

GRANT WATER & SANITATION DISTRICT
Denver and Jefferson Counties, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015



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Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	1
Statements of Revenues, Expenses and Changes in Fund Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	4
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis)	14
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses And Changes in Fund Net Position	15



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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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

Opinions

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, 2016 and 2015, 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 VII 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 20, 2017

**GRANT WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016 and 2015**

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, 2016 and 2015. Please read it in conjunction with the District's basic financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- The District continued its underdrain system calcium remediation project in 2016. It cleaned and removed additional calcium deposits from the underdrain system at a cost of \$127,933. In 2015, the District spent \$98,250 on calcium removal from the underdrain system.

A recap of the capital projects undertaken by the District in 2015 and 2016 include the following:

- The District's Northeast lift station had a pump replaced in 2015 for \$16,282; new controls were also needed for the District's Chanson Plaza lift station in 2015 which cost \$12,925. In 2016, it was discovered that the pump installed at the Northeast lift station in 2015 was not compatible with the variable frequency drive (VFD) starter. To resolve the issue, a new pump and VFD were needed. The lift station's second pump was also scheduled for replacement, so both pumps and their VFD's were replaced at the same time which allowed the District to take advantage of discounts and rebates which resulted in a cost savings of over \$7,500. The total cost for the Northeast lift station pump and control work in 2016 was \$32,240. The District also replaced the autodialer at the Chanson Plaza lift station in 2016 at a cost of \$5,555.
- Development of the District's Geographical Information System (GIS) continued in 2015 and 2016 costing \$21,794 and \$4,450, respectively; the District began developing a 25 year Capital Improvements and Financial Master Plans in 2015 which were further refined in 2016. Costs incurred for developing the plans were \$17,166 in 2015 and \$13,215 in 2016.
- In 2015, the District incurred costs of \$4,622 for the design and bidding of a sewer main lining project which was completed in 2016 at a cost of \$94,248.
- Per the District's contract with Southwest Metropolitan Water and Sanitation District (Southwest), the District is required to share in the capital replacement costs for Southwest's sewer lines that are used for the District's benefit. Southwest rehabilitated both its B and C lines which were completed in 2015. The District paid Southwest \$69,209 for its share of the B-Line rehabilitation costs and \$16,661 for its share of the remaining C line costs in 2015.

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,		
	2016	2015	2014
ASSETS			
Current assets	\$2,857,477	\$2,692,473	\$2,432,753
Capital assets	5,248,293	5,378,849	5,470,472
Total assets	8,105,770	8,071,322	7,903,225
LIABILITIES			
Current liabilities	67,250	122,396	75,242
Total liabilities	67,250	122,396	75,242
NET POSITION			
Net investment in capital assets	5,248,293	5,378,849	5,470,472
Unrestricted	2,790,227	2,570,077	2,357,511
Total net position	\$8,038,520	\$7,948,926	\$7,827,983

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 2016 by \$8,038,520. This amount increased from 2015 by \$89,594 or 1.1% and from 2014 by \$210,537. The District's net position increased 2.7% from 2014 to 2016. This positive net increase is the result of the District's ongoing efforts

to increase fees as necessary to fund capital projects and the underdrain remediation project in order to preserve the District's capital reserves.

