

GRANT WATER & SANITATION DISTRICT
Denver and Jefferson Counties, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

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Independent Auditor's Report

Board of Directors
Grant Water and Sanitation District
Denver and Jefferson Counties, Colorado

We have audited the accompanying financial statements of Grant Water and Sanitation District (District) as of and for the years ended December 31, 2019 and 2018, 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 an opinion 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 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grant Water and Sanitation District, as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III to VIII 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 opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
April 15, 2020

**GRANT WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019 and 2018**

Our discussion and analysis of Grant Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2019 and 2018. Please read it in conjunction with the District's basic financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- In 2018, the District spent \$102,984 on calcium removal in the underdrain system. The District continued the calcium remediation project in 2019, removing additional calcium deposits from the underdrain system at a cost of approximately \$140,000.

A recap of the capital projects undertaken by the District in 2018 and 2019 include the following:

- In 2019, the District installed four underdrain manholes in existing underdrain lines to facilitate the calcium removal in long lines that could not otherwise be reached by the special cleaning head that has a limited distance of 150 lineal feet. The total cost for the four manholes was \$82,341 which includes \$4,390 of retainage withheld from the contractor pending the end of the County's warranty period for paving.
- The District also incurred capital project costs of \$172,868 in 2019 for a sewer main removal and replacement project located outside the District. This sewer main was originally constructed by the District for the transmission of sewage flow from the eastern portion of the District to Platte Canyon Water and Sanitation District's main sewer interceptor through which the District's flows are sent to the wastewater treatment plant owned and operated by the City of Littleton and Englewood. As is noted on page 13 of this audit, the District, through its intergovernmental agreement with Platte Canyon, remains responsible for 96% of the costs of repairs and maintenance on this line even though it is now owned and maintained by Platte Canyon.
- In 2018, the District completed construction of all the capital improvement projects originally planned to be completed in 2017. The total construction costs incurred were \$568,462. Five sewer manholes were lined at cost of \$18,455. Approximately 500 lineal feet of 8 and 10-inch sewer mains and 360 lineal feet of 6-inch underdrain mains were removed and replaced at a cost of \$526,523. Also, two new pumps and variable frequency drives (VFD) were installed at the District's Chanson Plaza Sewer Lift Station, costing \$23,483.
- The District's new Geographical Information System (GIS) was completed in 2018. The total cost for the GIS was \$47,433, of which \$13,255 was expended in 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash

Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

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. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. 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. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

NET POSITION

| | December 31, | | |
|----------------------------------|--------------|-------------|-------------|
| | 2019 | 2018 | 2017 |
| ASSETS | | | |
| Current assets | \$3,572,218 | \$3,448,442 | \$3,289,997 |
| Capital assets | 6,083,316 | 5,345,934 | 5,052,030 |
| Total assets | 9,655,534 | 8,794,376 | 8,342,027 |
| LIABILITIES | | | |
| Current liabilities | 92,101 | 45,880 | 57,079 |
| Total liabilities | 92,101 | 45,880 | 57,079 |
| NET POSITION | | | |
| Net investment in capital assets | 6,083,316 | 5,345,934 | 5,052,030 |
| Unrestricted | 3,480,117 | 3,402,562 | 3,232,918 |
| Total net position | \$9,563,433 | \$8,748,496 | \$8,284,948 |

As noted earlier, net position may serve as a useful indicator of the District's financial position. In the District's case, assets exceeded liabilities in 2019 by \$9,563,433. This amount increased from 2018 by \$814,937 or 9.3% and from 2017 by \$1,278,485 or 15.4%. This positive net

increase is the result of the District receiving \$365,500 of unexpected system development fees in 2018 and new sewer lines valued at \$741,617 being contributed to the District in 2019 as a result of redevelopment in one of the District's commercial areas. The District's operating cash and capital reserves have grown from \$3,267,596 in 2017 to \$3,552,179 in 2019, an increase of \$284,583 or about 8.7% over the two year period.

