

**GREATROCK NORTH WATER AND  
SANITATION DISTRICT**  
Adams County, Colorado

**FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**



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## **Independent Auditor's Report**

Board of Directors  
Greatrock North Water and Sanitation District  
Adams County, Colorado

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes 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 Greatrock North 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 Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through VII 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 is 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
July 18, 2017

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2016 and 2015**

Our discussion and analysis of Greatrock North 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.

**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 plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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**

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources in 2016, 2015 and 2014 by \$4.31 million, \$4.13 million and \$4.16 million respectively. Current assets increased by \$197,500 or 9% from 2015 to 2016. The main increase was cash and cash equivalents, which increased \$176,623 due to a positive change in net position. Additionally, property taxes receivable increased by \$17,344 due to a 3% increase in the District assessed valuation for taxes levied for 2017 collection. Current assets increased by \$57,439 or 3% from 2014 to 2015. The main increase was in property taxes receivable, which increased \$79,368 due to a 16% increase in the District assessed valuation for taxes levied for 2016 collection. Additionally, prepaid expenses increased by \$17,259 due to the District paying for the 2016 insurance coverage in 2015. These increases were partially offset by a \$41,258 decrease in cash and cash equivalents due primarily to increased bond principal

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2016 and 2015**

payments as the principal payments began in 2015 on the 2007 bonds. Total liabilities decreased \$108,254 from 2015 to 2016, primarily due to \$190,000 of principal payments made on the outstanding bonds offset by a net increase in accounts and retainage payable of \$89,509 related to the pump station capital project in 2016. Total liabilities decreased \$215,902 from 2014 to 2015, primarily due to \$180,000 of principal payments made on the outstanding bonds and a net decrease in accounts payable of \$28,111 which can vary from year to year.

**NET POSITION**

	December 31,		
	2016	2015	2014
<b>ASSETS</b>			
Current assets	\$ 2,329,789	\$ 2,132,289	\$ 2,074,850
Capital assets, net	7,664,724	7,753,286	7,955,347
Other assets, net	33,176	35,344	37,509
Total assets	<u>10,027,689</u>	<u>9,920,919</u>	<u>10,067,706</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	129,354	150,066	170,779
Total deferred outflows of resources	<u>129,354</u>	<u>150,066</u>	<u>170,779</u>
<b>LIABILITIES</b>			
Current liabilities	137,466	48,613	77,287
Noncurrent liabilities	5,105,790	5,302,897	5,490,125
Total liabilities	<u>5,243,256</u>	<u>5,351,510</u>	<u>5,567,412</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	608,257	590,913	511,545
Total deferred inflows of resources	<u>608,257</u>	<u>590,913</u>	<u>511,545</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,721,464	2,635,799	2,673,510
Restricted	19,200	16,700	16,600
Unrestricted	1,564,866	1,476,063	1,469,418
Total net position	<u>\$ 4,305,530</u>	<u>\$ 4,128,562</u>	<u>\$ 4,159,528</u>

**Changes in Net Position**

As noted in the table below, the District's net position increased from 2015 to 2016 by \$176,968. Charges for services increased by \$34,218, or 8%, from 2015 to 2016. This increase was due to higher water usage revenue as water usage increased from 39,023,287 gallons in 2015 to 42,342,913 in 2016. The other revenues for the District remained consistent from 2015 to 2016. The District's net position decreased from 2014 to 2015 by \$30,966. Charges for services increased by \$42,264, or 11%, from 2014 to 2015. This increase was due to higher water usage revenue as water usage increased from 22,913,010 gallons in 2014 to 39,023,287 in 2015. The other revenues for the District remained consistent from 2014 to 2015. Expenses overall decreased \$84,096 or 8% from 2015 to 2016. The fluctuation is primarily due to \$39,443 decrease in maintenance and repairs expense due to locating and exercising of curb stops in 2015, \$16,470 decrease in concentrate disposal and \$31,493 decrease in water rights development. Expenses overall increased slightly from 2014 to 2015. However, water and sewer operations expenses increased by \$34,447, or 6%, due to increases in the concentrate disposal of \$12,895 and water

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2016 and 2015**

rights development by \$19,198. These increases were offset by a decrease in administration expenses of \$34,186, or 16%, due to reductions in District management of \$10,696, legal of \$8,388, and elections of \$9,287.

