208,800.
- Delinquent accounts have been certified to both Adams and Jefferson Counties for collection by the County Treasurer in the same manner as property taxes pursuant to CRS ¶ 32-1-1101(1)(e). The District anticipates that over \$19,000 will be collected from these efforts.
- The District is encountering developers who have purchased older homes and are converting them into duplexes.
- The District will match tap fees with Metro Wastewater and has adopted a \$2,000 system development fee for every tap sold.
- The District expects three developers to begin building larger projects in 2018 increasing the number of sewer taps sold.

Requests for Information

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

**BERKELEY WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 and 2016**

	2017	2016
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted	\$ 1,139,303	\$ 896,119
Restricted developer funds	20,786	15,547
Accounts receivable:		
Customer accounts and liens	102,657	77,697
Due from Others	-	24,230
Cash on hand with County Treasurer	2,042	1,572
Prepaid expenses	6,948	7,596
Total current assets	1,271,736	1,022,761
 DEFERRED OUTFLOWS OF RESOURCES		
Property taxes receivable	291,386	260,333
 CAPITAL ASSETS		
Easements	9,100	9,100
Land, buildings and improvements	322,796	322,796
Water lines	5,266,610	5,227,586
Sewer lines	4,111,972	4,111,972
Fire hydrants	139,138	139,138
Office furniture and equipment	53,621	53,621
Vehicles	19,596	19,596
Total	9,922,833	9,883,809
Less accumulated depreciation	(5,571,433)	(5,326,397)
Net capital assets	4,351,400	4,557,412
 TOTAL ASSETS		
	\$ 5,914,522	\$ 5,840,506
 LIABILITIES, DEFERRED INFLOW AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 37,074	\$ 24,749
Due to Metro Wastewater and Denver Water	-	37,980
Accrued payroll and compensated absences	7,833	7,578
Accrued interest payable	962	1,318
Due to developers	20,786	11,542
Current portion of long-term debt	28,774	27,548
Total current liabilities	95,429	110,715
 LONG-TERM LIABILITIES		
Lease obligation	45,578	74,352
 DEFERRED INFLOW OF RESOURCES		
Deferred property tax revenue	291,386	260,333
 NET POSITION		
Investment in capital assets, net of related debt	4,277,048	4,455,512
Temporarily restricted	20,786	15,547
Unrestricted	1,149,795	892,547
Restricted - for emergencies	34,500	31,500
Total net position	5,482,129	5,395,106
 TOTAL LIABILITIES AND NET POSITION		
	\$ 5,914,522	\$ 5,840,506

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

**BERKELEY WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
OPERATING REVENUE		
Sewer service fees	\$ 728,353	\$ 722,672
Water service fees	147,101	20,391
Inspection fees, license fees and hydrant contributions	950	13,829
Total operating revenue	876,404	756,892
OPERATING EXPENSES		
Sewer treatment charges	531,859	426,108
Repairs and maintenance	74,014	109,985
Depreciation expense	236,967	232,326
Total operating expenses	842,840	768,419
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and payroll taxes	137,588	135,237
CEBT Insurance (Health)	30,282	31,764
Engineering and lien fees	19,287	11,062
Legal	33,713	35,079
Accounting and audit	6,613	8,075
Insurance	8,207	8,722
Office lease	5,747	8,232
Office supplies and expense	11,206	8,316
Depreciation expense	8,069	8,069
Director's fees	5,500	4,600
Other	490	1,378
Total general and administrative expenses	266,702	260,534
(LOSS) FROM OPERATIONS	(233,138)	(272,061)
NON - OPERATING INCOME (EXPENSE)		
Property taxes, net of abatements	260,403	262,650
Specific ownership taxes	25,179	21,720
Lien fees	19,200	22,500
Interest income	2,039	2,511
Miscellaneous income	575	6,397
Interest expense	(3,828)	(5,007)
County Treasurers' and clerk and recorder fees	(4,547)	(6,653)
Net non-operating income	299,021	304,118
INCOME BEFORE CAPITAL CONTRIBUTIONS	65,883	32,057
CAPITAL CONTRIBUTIONS		
Tap fee revenue and development fees	21,140	221,959
Total capital contributions	21,140	221,959
CHANGES IN NET POSITION	87,023	254,016
NET POSITION - BEGINNING OF YEAR	5,395,106	5,141,090
NET POSITION - END OF YEAR	\$ 5,482,129	\$ 5,395,106