CHANGES IN NET POSITION

| | Years Ended December 31, | | |
|---|--------------------------|--------------|--------------|
| | 2019 | 2018 | 2017 |
| REVENUES | | | |
| OPERATING REVENUE | | | |
| Service fees | \$ 439,109 | \$ 452,656 | \$ 558,529 |
| Inspection fees | 9,804 | 20,642 | 18,837 |
| Other fees and fines | 18,078 | 14,200 | 16,923 |
| Total operating revenue | 466,991 | 487,498 | 594,289 |
| NONOPERATING REVENUE | | | |
| Net investment income | | | |
| Interest | 68,641 | 65,002 | 35,780 |
| Net increase (decrease) in fair value of investments | 28,150 | (4,544) | (15,373) |
| Capital reserve fees | 318,754 | 311,258 | 207,407 |
| Total nonoperating revenue | 415,545 | 371,716 | 227,814 |
| CAPITAL CONTRIBUTIONS | | | |
| System development fees | - | 365,500 | 71,950 |
| Contributed assets | 741,617 | - | - |
| | 741,617 | 365,500 | 71,950 |
| Total revenues | 1,624,153 | 1,224,714 | 894,053 |
| EXPENSES | | | |
| OPERATING AND GENERAL AND ADMINISTRATIVE | | | |
| Operating | 626,386 | 592,820 | 474,601 |
| General and administrative expenses | 167,687 | 161,907 | 173,024 |
| Total operating and general and administrative expenses | 794,073 | 754,727 | 647,625 |
| NONOPERATING EXPENSE | | | |
| Loss on disposal of capital assets | 15,143 | 6,439 | - |
| Total nonoperating expenses | 15,143 | 6,439 | - |
| Total expenses | 809,216 | 761,166 | 647,625 |
| CHANGE IN NET POSITION | 814,937 | 463,548 | 246,428 |
| NET POSITION - BEGINNING OF YEAR | 8,748,496 | 8,284,948 | 8,038,520 |
| NET POSITION - END OF YEAR | \$ 9,563,433 | \$ 8,748,496 | \$ 8,284,948 |

As shown above, the District's service fees and capital reserve fees in total have remained relatively level from 2017 to 2019. The District uses these fees to fund maintenance costs and capital repairs which have increased as the District's infrastructure continues to age. The District

closely monitors its repair and maintenance needs so that projects can be planned in advance to stay within the District's master plan and so that costly emergency repairs are avoided. The District has received \$437,450 in System Development Fees since 2017 mainly as a result of redevelopment occurring in the District's commercial areas. The District's net increase in cash and investments and increases in long term interest rates have had a positive effect on the District's interest earnings. Interest earnings in 2019 grew to \$68,641, an increase of nearly 92% from 2017.

The District's operating expenses, excluding annual depreciation and amortization, have increased approximately 50% from 2017 to 2019, being \$213,750 and \$320,859, respectively. The District's underdrain calcium remediation project costs accounted for about one third of these annual expenses. Project costs were approximately \$66,350 in 2017, \$103,000, in 2018 and \$106,400 in 2019. General and administrative expenses from 2017 to 2019 have averaged about \$167,000.

CAPITAL ASSETS

The District's investment in capital assets at December 31, 2019 amounted to \$6,083,316 (net of accumulated depreciation/amortization). This investment in capital assets includes sanitary sewer and underdrain systems, as well as purchased capacity in water and sanitary sewer systems owned by others. The analysis of changes in capital assets is as follows:

| | Balance at December 31, 2017 | | Balance at December 31, 2018 | | Balance at December 31, 2019 | |
|---|------------------------------------|-------------|------------------------------------|------------|------------------------------------|--|
| | | Changes | | Changes | | |
| Projects in progress | \$ 88,543 | \$ (88,543) | \$ - | \$ 22,344 | \$ 22,344 | |
| Master plan and geographic information system | 34,523 | 47,433 | 81,956 | - | 81,956 | |
| Sewer system | 5,506,480 | 433,956 | 5,940,436 | 780,499 | 6,720,935 | |
| Underdrain system | 1,615,462 | 161,213 | 1,776,675 | 82,341 | 1,859,016 | |
| Purchased capacity | | | | | | |
| Water | 1,784,634 | - | 1,784,634 | - | 1,784,634 | |
| Sewer | 938,435 | - | 938,435 | 135,011 | 1,073,446 | |
| Total assets | 9,968,077 | 554,059 | 10,522,136 | 1,020,195 | 11,542,331 | |
| Accumulated depreciation/amortization | (4,916,047) | (260,155) | (5,176,202) | (282,813) | (5,459,015) | |
| Total capital assets, net | \$ 5,052,030 | \$ 293,904 | \$ 5,345,934 | \$ 737,382 | \$ 6,083,316 | |