**CHANGES IN NET POSITION**

	Years Ended December 31,		
	2016	2015	2014
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 464,649	\$ 430,431	\$ 388,167
Available of service fee	13,475	14,980	14,880
Irrigation lease	7,500	7,500	7,500
Inspection fees	7,306	5,626	3,651
Inclusion fees	3,368	-	-
Grants	-	-	868
Miscellaneous	3,182	6,023	4,654
General revenues:			
Property taxes	590,549	511,545	511,135
Specific ownership taxes	48,701	44,266	40,479
Investment earnings	8,227	2,748	2,287
Total revenues	<u>1,146,957</u>	<u>1,023,119</u>	<u>973,621</u>
<b>EXPENSES</b>			
Water and sewer operations	552,381	611,585	577,138
Interest and related charges	255,674	261,906	261,497
Administration	161,934	180,594	214,780
Total expenses	<u>969,989</u>	<u>1,054,085</u>	<u>1,053,415</u>
<b>CHANGE IN NET POSITION</b>	176,968	(30,966)	(79,794)
<b>NET POSITION - BEGINNING OF YEAR</b>	4,128,562	4,159,528	4,239,322
<b>NET POSITION - END OF YEAR</b>	<u>\$ 4,305,530</u>	<u>\$ 4,128,562</u>	<u>\$ 4,159,528</u>

**BUDGETARY HIGHLIGHTS**

The total actual expenditures for 2016 were \$613,729 under the amended budgeted expenditures of \$1,829,874. Maintenance and repair expenses were \$282,323 under budget, water rights development was \$47,131 under budget and Greatrock North pump station capital outlay was \$186,975 under budget. The District amended its budget.

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2016 and 2015**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District's capital assets at December 31, 2016, 2015 and 2014, amounted to \$7.66 million, \$7.75 million and \$7.96 million (net of accumulated depreciation), respectively. This investment in capital assets includes water distribution infrastructure, water rights, easements, land, and on-going capital projects.

The analysis of changes in capital assets is as follows:

	<u>December 31, 2014</u>	<u>Change</u>	<u>December 31, 2015</u>	<u>Change</u>	<u>December 31, 2016</u>
Land	\$ 94,243	\$ -	\$ 94,243	\$ -	\$ 94,243
Water rights	980,105	-	980,105	-	980,105
Easements	152,989	-	152,989	-	152,989
Construction in progress	4,208	19,030	23,238	132,529	155,767
Water distribution system	8,843,643	-	8,843,643	-	8,843,643
	<u>10,075,188</u>	<u>19,030</u>	<u>10,094,218</u>	<u>132,529</u>	<u>10,226,747</u>
Accumulated depreciation	<u>(2,119,841)</u>	<u>(221,091)</u>	<u>(2,340,932)</u>	<u>(221,091)</u>	<u>(2,562,023)</u>
Total capital assets, net	<u>\$ 7,955,347</u>	<u>\$ (202,061)</u>	<u>\$ 7,753,286</u>	<u>\$ (88,562)</u>	<u>\$ 7,664,724</u>

In 2016, the District additions were for construction related to the new pump station. In 2015, the District additions were for additional planning and design related to the new pump station.

Additional information regarding the District's capital assets can be found in Note 4.

**Debt Administration**

During 2010, the District issued Series 2010 General Obligation Refunding and Improvement Bonds in the amount of \$2,230,000. The Series 2010 bonds were issued to refund \$1,175,000 of the 2007 General Obligation Refunding and Improvement Bonds and to have proceeds available for additional capital projects. During 2016 and 2015, the District made the required principal payments on the outstanding bonds.