CHANGES IN NET POSITION

	Years Ended December 31,		
	2016	2015	2014
REVENUES			
OPERATING REVENUE			
Service fees	\$ 660,810	\$ 459,462	\$ 476,489
Inspection fees	14,824	15,160	11,299
Other fees and fines	14,675	11,165	14,502
Total operating revenue	<u>690,309</u>	<u>485,787</u>	<u>502,290</u>
NONOPERATING REVENUE			
Net investment income			
Interest	24,406	26,313	23,219
Net increase (decrease) in fair value of investments	(1,198)	(5,342)	4,101
Capital reserve fees	55,193	222,629	214,068
Total nonoperating revenue	<u>78,401</u>	<u>243,600</u>	<u>241,388</u>
CAPITAL CONTRIBUTIONS			
System development fees	19,575	3,625	51,625
	<u>19,575</u>	<u>3,625</u>	<u>51,625</u>
Total revenues	<u>788,285</u>	<u>733,012</u>	<u>795,303</u>
EXPENSES			
OPERATING AND GENERAL AND ADMINISTRATIVE			
Operating	517,546	455,326	393,182
General and administrative expenses	152,771	153,409	154,679
Total operating and general and administrative expenses	<u>670,317</u>	<u>608,735</u>	<u>547,861</u>
NONOPERATING EXPENSE			
Loss on disposal of capital assets	28,374	3,334	3,719
Total nonoperating expenses	<u>28,374</u>	<u>3,334</u>	<u>3,719</u>
Total expenses	<u>698,691</u>	<u>612,069</u>	<u>551,580</u>
CHANGE IN NET POSITION	89,594	120,943	243,723
NET POSITION - BEGINNING OF YEAR	<u>7,948,926</u>	<u>7,827,983</u>	<u>7,584,260</u>
NET POSITION - END OF YEAR	<u>\$ 8,038,520</u>	<u>\$ 7,948,926</u>	<u>\$ 7,827,983</u>

Although the District's operating revenues for 2016 were higher than 2015 by more than \$204,000, the District's capital reserve fees were approximately \$167,000 lower in 2016 than in 2015. Overall, the District's service fees and capital reserve fees have increased by 3.7% from 2014 to 2016. The District's interest earnings for 2016 were actually less than 2015 but increased approximately 5% for the three year period from 2014 to 2016. The District's earnings growth, although modest, has allowed the District to gradually improve its capital reserves, which have grown from \$2,007,511 in 2014 to \$2,440,227 in 2016. The District has set a goal to increase its capital reserves to \$2.5 million by 2018.

The District's operating expenses increased from 2014 to 2016 mainly because of the District's underdrain calcium remediation project. Project costs increased from \$48,422 in 2014 to \$98,250 in 2015 and \$127,933 in 2016. General and administrative expenses decreased slightly from 2014 to 2016 by 1.7%.

CAPITAL ASSETS

The District's investment in capital assets at December 31, 2016 amounted to \$5,248,293 (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, 2014		Balance at December 31, 2015		Balance at December 31, 2016	
		Changes		Changes		
Projects in progress	\$ 2,016	\$ 43,420	\$ 45,436	\$ 13,042	\$ 58,478	
Sewer system	5,430,675	10,310	5,440,985	65,495	5,506,480	
Underdrain system	1,615,462	-	1,615,462	-	1,615,462	
Purchased capacity						
Water	1,784,634	-	1,784,634	-	1,784,634	
Sewer	852,565	85,870	938,435	-	938,435	
Total assets	9,685,352	139,600	9,824,952	78,537	9,903,489	
Accumulated depreciation/ amortization	(4,214,880)	(231,223)	(4,446,103)	(209,093)	(4,655,196)	
Total capital assets, net	\$ 5,470,472	\$ (91,623)	\$ 5,378,849	\$ (130,556)	\$ 5,248,293	

In 2015, the District contributed an additional \$85,870 to Southwest Metropolitan Water and Sanitation District for completion of its C-line sewer project as well as for the B-line sewer rehabilitation project. The development of a 25 year Capital Improvements and Financial Master Plan began in 2015 as work continued on the District's GIS. The costs incurred for the master plan and GIS in 2015 totaled \$17,166 and \$21,794, respectively. Additional repairs were required in 2015 for both of the District's lift stations. A pump was replaced at the Northeast lift station at a cost of \$16,282. The cost of the old pump from 2004, totaling \$12,570, was deducted for a net asset increase of \$3,712. New controls were needed at the Chanson Plaza lift station which cost \$12,925. The cost of the original controls, totaling \$6,350, was deducted for a net increase of \$6,575. Additional engineering and administrative costs were incurred in 2015 for the design and bidding of a sewer main lining project that will be completed in 2016 and for the closeout of a 2014 project.