In 2019, the District's sewer system increased in value by \$780,499, the majority of which was for the new sewer mains contributed to the District as part of the redevelopment of one of the District's commercial areas. The District also added four underdrain manholes at a cost of \$82,341, increasing the book value of the District's underdrain system to \$1,859,016. Engineering design work was also started in 2019 on the District's capital projects planned for 2020. These project in process costs of \$22,344 will not be amortized until the project is completed in 2020. Finally, the District's sewer system purchased capacity in Platte Canyon Water and Sanitation District's S. Sheridan sewer line increased by \$135,011, which is the net of the sewer main replacement costs totaling \$172,868 less the original cost of the assets replaced totaling \$37,857.

In 2018, the District completed its GIS project and the capital projects started in 2017. Final work on the District's GIS in 2018 totaled \$13,255. The total GIS costs of \$47,433 are being amortized for the next ten years. The 2017 capital projects completed in 2018 had a total project cost of \$599,344, of which \$435,704 was for sewer main replacements and manhole linings and \$163,640 was for underdrain main replacements. In addition, new pumps and VFD's were replaced at the Chanson Plaza lift station for a total cost of \$23,483. These capital additions totaling \$622,827 were offset by deducting the original costs of the assets replaced totaling \$27,658. This resulted in a net asset increase of \$595,169, \$54,365 of which was added in 2017 and the remaining \$540,804 added in 2018. For 2018, the net sewer and underdrain additions of \$540,804 and the GIS additions of \$13,255 increased the District's total assets by \$554,059.

FUTURE ECONOMIC FACTORS AND RATES

The District's service fees for 2020 will be increasing slightly. For single family residential customers, the total sewer service fee is decreasing but the total underdrain service fee will increase resulting in a net overall increase of \$9 from 2019. The District's multi-family customers annual sewer fee will remain the same as last year. Multi-family units with underdrains will see a \$7 increase in the annual underdrain charge. Those residential customers with average annual water usage (AAWU) above the District's average will see that rate per thousand gallons increase from an \$2.20 to \$2.25. The District's AAWU for 2020 decreased from the 2019 AAWU of 60,064 gallons and the 2018 AAWU of 61,696 gallons to an AAWU of 56,704 gallons. This is a positive change for the District's residential water usage, reflecting the District's ongoing promotion of water conservation efforts.

A comparison of the District's service fee rates for the past few years, as well as for 2020, is shown below.

| Year | 2020 | 2019 | 2018 |
|---|-----------|-----------|-----------|
| Non-residential Sewer Service & Capital Reserve Fee – per 1,000 gallons | \$ 2.80 | \$ 2.70 | \$ 2.70 |
| Residential Sewer Service & Capital Reserve Fee – Single Family | \$ 161.00 | \$ 170.50 | \$ 186.00 |
| Residential Sewer Service & Capital Reserve Fee – Multi-Family | \$106.00 | \$106.00 | \$106.00 |
| Underdrain Service & Capital Reserve Fee – Single Family | \$ 137.00 | \$ 118.50 | \$ 103.00 |
| Underdrain Service & Capital Reserve Fee – Multi Family | \$ 110.00 | \$ 103.00 | \$ 103.00 |

The District continues to undertake capital improvement projects each year as its sewer and underdrain systems age. For 2020, the District has budgeted to spend \$524,000 for capital projects, \$217,000 of which will be spent on twelve new underdrain manholes and the remaining balance will be spent on sewer main replacements.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Grant Water and Sanitation 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's Manager, Judy Simonson of Simonson & Associates, Inc., P. O. Box 1239, Evergreen, CO 80437.