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

**BERKELEY WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and counties	\$ 875,204	\$ 741,437
Miscellaneous cash received	575	6,397
Cash payments made to employees for salaries and benefits	(137,333)	(167,157)
Cash payments to suppliers	(742,681)	(1,062,937)
Net cash provided (required) by operating activities	(4,235)	(482,260)
NON-CAPITAL FINANCING ACTIVITIES		
Property taxes	260,403	262,650
Specific ownership taxes	25,179	21,720
Lien fees	19,200	22,500
Treasurers' fees	(4,547)	(6,653)
	\$ -	
Net cash provided by non-capital financing activities	300,235	300,217
CAPITAL FINANCING ACTIVITIES		
Construction of capital assets	(39,024)	(17,716)
Principal paid on lease	(27,548)	(26,375)
Interest paid on lease	(4,184)	(5,357)
Tap fees received	21,140	221,959
Net cash (required) by capital financing activities	(49,616)	172,511
INVESTING ACTIVITIES		
Maturity of certificate of deposit	-	247,255
Interest received on cash and investments	2,039	2,511
Net cash provided by investing activities	2,039	249,766
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	248,423	240,234
Cash and cash equivalents - unrestricted and restricted - beginning of year	911,666	671,432
Cash and cash equivalents - unrestricted and restricted - end of year	\$ 1,160,089	\$ 911,666

(continued)

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

**BERKELEY WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating (loss)	\$ (233,138)	\$ (272,061)
Adjustments to reconcile operating (loss) to net cash provided (required) by operating activities:		
Depreciation	245,036	240,395
Miscellaneous income	575	6,397
Changes in operating assets and liabilities:		
Accounts receivable	(730)	(15,431)
Cash on hand with County Treasurer	(470)	(24)
Prepaid insurance	648	(660)
Accounts payable	12,325	(100,760)
Due to Highland Hills Parks and Recreation District	-	(205,220)
Due to Metro Wastewater and Denver Water	(37,980)	(116,110)
Retainage payable	-	(17,328)
Accrued payroll	255	(156)
Due to developers and others	9,244	(1,302)
	<u>9,244</u>	<u>(1,302)</u>
Net cash provided (required) by operating activities	\$ <u>(4,235)</u>	\$ <u>(482,260)</u>

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

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

C. Assets, Liabilities and Net position

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

1. Cash and Cash Equivalents Unrestricted and Restricted

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

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net position (continued)

2. Net Position - Restricted

Reserved funds for emergencies have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado, \$34,500 and \$31,500 of the net position has been reserved in compliance with this requirement for the years ended December 31, 2017 and 2016, respectively

3. Capital Assets

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

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

4. Repairs and Maintenance

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

5. Tap Fees

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

6. Property Taxes

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

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net position (continued)

6. Property Taxes (continued)

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

7. Use of Estimates

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

8. New Accounting Pronouncements

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

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

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net position (continued)

8. New Accounting Pronouncements (continued)

GASB No. 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Some assets previously reported as assets are now reported as an outflow of resources/expenses. One of these is debt issuance costs. The District's beginning net position may have been restated to reflect expensing all debt issuance costs that had been previously capitalized. The effect of this treatment has no impact on the District's December 31, 2017 audited financial statements as the District has no debt issuance costs previously capitalized.

The District's unearned property tax revenue to be collected in 2018 is considered to be a deferred inflow of resources and is reflected on the Statement of Net Position.