The analysis of changes in long-term obligations is as follows:

	<u>December 31, 2014</u>	<u>Change</u>	<u>December 31, 2015</u>	<u>Change</u>	<u>December 31, 2016</u>
General Obligation Refunding and Improvement Bonds, Series 2007	\$ 3,230,000	\$ (125,000)	\$ 3,105,000	\$ (135,000)	\$ 2,970,000
Improvement Bonds, Series 2010	2,180,000	(55,000)	2,125,000	(55,000)	2,070,000
Less deferred amounts:					
2007 issue discount	(7,653)	524	(7,129)	525	(6,604)
2010 issue premium	87,778	(7,752)	80,026	(7,632)	72,394
Total long-term obligations	<u>\$ 5,490,125</u>	<u>\$ (187,228)</u>	<u>\$ 5,302,897</u>	<u>\$ (197,107)</u>	<u>\$ 5,105,790</u>

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2016 and 2015**

Additional information regarding the District's long-term debt can be found in Note 5.

**ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES**

For 2017, the District's property tax revenue is expected to increase by 3.3% due to higher assessed valuation for the District's 2017 tax collections. Total budgeted revenues for 2017 are \$1,281,001. Total appropriated expenditures for 2017 are \$1,475,648.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of Greatrock North 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, Lisa Johnson at Special District Management Services, 141 Union Blvd, Suite 150, Lakewood, CO 80228.

## **BASIC FINANCIAL STATEMENTS**

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 1,614,168	\$ 1,468,159
Cash and cash equivalents - restricted	3,275	10,408
Deposit with lockbox provider	37,747	-
Accounts receivable:		
Customers	45,998	42,397
County treasurer	3,481	3,153
Property taxes receivable	608,257	590,913
Prepaid expense	16,863	17,259
Total current assets	2,329,789	2,132,289
<b>CAPITAL ASSETS</b>		
Capital assets, not being depreciated	1,383,104	1,250,575
Capital assets, being depreciated	8,843,643	8,843,643
	10,226,747	10,094,218
Less accumulated depreciation and amortization	(2,562,023)	(2,340,932)
Total capital assets	7,664,724	7,753,286
<b>OTHER ASSETS</b>		
Prepaid bond insurance, net	33,176	35,344
Total other assets	33,176	35,344
Total assets	10,027,689	9,920,919
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding, net	129,354	150,066
Total deferred outflows of resources	129,354	150,066
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 10,157,043</b>	<b>\$ 10,070,985</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 111,036	\$ 27,912
Retainage payable	6,385	-
Interest payable	19,195	19,851
Deposits	850	850
Total current liabilities	137,466	48,613
<b>NONCURRENT LIABILITIES</b>		
Bonds payable		
Due within one year	195,000	190,000
Due in more than one year	4,910,790	5,112,897
Total noncurrent liabilities	5,105,790	5,302,897
Total liabilities	5,243,256	5,351,510
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property tax revenue	608,257	590,913
Total deferred inflows of resources	608,257	590,913
<b>NET POSITION</b>		
Net investment in capital assets	2,721,464	2,635,799
Restricted for emergencies	19,200	16,700
Unrestricted	1,564,866	1,476,063
Total net position	4,305,530	4,128,562
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 10,157,043</b>	<b>\$ 10,070,985</b>