BASIC FINANCIAL STATEMENTS

GRANT WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

| ASSETS | 2019 | 2018 |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,457,060 | \$ 1,231,420 |
| Investments | 1,095,119 | 2,166,969 |
| Accounts receivable | 5,629 | 6,122 |
| Accounts receivable - developers | 12,111 | 19,898 |
| Accrued interest receivable | 2,074 | 9,393 |
| Prepaid expenses | 225 | 14,640 |
| Total current assets | 3,572,218 | 3,448,442 |
| CAPITAL ASSETS | | |
| Projects in progress | 22,344 | - |
| Master plan and GIS | 81,956 | 81,956 |
| Sewer system | 6,720,935 | 5,940,436 |
| Underdrain system | 1,859,016 | 1,776,675 |
| Purchased capacity | | |
| Water | 1,784,634 | 1,784,634 |
| Sewer | 1,073,446 | 938,435 |
| | 11,542,331 | 10,522,136 |
| Less accumulated depreciation and amortization | (5,459,015) | (5,176,202) |
| Total capital assets | 6,083,316 | 5,345,934 |
| TOTAL ASSETS | \$ 9,655,534 | \$ 8,794,376 |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts/retainage payable | \$ 85,945 | \$ 40,717 |
| Prepaid customer accounts | 6,156 | 5,163 |
| Total current liabilities | 92,101 | 45,880 |
| NET POSITION | | |
| Net investment in capital assets | 6,083,316 | 5,345,934 |
| Unrestricted | 3,480,117 | 3,402,562 |
| Total net position | 9,563,433 | 8,748,496 |
| TOTAL LIABILITIES AND NET POSITION | \$ 9,655,534 | \$ 8,794,376 |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**GRANT WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2019 and 2018**

| | 2019 | 2018 |
|--|--------------|--------------|
| OPERATING REVENUE | | |
| Service fees | \$ 439,109 | \$ 452,656 |
| Inspection fees | 9,804 | 20,642 |
| Other fees and fines | 18,078 | 14,200 |
| Total operating revenue | 466,991 | 487,498 |
| OPERATING EXPENSES | | |
| Depreciation and amortization | 305,527 | 281,374 |
| Engineering | 38,198 | 37,763 |
| Repairs and maintenance | 260,009 | 255,346 |
| Inspection fees | 22,652 | 18,337 |
| Total operating expenses | 626,386 | 592,820 |
| Direct gain (loss) from operations | (159,395) | (105,322) |
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Audit | 5,300 | 5,200 |
| Insurance | 14,640 | 13,889 |
| Election | - | 670 |
| Legal | 27,356 | 20,647 |
| Management fees | 97,341 | 94,978 |
| Director's fees | 6,137 | 6,459 |
| Office and administration | 16,913 | 20,064 |
| Total general and administrative expenses | 167,687 | 161,907 |
| Income (loss) from operations | (327,082) | (267,229) |
| NONOPERATING REVENUE (EXPENSES) | | |
| Net investment income | | |
| Interest | 68,641 | 65,002 |
| Net increase (decrease) in fair value of investments | 28,150 | (4,544) |
| Capital reserve fees | 318,754 | 311,258 |
| Loss on disposal of capital assets | (15,143) | (6,439) |
| Total nonoperating revenue (expenses) | 400,402 | 365,277 |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | 73,320 | 98,048 |
| CAPITAL CONTRIBUTIONS | | |
| System development fees | - | 365,500 |
| Contributed capital assets | 741,617 | - |
| | 741,617 | 365,500 |
| CHANGE IN NET POSITION | 814,937 | 463,548 |
| NET POSITION - BEGINNING OF YEAR | 8,748,496 | 8,284,948 |
| NET POSITION - END OF YEAR | \$ 9,563,433 | \$ 8,748,496 |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