In 2016, the District completed the sewer lining project, the total cost for which was \$98,870. Both of the District's lift stations required repairs again in 2016. Both pumps and the variable frequency drive starters were replaced at the Northeast lift station for \$32,240. The autodialer was also replaced at the Chanson Plaza lift station for \$5,555. The original costs for the sewer lines and lift station components that were repaired, totaling \$71,170, were deducted from the District's books resulting in a net increase of the District's assets by \$65,495. The District also incurred additional costs in 2016 for further development of its GIS and 25 year Master Plan totaling

\$17,664. These projects in progress costs were offset by \$4,622 that was deducted for the 2015 CIPP work that was completed in 2016 and reclassified to the District's sewer system.

FUTURE ECONOMIC FACTORS AND RATES

For 2017, the District's base sewer fees will be increasing mainly to fund the capital projects that were identified for 2017 in the 25 year capital improvements plan. The District's maintenance costs for both its sewer and underdrain systems will be decreasing which partially offsets the base fee increases needed for capital projects. For single family residential customers, the total sewer service fee will increase by \$47.50 but the total underdrain service fee will decrease by \$39. This will result in an \$8.50 net increase in the minimum bill for a single family customer. For the District's multi-family customers who do not have underdrain systems, they will see a \$3 per unit increase in their sewer fees. Multi-family units with underdrains will also see a \$39 decrease in the underdrain charge. Those customers with average annual water usage (AAWU) above the District's average will continue to pay an additional \$2.20 per gallon. The District's AAWU for 2017 is 59,280 gallons which is only 448 gallons less than 2016.

A comparison of the District's service fee rates for the past few years, as well as for 2017, is shown below.

Year	2017	2016	2015
Commercial Sewer Service & Capital Reserve Fee – per 1,000 gallons	\$ 2.67	\$ 2.60	\$ 2.19
Residential Sewer Service & Capital Reserve Fee – Single Family	\$ 181.50	\$134.00	\$145.00
Residential Sewer Service & Capital Reserve Fee – Multi-Family	\$104.30	\$101.30	\$ 96.00
Underdrain Service & Capital Reserve Fee	\$ 107.00	\$146.00	\$128.00

The District continues to have capital improvement projects each year as its sewer and underdrain systems age. For 2017, the District has budgeted \$200,500 for capital projects which include replacing approximately 375 lineal feet of sewer mains with severe sags that are impeding flows and lining approximately 6 sewer manholes.

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, 2016 and 2015**

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,094,718	\$ 649,951
Investments	1,755,198	2,023,526
Accounts receivable	5,036	3,494
Accrued interest receivable	2,287	1,575
Prepaid expenses	238	13,927
Total current assets	<u>2,857,477</u>	<u>2,692,473</u>
 CAPITAL ASSETS		
Projects in progress	58,478	45,436
Sewer system	5,506,480	5,440,985
Underdrain system	1,615,462	1,615,462
Purchased capacity		
Water	1,784,634	1,784,634
Sewer	<u>938,435</u>	<u>938,435</u>
	9,903,489	9,824,952
Less accumulated depreciation and amortization	<u>4,655,196</u>	<u>4,446,103</u>
Total capital assets	<u>5,248,293</u>	<u>5,378,849</u>
 TOTAL ASSETS	 <u><u>\$ 8,105,770</u></u>	 <u><u>\$ 8,071,322</u></u>
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 54,267	\$ 104,911
Other current liabilities	<u>12,983</u>	<u>17,485</u>
Total current liabilities	<u>67,250</u>	<u>122,396</u>
 NET POSITION		
Net investment in capital assets	5,248,293	5,378,849
Unrestricted	<u>2,790,227</u>	<u>2,570,077</u>
Total net position	<u>8,038,520</u>	<u>7,948,926</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 8,105,770</u></u>	 <u><u>\$ 8,071,322</u></u>