NOTE 2 - Stewardship, Compliance and Accountability

A. Budgets and Budgetary Accounting

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

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

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

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 - Stewardship, Compliance and Accountability (continued)

A. Budgets and Budgetary Accounting (continued)

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

B. Tax, Spending and Revenue Limitations

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

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

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). The District has reserved \$34,500 for this purpose.

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

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 - Cash Deposits and Investments

Cash Deposits:

As of December 31, 2017, the carrying amount of the District's cash deposits was \$1,160,089. The District's cash demand deposits are held at financial institutions in which deposits are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation.

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

Investments:

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

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

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

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 - Cash Deposits and Investments (continued)

The investments made by the District are carried at (net amortized) cost and a schedule of these investments at December 31, 2017 is presented below:

Cash deposits and investments held by the District as of December 31, 2017 were as follows:

	Book Balance	Bank Balance
<i>Cash Deposits</i>		
Cash deposits, insured	\$ 250,000	\$ 250,000
Cash deposits, uninsured	909,789	916,871
Cash on hand	300	--
	<hr/>	<hr/>
Total cash deposits and investments	<u>\$ 1,160,089</u>	<u>\$ 1,166,871</u>

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 - Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance at January 1, 2017	Transfers/ Increases	Transfers/ Decreases	Balance at December 31, 2017
Capital assets not being depreciated:				
Construction in progress	\$ --	\$ --	\$ --	\$ --
Easements	9,100	--	--	9,100
Total capital assets not being Depreciated	--	--	--	9,100
Capital assets being depreciated:				
Sewer system	4,111,972	--	--	4,111,972
Water lines	5,227,586	39,024	--	5,266,610
Buildings and improvements	322,796	--	--	322,796
Fire hydrants	139,138	--	--	139,138
Office equipment	53,621	--	--	53,621
Vehicles	19,596	--	--	19,596
Total capital assets being depreciated	9,874,709	39,024	--	9,913,733
Less accumulated depreciation for:				
Sewer system	(2,671,239)	(102,799)	--	(2,774,038)
Water lines	(2,367,598)	(130,690)	--	(2,498,288)
Buildings and improvements	(92,803)	(8,069)	--	(100,872)
Fire Hydrants	(121,540)	(3,478)	--	(125,018)
Office equipment	(53,621)	--	--	(53,621)
Vehicles	(19,596)	--	--	(19,596)
Total accumulated depreciation	(5,326,397)	(245,036)	--	(5,571,433)
Total capital assets being depreciated, net	4,548,312	(206,012)	--	4,342,300
Capital assets, net	\$ 4,557,412	\$ (206,012)	\$ --	\$ 4,351,400

**BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 5 - Long-term Liabilities

The District's capital lease as of December 31, 2017 and its 2017 debt transactions are as follows:

Beginning Balance	Additions	Deletions	Ending Balance
\$ 101,900	\$ --	\$ (27,548)	\$ 74,352

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

Building Lease Purchase– Wells Fargo Investment Services

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

\$ 74,352

Future estimated minimum lease payments in the years ending:

	Principal	Interest	Total
2018	\$ 28,774	\$ 2,958	\$ 31,732
2019	30,054	1,678	31,732
2020	15,524	342	15,866
	\$ 74,352	\$ 4,978	\$ 79,330

Interest paid on the lease for the years ended December 31, 2017 and 2016 was \$3,828 and \$5,007, respectively.

The District is not obligated for any special assessment debt at December 31, 2017.

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 - Service Contracts

The District had an agreement with the Denver Board of Water Commissioners of the City and County of Denver for water distribution service. Until the end of 2017, all water service in the District was provided and billed by the Denver Water Board to the users under a “Read and Bill” contract.

The district entered into a new total services agreement with Denver Water dated December 13th, 2013 pursuant to which the District changed its status to that of Total Services Distributor and transferred responsibility for ownership, operation, maintenance, and replacement of the District’s existing water distribution system and water billing to Denver Water, effective January 1, 2018. The Total Services Agreement replaced and superseded the Read and Bill Distributor contract dated February 2, 1962.