GRANT WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 468,477 | \$ 482,872 |
| Cash paid to vendors | (421,116) | (505,876) |
| Net cash provided (required) by operating activities | <u>47,361</u> | <u>(23,004)</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Capital outlay | (316,435) | (581,717) |
| Capital reserve fees | 318,754 | 311,258 |
| System development fees | - | 365,500 |
| Net cash provided by capital financing activities | <u>2,319</u> | <u>95,041</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (700,000) | (895,000) |
| Maturity of investments | 1,800,000 | 795,000 |
| Interest received | 75,960 | 63,300 |
| Net cash provided (required) by investing activities | <u>1,175,960</u> | <u>(36,700)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,225,640 | 35,337 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>1,231,420</u> | <u>1,196,083</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 2,457,060</u> | <u>\$ 1,231,420</u> |
| RECONCILIATION OF OPERATING INCOME(LOSS) TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES | | |
| Income (loss) from operations | \$ (327,082) | \$ (267,229) |
| Adjustments to reconcile loss from operations to net cash provided by operating activities: | | |
| Depreciation and amortization | 305,527 | 281,374 |
| Effects of changes in operating assets and liabilities: | | |
| Receivables | 8,280 | (25,199) |
| Prepaid expenses | 14,415 | (751) |
| Payables and other liabilities | 46,221 | (11,199) |
| Net cash provided (required) by operating activities | <u>\$ 47,361</u> | <u>\$ (23,004)</u> |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | |
| Loss on disposal of capital assets | <u>\$ 15,143</u> | <u>\$ 6,439</u> |
| Changes in fair value of investments | <u>\$ 28,150</u> | <u>\$ (4,544)</u> |
| Contributed capital assets | <u>\$ 741,617</u> | <u>\$ -</u> |

These financial statements should be read only in connection with the accompanying notes to financial statements.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Grant Water and Sanitation District (District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Denver and Jefferson Counties, Colorado. The District was established to provide water and sewer service to property within its service area primarily through intergovernmental agreements.

The District has no employees and all operations and administrative functions are contracted.

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.

As of December 31, 2019, the District had no authorized but unissued debt.

NOTE 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 related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Restricted resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. The District does not have any restricted resources currently.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Budgets

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 appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District has recorded purchased capacity (see Note 4) which are water lines purchased or constructed by the District that are property of the Denver Water Board, but in which the District has capacity.

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

| | |
|----------------------------|------------|
| Master plan and geographic | |
| Information system | 10 years |
| Sewer system | 5-40 years |
| Underdrain system | 40 years |
| Purchased capacity: | |
| Water | 40 years |
| Sewer | 40 years |

System Development Fees and Contributed Lines

System development fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at estimated fair market value when received.

Reclassifications

For comparability, certain 2018 amounts have been reclassified where appropriate to conform to the 2019 financial statement presentation.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 - CASH AND INVESTMENTS

Cash equivalents and investments are reflected for the December 31, 2019 and 2018 statements of net position and statements of cash flows as follows:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|---------------------|---------------------|
| Deposits with financial institutions | \$ 764,375 | \$ 171,142 |
| Investments | <u>2,787,804</u> | <u>3,227,247</u> |
| Total cash and investments | <u>\$ 3,552,179</u> | <u>\$ 3,398,389</u> |

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents: | | |
| Deposits with financial institutions | \$ 764,375 | \$ 171,142 |
| COLOTRUST | <u>1,692,685</u> | <u>1,060,278</u> |
| Total cash and cash equivalents | <u>2,457,060</u> | <u>1,231,420</u> |
| Investments: | | |
| U.S. Agency Obligations | <u>1,095,119</u> | <u>2,166,969</u> |
| Total investments | <u>1,095,119</u> | <u>2,166,969</u> |
| Total cash equivalents and investments | <u>\$ 3,552,179</u> | <u>\$ 3,398,389</u> |

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 102% of the aggregate uninsured deposits.

The State Commissioners 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.

At December 31, 2019, the District had cash deposits with a bank balance of \$781,098 and a carrying balance of \$764,375. At December 31, 2018, the District had cash deposits with a bank balance of \$185,869 and a carrying balance of \$171,142.