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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
Service fees	\$ 660,810	\$ 459,462
Inspection fees	14,824	15,160
Other fees and fines	14,675	11,165
Total operating revenue	<u>690,309</u>	<u>485,787</u>
OPERATING EXPENSES		
Depreciation and amortization	251,890	246,809
Engineering	35,681	35,497
Repairs and maintenance	216,376	154,335
Inspection fees	13,599	18,685
Total operating expenses	<u>517,546</u>	<u>455,326</u>
Direct gain from operations	<u>172,763</u>	<u>30,461</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit	5,100	5,100
Insurance	13,921	12,130
Election	1,435	334
Legal	17,353	18,250
Management fees	91,822	89,756
Meeting and conference expenses	6,028	6,136
Office and administration	17,112	21,703
Total general and administrative expenses	<u>152,771</u>	<u>153,409</u>
Income (loss) from operations	<u>19,992</u>	<u>(122,948)</u>
NONOPERATING REVENUE (EXPENSES)		
Net investment income		
Interest	24,406	26,313
Net increase (decrease) in fair value of investments	(1,198)	(5,342)
Capital reserve fees	55,193	222,629
Loss on disposal of capital assets	(28,374)	(3,334)
Total nonoperating revenue (expenses)	<u>50,027</u>	<u>240,266</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>70,019</u>	<u>117,318</u>
CAPITAL CONTRIBUTIONS		
System development fees	19,575	3,625
	<u>19,575</u>	<u>3,625</u>
CHANGE IN NET POSITION	89,594	120,943
NET POSITION - BEGINNING OF YEAR	<u>7,948,926</u>	<u>7,827,983</u>
NET POSITION - END OF YEAR	<u>\$ 8,038,520</u>	<u>\$ 7,948,926</u>

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, 2016 and 2015

CASH FLOWS FROM OPERATING ACTIVITIES	2016	2015
Cash received from customers	\$ 688,767	\$ 483,949
Cash paid to vendors	(459,884)	(328,509)
Net cash provided by operating activities	<u>228,883</u>	<u>155,440</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital outlay	(149,708)	(158,520)
Capital reserve fees	55,193	222,629
System development fees	19,575	3,625
Net cash provided (required) by capital financing activities	<u>(74,940)</u>	<u>67,734</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(395,000)	(1,200,000)
Maturity of investments	672,728	1,100,000
Interest received	13,096	15,633
Net cash provided (required) by investing activities	<u>290,824</u>	<u>(84,367)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	444,767	138,807
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	649,951	511,144
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,094,718</u>	<u>\$ 649,951</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Income (loss) from operations	\$ 19,992	\$ (122,948)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	251,890	246,809
Effects of changes in operating assets and liabilities:		
Receivables	(1,542)	(1,838)
Prepaid expenses	13,689	(13,737)
Payables and other liabilities	(55,146)	47,154
Net cash provided by operating activities	<u>\$ 228,883</u>	<u>\$ 155,440</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Loss on disposal of capital assets	<u>\$ (28,374)</u>	<u>\$ (3,334)</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, 2016 AND 2015**

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, 2016, 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, 2016 AND 2015**

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:

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 2015 amounts have been reclassified where appropriate to conform to the 2016 financial statement presentation.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 - CASH AND INVESTMENTS

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, 2016, the District had cash deposits with a bank balance of \$1,576,603 and a carrying balance of \$1,563,008 of which \$768,312 was invested in certificates of deposit. At December 31, 2015, the District's cash deposits had a bank balance of \$1,690,520 and a carrying balance of \$1,680,393 of which \$1,030,442 was invested in certificates of deposit.