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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUE</b>		
Service charges - Greatrock	\$ 195,822	\$ 159,308
Service charges - Rockinghorse Farms	109,224	115,089
Service charges - Box Elder	159,603	156,034
Availability of service fees	13,475	14,980
Irrigation lease revenue	7,500	7,500
Inspection fees	7,306	5,626
Inclusion fees	3,368	-
Miscellaneous	3,182	6,023
Total operating revenue	499,480	464,560
<b>OPERATING EXPENSES</b>		
General and administration		
Accounting	18,307	18,330
District management	38,622	56,423
Audit	8,207	6,643
Director fees	4,000	4,900
Payroll taxes	444	375
Utility billing	16,719	14,647
Insurance	18,359	16,323
Legal	35,088	46,105
Website development	643	640
Elections	1,261	-
Miscellaneous	11,423	8,531
Operations		
Depreciation	221,091	221,091
Engineering	36,819	45,792
Utilities	48,077	31,919
Testing and reporting	5,013	6,057
Plant supplies	4,205	5,636
Meter reading	10,005	9,163
Rules and regulations	1,820	-
GIS	19,252	-
Maintenance and repair	94,898	133,341
Operator services	49,156	49,873
Inclusions	1,295	-
Concentrate disposal	1,881	18,351
Water rights development	58,869	90,362
Total operating expenses	705,454	784,502
<b>OPERATING LOSS</b>	<b>(205,974)</b>	<b>(319,942)</b>
<b>NONOPERATING REVENUE AND (EXPENSES)</b>		
Property taxes	590,549	511,545
Specific ownership taxes	48,701	44,266
Net investment income	8,227	2,748
County treasurer's fees	(8,861)	(7,677)
Bond interest expense	(251,157)	(257,891)
Bond insurance cost amortization	(2,167)	(2,165)
Arbitrage compliance	(2,000)	(1,500)
Paying agent fees	(350)	(350)
Total nonoperating revenue (expense)	382,942	288,976
<b>CHANGE IN NET POSITION</b>	<b>176,968</b>	<b>(30,966)</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>4,128,562</b>	<b>4,159,528</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 4,305,530</b>	<b>\$ 4,128,562</b>

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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 454,950	\$ 456,559
Payments to vendors	(456,536)	(608,781)
Other operating receipts	3,182	6,023
Net cash provided (required) by operating activities	1,596	(146,199)
 <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital asset purchases	(70,451)	(19,030)
Bond interest paid	(238,557)	(245,319)
Bond principal paid	(190,000)	(180,000)
Arbitrage compliance	(2,000)	(1,500)
Net cash required by capital financing activities	(501,008)	(445,849)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property and specific ownership taxes received	638,922	555,719
County treasurer's fees paid	(8,861)	(7,677)
Net cash provided by noncapital financing activities	630,061	548,042
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	8,227	2,748
Net cash provided by investing activities	8,227	2,748
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	138,876	(41,258)
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	1,478,567	1,519,825
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,617,443	\$ 1,478,567
 <b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (205,974)	\$ (319,942)
Adjustments to reconcile operating loss to net cash required by operating activities:		
Depreciation	221,091	221,091
Effects of changes in operating assets and liabilities:		
Accounts receivable	(3,601)	(1,978)
Prepaid expenses	396	(17,259)
Accounts payable	27,431	(28,111)
Net cash required by operating activities	\$ 39,343	\$ (146,199)

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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Greatrock North Water and Sanitation District (District), was organized on May 27, 1998, as a quasi-municipal corporation and political subdivision of the State of Colorado, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Adams County, Colorado. The District's purpose is to provide public water services and stormwater drainage and detention to the property owners and residents of the District. The District is governed by an elected Board of Directors.

The District has no employees and all operations and administration 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.

**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 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 an 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.

**Budgets**

In accordance with the Local Government Budget Law of Colorado, 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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

For financial statement presentation purposes, the District is reported as a single enterprise fund. For budgetary purposes, the District separately budgets for specific components of this enterprise fund. These separate budgetary components of the District are the general fund, debt service fund and capital projects fund. For budgetary reporting purposes these components are combined into a single budgetary schedule.

The District amended the budget for the year ended December 31, 2016.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

**Accounts Receivable**

Accounts receivable consist of uncollected water service revenue. Due to the District's broad powers of collection, no allowance for uncollectible water service revenue receivables has been reported.

**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. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

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 capital assets, as applicable.

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

Water distribution system	20 - 40 years
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**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**Tap Fees and Contributed Lines**

Tap 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.