Investments

The District follows state statutes regarding investments. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The District held the following investments as of December 31, 2019:

| <u>Investment Type</u> | <u>Amount</u> | <u>Maturity</u> |
|-------------------------|---------------------|-----------------------------|
| COLOTRUST | \$ 1,692,685 | Weighted avg. under 60 days |
| U.S. Agency Obligations | <u>1,095,119</u> | Mature in 2021-2024 |
| Total investments | <u>\$ 2,787,804</u> | |

The District held the following investments as of December 31, 2018:

| <u>Investment Type</u> | <u>Amount</u> | <u>Maturity</u> |
|-------------------------|---------------------|-----------------------------|
| COLOTRUST | \$ 1,060,278 | Weighted avg. under 60 days |
| U.S. Agency Obligations | <u>2,166,969</u> | Mature in 2019-2023 |
| Total investments | <u>\$ 3,227,247</u> | |

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2019 and 2018 the District's holdings of U.S. Government agency securities were rated AA+ by Standard and Poor's and AAA by Moody's.

At December 31, 2019 and 2018, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The

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Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's.

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District also has investments not categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments.

The valuation of the District's investments are as follows at December 31, 2019:

| | <u>Amount</u> | <u>Level 1 Inputs</u> |
|--|---------------------|---------------------------|
| Investments measured at fair value: | | |
| U.S. Agency Obligations | <u>\$ 1,095,119</u> | <u>\$ 1,095,119</u> |
| Total investments at fair value | <u>1,095,119</u> | <u>\$ 1,095,119</u> |
| Investments measured at NAV: | | |
| COLOTRUST | <u>1,692,685</u> | |
| Total investments at NAV | <u>1,692,685</u> | |
| Total investments | <u>\$ 2,787,804</u> | |

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

The valuation of the District's investments are as follows at December 31, 2018:

| | <u>Amount</u> | <u>Level 1 Inputs</u> |
|--|--------------------|---------------------------|
| Investments measured at fair value: | | |
| U.S. Agency Obligations | <u>\$2,166,969</u> | <u>\$2,166,969</u> |
| Total investments at fair value | <u>2,166,969</u> | <u>\$2,166,969</u> |
| Investments measured at NAV: | | |
| COLOTRUST | <u>1,060,278</u> | |
| Total investments at NAV | <u>1,060,278</u> | |
| Total investments | <u>\$3,227,247</u> | |

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

Concentration of Credit Risk

The District does not have a policy that addresses limitation on the amount that can be invested in any one issuer. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures* requires the District to disclose investments in single issuers that exceed five percent (5%) of the District's entire investment portfolio.

At December 31, 2019, the District had the following investments that are required to be disclosed:

| <u>Investment Type</u> | <u>Amount</u> | <u>Percent of Total Portfolio</u> |
|----------------------------------|---------------------|---|
| COLOTRUST | \$ 1,692,685 | Not subject to disclosure |
| Freddie Mac | 500,025 | 17.94% |
| Fannie Mae | 194,772 | 6.99% |
| Federal Home Loan Mortgage Corp. | <u>400,322</u> | 14.36% |
| | <u>\$ 2,787,804</u> | |

**GRANT WATER AND SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
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At December 31, 2018, the District had the following investments that are required to be disclosed:

| <u>Investment Type</u> | <u>Amount</u> | <u>Percent of Total Portfolio</u> |
|----------------------------------|---------------------|---|
| COLOTRUST | \$ 1,060,278 | Not subject to disclosure |
| Federal Home Loan Bank | 492,568 | 15.26% |
| Freddie Mac | 247,550 | 7.67% |
| Fannie Mae | 786,408 | 24.37% |
| Federal Home Loan Mortgage Corp. | 394,642 | 12.23% |
| Federal Farm Credit Bank Notes | 245,801 | 7.62% |
| | <u>\$ 3,227,247</u> | |