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

The District is responsible for the maintenance and future construction costs of its water and sewer lines and retains title to its sewer lines in the District. The District’s water lines were conveyed to Denver Water effective midnight December 31, 2017. See Note 9 below.

NOTE 7 - Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Colorado Special Districts Property and Liability Pool (the Pool) is an organization created by inter-governmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate.

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

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

BERKELEY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8 - Evaluation of Subsequent Events

The District has evaluated subsequent events through March 14, 2018, the date which the financial statements were available to be issued.

In December 2017, the District entered into an agreement with the City and County of Denver for the sale of “Public Water Improvements and Facilities currently owned and operated by Berkeley and located within Berkeley’s Water Service Area.” This sale was effective January 1, 2018. The sale will result in the removal of water lines from the Statement of Net Position having an approximate net book value of \$2,700,000.

REQUIRED SUPPLEMENTARY INFORMATION

Berkeley Water and Sanitation District
Schedule of Revenue, Expenses and Changes in Funds Available
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2017

	BUDGETED AMOUNTS			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 260,333	\$ 260,333	\$ 260,403	\$ 70
Specific ownership taxes	16,000	16,000	25,179	9,179
Interest income	200	200	2,039	1,839
Miscellaneous income	-	-	1,325	1,325
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	276,533	276,533	288,946	12,413
EXPENSES				
Salaries and payroll taxes	30,000	30,000	27,518	2,482
Legal	30,000	30,000	24,104	5,896
Accounting and audit	2,100	2,100	2,205	(105)
County Treasurers fees	8,000	8,000	4,547	3,453
CEBT Insurance	10,050	10,050	9,222	828
Building and Condo expenses	4,100	4,100	5,747	(1,647)
Office supplies and expense	8,800	8,800	9,876	(1,076)
Directors' fees	4,529	4,529	5,500	(971)
Insurance	8,800	8,800	5,159	3,641
Debt service:				
Principal	26,375	26,375	27,548	(1,173)
Interest	5,357	5,357	4,184	1,173
Election	-	-	488	(488)
Transfers (to) from	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	138,111	138,111	126,098	12,013
EXCESS (DEFICIENCY) REVENUE OVER (UNDER)				
EXPENDITURES (BUDGETARY BASIS)	138,422	138,422	162,848	24,426
Funds Available - Beginning of Year	<hr/>	<hr/>	<hr/>	<hr/>
Funds Available - End of Year	\$ 459,456	\$ 459,456	\$ 808,202	\$ 348,746
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 597,878	\$ 597,878	\$ 971,050	\$ 373,172
	<hr/>	<hr/>	<hr/>	<hr/>

See Independent Auditors' Report

Berkeley Water and Sanitation District
Schedule of Revenue, Expenses and Changes in Funds Available
Budget and Actual (Non-GAAP Budgetary Basis)
Wastewater Fund
For the Year Ended December 31, 2017

	<u>BUDGETED AMOUNTS</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
REVENUES				
Sewer service fees	\$ 698,916	\$ 698,916	\$ 728,353	\$ 29,437
Contributed capital - tap fees	45,238	45,238	12,660	(32,578)
Lien fees	64,160	64,160	19,200	(44,960)
Inspection and License fees	400	400	-	(400)
Miscellaneous income	-	-	-	-
	<u>808,714</u>	<u>808,714</u>	<u>760,213</u>	<u>(48,501)</u>
EXPENSES				
Sewer treatment charges	565,619	565,619	531,859	33,760
Repairs and maintenance	43,000	43,000	39,692	3,308
Other - operations	3,000	3,000	-	3,000
Salaries and payroll taxes	60,000	60,000	55,035	4,965
Engineering	10,500	10,500	19,287	(8,787)
Legal	5,000	5,000	-	5,000
Accounting and audit	2,100	2,100	2,204	(104)
CEBT Insurance	6,618	6,618	6,073	545
Office supplies and expense	1,100	1,100	665	435
Insurance	2,600	2,600	1,524	1,076
Training	500	500	-	500
Transfers (to) from	-	-	-	-
	<u>700,037</u>	<u>700,037</u>	<u>656,339</u>	<u>43,698</u>
EXCESS (DEFICIENCY) REVENUE OVER (UNDER) EXPENDITURES (BUDGETARY BASIS)				
	108,677	108,677	103,874	(4,803)
Funds Available - Beginning of Year	<u>79,740</u>	<u>79,740</u>	<u>100,267</u>	<u>20,527</u>
Funds Available - End of Year	<u>\$ 188,417</u>	<u>\$ 188,417</u>	<u>\$ 204,141</u>	<u>\$ 15,724</u>