	2016 Carrying Value	2015 Carrying Value
Deposits with financial institutions	\$ 794,696	\$ 649,951
Certificates of deposit	768,312	1,030,442
	\$1,563,008	\$1,680,393

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:

- . 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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

The District held the following investments as of December 31, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
COLOTRUST	\$ 300,022	Weighted avg. under 60 days
U.S. Agency Obligations	986,886	Mature in 2017-2021
Total investments	<u>\$ 1,286,908</u>	

The District held the following investments as of December 31, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
U.S. Agency Obligations	\$ 993,084	Mature in 2017-2019
Total investments	<u>\$ 993,084</u>	

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis and are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is 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 fair value measurements of the District's investments are as follows at December 31, 2016:

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
COLOTRUST	\$ 300,022	\$ -	\$ 300,022	\$ -
U.S. Agency Obligations	986,886	986,886		-
	<u>\$ 1,286,908</u>	<u>\$ 986,886</u>	<u>\$ 300,022</u>	<u>\$ -</u>

Credit Risk

The investments in U.S. Agency Obligations are rated Aaa by Moody's and AA+ by Standard and Poor's.

COLOTRUST

At December 31, 2016, 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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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 and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreement collateralized by certain obligations of the U.S. government agencies. COLOTRUST is rated AAAM by Standard and Poor's.

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.

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, 2016, the District had the following investments that are required to be disclosed:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total Portfolio</u>
COLOTRUST	\$ 300,022	Not subject to disclosure
Federal Home Loan Bank	196,594	20.15%
Freddie Mac	399,350	40.03%
Fannie Mae	191,302	19.90%
Federal Farm Credit Bank Notes	199,640	19.92%
	<u>\$ 1,286,908</u>	

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

At December 31, 2015, the District had the following investments that are required to be disclosed:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total Portfolio</u>
Federal Home Loan Bank	\$ 200,142	20.15%
Freddie Mac	397,498	40.03%
Federal Home Mortgage Company	197,625	19.90%
Federal Farm Credit Bank Notes	197,819	19.92%
	<u>\$ 993,084</u>	

Cash and investments as of December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Deposits with financial institutions	\$ 1,563,008	\$ 1,680,393
Investments	1,286,908	993,084
Total cash and investments	<u>\$ 2,849,916</u>	<u>\$ 2,673,477</u>

Cash equivalents and investments are reflected for the December 31, 2016 and 2015 statements of net position and statements of cash flows as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents:		
Deposits with financial institutions	\$ 794,696	\$ 649,951
COLOTRUST	300,022	-
Total cash and cash equivalents	<u>1,094,718</u>	<u>649,951</u>
Investments:		
Certificates of deposit	768,312	1,030,442
U.S. Agency Obligations	986,886	993,084
Total investments	<u>1,755,198</u>	<u>2,023,526</u>
Total cash equivalents and investments	<u>\$ 2,849,916</u>	<u>\$ 2,673,477</u>

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	Balance at January 1, 2016	Increases	Decreases	Balance at December 31, 2016
Capital assets, not being depreciated:				
Projects in progress	\$ 45,436	\$111,912	\$ 98,870	\$ 58,478
Capital assets, being depreciated/ amortized:				
Sewer system	5,440,985	136,665	71,170	5,506,480
Underdrain system	1,615,462	-	-	1,615,462
Purchased capacity				
Water	1,784,634	-	-	1,784,634
Sewer	938,435	-	-	938,435
Total capital assets being depreciated/amortized	<u>9,779,516</u>	<u>136,665</u>	<u>71,170</u>	<u>9,845,011</u>
Less accumulated depreciation/ amortization for:				
Sewer system	2,418,843	143,427	42,797	2,519,473
Underdrain system	535,154	40,386	-	575,540
Purchased capacity				
Water	1,141,861	44,616	-	1,186,477
Sewer	350,245	23,461	-	373,706
Total accumulated depreciation/ amortization	<u>4,446,103</u>	<u>251,890</u>	<u>42,797</u>	<u>4,655,196</u>
Total capital assets, net	<u>\$5,378,849</u>	<u>\$ (3,313)</u>	<u>\$ 127,243</u>	<u>\$ 5,248,293</u>