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**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

| | <u>Balance at January 1, 2019</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance at December 31, 2019</u> |
|--|---|-------------------|------------------|---|
| Capital assets, not being depreciated: | | | | |
| Projects in progress | \$ - | \$ 22,344 | | \$ 22,344 |
| Capital assets, being depreciated/ amortized: | | | | |
| Master plan and geographic and information system | 81,956 | - | - | 81,956 |
| Sewer system | 5,940,436 | 780,499 | - | 6,720,935 |
| Underdrain system | 1,776,675 | 82,341 | - | 1,859,016 |
| Purchased capacity | | | | |
| Water | 1,784,634 | - | - | 1,784,634 |
| Sewer | 938,435 | 172,868 | 37,857 | 1,073,446 |
| Total capital assets being depreciated/amortized | <u>10,522,136</u> | <u>1,035,708</u> | <u>37,857</u> | <u>11,519,987</u> |
| Less accumulated depreciation/ amortization for: | | | | |
| Master plan and geographic and information system | 5,754 | 8,195 | - | 13,949 |
| Sewer system | 2,814,922 | 185,064 | - | 2,999,986 |
| Underdrain system | 659,191 | 44,417 | - | 703,608 |
| Purchased capacity | | | | |
| Water | 1,275,708 | 44,616 | - | 1,320,324 |
| Sewer | 420,627 | 23,235 | 22,714 | 421,148 |
| Total accumulated depreciation/ amortization | <u>5,176,202</u> | <u>305,527</u> | <u>22,714</u> | <u>5,459,015</u> |
| Total capital assets, net | <u>\$5,345,934</u> | <u>\$ 752,525</u> | <u>\$ 15,143</u> | <u>\$ 6,083,316</u> |

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

| | <u>Balance at January 1, 2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance at December 31, 2018</u> |
|--|---|-------------------|------------------|---|
| Capital assets, not being depreciated: | | | | |
| Projects in progress | \$ 88,543 | \$ - | \$ 88,543 | \$ - |
| Capital assets, being depreciated/ amortized: | | | | |
| Master plan and geographic and information system | 34,523 | 47,433 | | 81,956 |
| Sewer system | 5,506,480 | 459,187 | 25,231 | 5,940,436 |
| Underdrain system | 1,615,462 | 163,640 | 2,427 | 1,776,675 |
| Purchased capacity | | | | |
| Water | 1,784,634 | - | - | 1,784,634 |
| Sewer | 938,435 | - | - | 938,435 |
| Total capital assets being depreciated/amortized | <u>9,879,534</u> | <u>670,260</u> | <u>27,658</u> | <u>10,522,136</u> |
| Less accumulated depreciation/ amortization for: | | | | |
| Master plan and geographic and information system | 2,302 | 3,452 | - | 5,754 |
| Sewer system | 2,669,559 | 165,430 | 20,067 | 2,814,922 |
| Underdrain system | 615,926 | 44,417 | 1,152 | 659,191 |
| Purchased capacity | | | | |
| Water | 1,231,093 | 44,615 | - | 1,275,708 |
| Sewer | 397,167 | 23,460 | - | 420,627 |
| Total accumulated depreciation/ amortization | <u>4,916,047</u> | <u>281,374</u> | <u>21,219</u> | <u>5,176,202</u> |
| Total capital assets, net | <u>\$5,052,030</u> | <u>\$ 388,886</u> | <u>\$ 94,982</u> | <u>\$ 5,345,934</u> |

NOTE 5 - NET POSITION

The District has net position consisting of two components – net investment in capital assets and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and if applicable, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019 and 2018, the District had invested in capital assets of \$6,083,316 and \$5,345,934, respectively, equal to its net capital assets as the District has no outstanding debt.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 – INTERGOVERNMENTAL AGREEMENTS

WATER SERVICE AGREEMENTS

Denver Water Board

The District has a total service contract with the Board of Water Commissioners of the City and County of Denver (Denver Water Board) which was renegotiated in 1994 whereby the Denver Water Department provides water in the District's service area and charges the users directly. The Denver Water Board has contracted to provide for service to future users within the District. All water lines within the District have been conveyed to the Denver Water Board which is responsible for maintenance and repair of those lines.

Participation Agreement

The District purchased Grant Properties I, Ltd's (GPI) participation cost in constructing facilities (Conduit 116) owned by the Denver Water Board in 1987. The District acquired the right to sufficient capacities in the water line to serve taps reserved to the District for \$901,297. The purchased capacity is included under the caption Purchased capacity – water and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2019 and 2018 is \$726,670 and \$704,138.