See Independent Auditors' Report

Berkeley Water and Sanitation District
Schedule of Revenue, Expenses and Changes in Funds Available
Budget and Actual (Non-GAAP Budgetary Basis)
Water Fund
For the Year Ended December 31, 2017

	BUDGETED AMOUNTS			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Water service fees	\$ 117,984	\$ 117,984	\$ 147,101	\$ 29,117
Contributed capital - tap fees	22,282	22,282	8,480	(13,802)
Inspections and fees	400	400	200	(200)
Transfers (to) from	-	-	-	-
Total revenues	140,666	140,666	155,781	15,115
EXPENSES				
Repairs and maintenance	104,000	104,000	34,322	69,678
Water Fee Charge	6,585	6,585		6,585
Salaries and payroll taxes	60,000	60,000	55,035	4,965
Engineering	24,500	24,500	39,025	(14,525)
Legal	5,000	5,000	9,609	(4,609)
Accounting and audit	2,100	2,100	2,204	(104)
CEBT Insurance	16,332	16,332	14,987	1,345
Office supplies and expense	1,100	1,100	665	435
Insurance	2,600	2,600	1,524	1,076
Training	500	500		500
Capital outlay	-	-	-	-
Total operating expenses	222,717	222,717	157,371	65,346
EXCESS (DEFICIENCY) REVENUE OVER (UNDER) EXPENDITURES (BUDGETARY BASIS)	(82,051)	(82,051)	(1,590)	80,461
Funds Available - Beginning of Year	116,364	116,364	31,480	(84,884)
Funds Available - End of Year	\$ 34,313	\$ 34,313	\$ 29,890	\$ (4,423)

See Independent Auditors' Report

Berkeley Water and Sanitation District
Reconciliation of Budgetary Basis (Actual) To
Schedule of Revenue, Expenses
and Changes in Funds Available
For the Year Ended December 31, 2017

	Wastewater Fund	Water Fund	General Fund	Total Funds
ACTUAL EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	\$ 103,874	\$ (1,590)	\$ 162,848	\$ 265,132
(Deduct) items which are not expenditures:				
Depreciation	(102,799)	(134,168)	(8,069)	(245,036)
Add items which are not GAAP expenses:				
Purchase of capital assets	-	39,025		39,025
Change in accrued interest payable			354	354
Principal portion of long-term debt	-		27,548	27,548
	-		27,548	27,548
 CHANGE IN NET POSITION (GAAP BASIS)	 \$ 1,075	 \$ (96,733)	 \$ 182,681	 \$ 87,023

See Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

Berkeley Water and Sanitation District
Five-Year Summary of Assessed Valuation, Mill Levy
And Property Taxes Collected
December 31, 2017

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2013	83,727,830	3.353	215,343	214,625	99.67%
2014	83,124,400	2.713	225,516	225,877	100.16%
2015	75,194,065	3.174	238,874	238,150	99.70%
2016	79,027,059	3.174	266,032	262,650	98.73%
2017	77,158,653	3.374	260,333	260,403	100.03%

Estimate for the year ended December 31, 2018:

2018	91,143,468	3.197	291,386		
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NOTE:

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