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

An analysis of the changes in capital assets for the year ended December 31, 2015 follows:

	Balance at January 1, 2015	Increases	Decreases	Balance at December 31, 2015
Capital assets, not being depreciated:				
Projects in progress	\$ 2,016	\$ 43,420	\$ -	\$ 45,436
Capital assets, being depreciated/ amortized:				
Sewer system	5,430,675	29,230	18,920	5,440,985
Underdrain system	1,615,462	-	-	1,615,462
Purchased capacity				
Water	1,784,634	-	-	1,784,634
Sewer	852,565	85,870	-	938,435
Total capital assets being depreciated/amortized	<u>9,683,336</u>	<u>115,100</u>	<u>18,920</u>	<u>9,779,516</u>
Less accumulated depreciation/ amortization for:				
Sewer system	2,293,404	141,025	15,586	2,418,843
Underdrain system	494,768	40,386	-	535,154
Purchased capacity				
Water	1,097,245	44,616	-	1,141,861
Sewer	329,463	20,782	-	350,245
Total accumulated depreciation/ amortization	<u>4,214,880</u>	<u>246,809</u>	<u>15,586</u>	<u>4,446,103</u>
Total capital assets, net	<u>\$5,470,472</u>	<u>\$ (88,289)</u>	<u>\$ 3,334</u>	<u>\$ 5,378,849</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, 2016 and 2015, the District had invested in capital assets of \$5,248,293 and \$5,378,849, respectively, equal to its net capital assets as the District has no outstanding debt.

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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Water Department provides water in the District's service area and charges the users directly. The Denver Water Board has provided for service to future users within the District. All water lines in 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, 2016 and 2015 is \$659,073 and \$636,540.

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 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, 2016 and 2015 is \$373,706 and \$350,245.

OTHER AGREEMENTS

**Bowles Metropolitan District
Section 14 Metropolitan District**

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, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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, 2016**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Service fees	\$ 656,400	\$ 660,810	\$ 4,410
Capital reserve fees	55,000	55,193	193
Inspection fees	12,500	14,824	2,324
Other fees and fines	12,000	14,675	2,675
Net investment income	24,400	24,406	6
Decrease in fair value of investments	-	(1,198)	(1,198)
System development fees	10,000	19,575	9,575
Total Revenues	<u>770,300</u>	<u>788,285</u>	<u>17,985</u>
EXPENDITURES			
Engineering	66,800	35,681	31,119
Repairs and maintenance	406,500	216,376	190,124
Inspection fees	10,100	13,599	(3,499)
Audit	5,100	5,100	-
Insurance	14,000	13,921	79
Election costs	15,000	1,435	13,565
Legal	20,000	17,353	2,647
Management fees	120,000	91,822	28,178
Meeting and conference expenses	6,800	6,028	772
Office and administrative	21,500	17,112	4,388
Capital outlay and major repairs contingency	279,500	149,708	129,792
Total Expenditures	<u>965,300</u>	<u>568,135</u>	<u>397,165</u>
NET CHANGE IN FUNDS AVAILABLE	(195,000)	220,150	415,150
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>2,574,026</u>	<u>2,570,077</u>	<u>(3,949)</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 2,379,026</u>	<u>\$ 2,790,227</u>	<u>\$ 411,201</u>
Funds available is computed as follows:			
Current assets		\$ 2,857,477	
Current liabilities		(67,250)	
		<u>\$ 2,790,227</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, 2016**

Revenue (budgetary basis)	<u>\$</u>	<u>788,285</u>
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>788,285</u>
Expenditures (budgetary basis)		568,135
Depreciation and amortization		251,890
Capital outlay		(149,708)
Loss on disposal of capital assets		<u>28,374</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>698,691</u>
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>\$</u>	<u><u>89,594</u></u>