SEWER SERVICE AGREEMENTS

City of Littleton

The District has a service agreement with the City of Littleton (City) whereby the City provides sewage treatment service to the District's service area and charges the users directly. The District is to provide and maintain its own sewer lines and connection to the City's facilities.

Platte Canyon Water and Sanitation and Southwest Metropolitan Water and Sanitation Districts

These agreements relate to the purchase by the District of capacity in certain sewer trunk lines. The agreements with the districts provide for the sharing of maintenance expenses. In addition, the agreement with Southwest Metropolitan Water and Sanitation District provides for the sharing of replacement or rehabilitation costs. The agreement with Platte Canyon provide for the sharing of rehabilitation or replacement costs of some facilities. The purchased capacity is included under the caption Purchased capacity – sewer and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2019 and 2018 is \$421,148 and \$420,627.

OTHER AGREEMENTS

**Bowles Metropolitan District
Section 14 Metropolitan District**

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
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These agreements are with the metropolitan districts whose boundaries are entirely within the District. The agreements provide for the metropolitan districts to construct and finance water and sewer lines not financed by the District and to transfer the sewer lines to the District for control and operation.

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 employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes that its operations qualify for this exclusion.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Some of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise may require judicial interpretation.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**GRANT WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2019**

| | Original and Final Budgeted Amounts | Actual | Variance with Final Budget - Positive (Negative) |
|--|--|---------------------|---|
| REVENUES | | | |
| Service fees | \$ 435,350 | \$ 439,109 | \$ 3,759 |
| Capital reserve fees | 318,700 | 318,754 | 54 |
| Inspection fees | 12,000 | 9,804 | (2,196) |
| Other fees and fines | 15,000 | 18,078 | 3,078 |
| Net investment income | 63,650 | 68,641 | 4,991 |
| Increase in fair value of investments | - | 28,150 | 28,150 |
| System development fees | 190,000 | - | (190,000) |
| Total Revenues | <u>1,034,700</u> | <u>882,536</u> | <u>(152,164)</u> |
| EXPENDITURES | | | |
| Engineering | 37,500 | 38,198 | (698) |
| Repairs and maintenance | 229,100 | 260,009 | (30,909) |
| Inspection fees | 18,000 | 22,652 | (4,652) |
| Audit | 5,300 | 5,300 | - |
| Insurance | 15,000 | 14,640 | 360 |
| Legal | 22,000 | 27,356 | (5,356) |
| Management fees | 110,000 | 97,341 | 12,659 |
| Director's fees | 6,800 | 6,137 | 663 |
| Office and administrative | 29,000 | 16,913 | 12,087 |
| Capital outlay and major repairs contingency | 562,000 | 316,435 | 245,565 |
| Total Expenditures | <u>1,034,700</u> | <u>804,981</u> | <u>229,719</u> |
| NET CHANGE IN FUNDS AVAILABLE | - | 77,555 | 77,555 |
| FUNDS AVAILABLE - BEGINNING OF YEAR | <u>3,306,768</u> | <u>3,402,562</u> | <u>95,794</u> |
| FUNDS AVAILABLE - END OF YEAR | <u>\$ 3,306,768</u> | <u>\$ 3,480,117</u> | <u>\$ 173,349</u> |
| Funds available is computed as follows: | | | |
| Current assets | | \$ 3,572,218 | |
| Current liabilities | | <u>(92,101)</u> | |
| | | <u>\$ 3,480,117</u> | |

**GRANT WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2019**

| | | |
|--|------------|--|
| Revenue (budgetary basis) | \$ 882,536 | |
| Contributed capital assets | 741,617 | |
| Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position | 1,624,153 | |
| | | |
| Expenditures (budgetary basis) | 804,981 | |
| Depreciation and amortization | 305,527 | |
| Capital outlay | (316,435) | |
| Loss on disposal of capital assets | 15,143 | |
| Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position | 809,216 | |
| | | |
| Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position | \$ 814,937 | |