**Bond Issue Costs, Original Issue Discount, Deferred Loss on Bond Refunding**

Bond issuance costs are treated as a period cost and expensed in the year incurred. The deferred loss on bond refunding and bond insurance obtained at issuance of the bonds are being amortized over the life of the refunded bonds using the straight line method. The original issue discount and premium are being amortized over the life of the bonds using the effective interest method.

**Reclassifications**

For comparability, certain 2015 amounts have been reclassified where appropriate to conform with the 2016 financial statement presentation.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2016 and 2015 are classified in the accompanying financial statements as follows:

	<b>2016</b>	<b>2015</b>
Cash and cash equivalents - unrestricted	\$ 1,614,168	\$ 1,468,159
Cash and cash equivalents - restricted	3,275	10,408
	<b>\$ 1,617,443</b>	<b>\$ 1,478,567</b>

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

	<b>2016</b>	<b>2015</b>
Cash deposits	\$ 575,610	\$ 646,199
Investments	1,041,833	832,368
	<b>\$ 1,617,443</b>	<b>\$ 1,478,567</b>

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
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**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 \$575,116 and a carrying balance of \$575,610. At December 31, 2015, the District had cash deposits with a bank balance of \$655,816 and a carrying balance of \$646,199.

**Investments**

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which 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

The local government investment pool, Colorado Local Government Liquid Asset Trust (COLOTRUST), is rated AAAM by Standard and Poor's. Information related to Standard & Poor's ratings can be obtained from Standard & 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 requirement.

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	
		<u>2016</u>	<u>2015</u>
Colostrust Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 1,041,833</u>	<u>\$ 832,368</u>

**COLOTRUST**

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 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.

**Investment Valuation**

The District has certain investments which are measured at fair value on a recurring basis 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.

COLOTRUST is measured at fair value based on Level 2 inputs.

**RESTRICTED CASH AND INVESTMENTS**

At December 31, 2016 and 2015, cash and investments in the amount of \$3,275 and \$10,408, respectively are restricted for debt service related to the Series 2007 Improvement Bonds and Series 2010 Improvement Bonds (Note 5).

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
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**NOTE 4 - CAPITAL ASSETS**

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

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 94,243	\$ -	\$ -	\$ 94,243
Water rights	980,105	-	-	980,105
Easements	152,989	-	-	152,989
Construction in progress	23,238	132,529	-	155,767
Total capital assets, not being depreciated	<u>1,250,575</u>	<u>132,529</u>	<u>-</u>	<u>1,383,104</u>
Capital assets, being depreciated:				
Water distribution system	8,843,643	-	-	8,843,643
Total capital assets being depreciated	<u>8,843,643</u>	<u>-</u>	<u>-</u>	<u>8,843,643</u>
Less accumulated depreciation for:				
Water distribution system	(2,340,932)	(221,091)	-	(2,562,023)
Total accumulated depreciation	<u>(2,340,932)</u>	<u>(221,091)</u>	<u>-</u>	<u>(2,562,023)</u>
Total capital assets being depreciated, net	<u>6,502,711</u>	<u>(221,091)</u>	<u>-</u>	<u>6,281,620</u>
Total capital assets, net	<u>\$ 7,753,286</u>	<u>\$ (88,562)</u>	<u>\$ -</u>	<u>\$ 7,664,724</u>

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**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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An analysis of the changes in capital assets for the year ended December 31, 2015 follows:

	<b>Balance at December 31, 2014</b>	<b>Additions</b>	<b>Disposals/ Retirements</b>	<b>Balance at December 31, 2015</b>
Capital assets, not being depreciated:				
Land	\$ 94,243	\$ -	\$ -	\$ 94,243
Water rights	980,105	-	-	980,105
Easements	152,989	-	-	152,989
Construction in progress	4,208	19,030	-	23,238
Total capital assets, not being depreciated	<u>1,231,545</u>	<u>19,030</u>	<u>-</u>	<u>1,250,575</u>
Capital assets, being depreciated:				
Water distribution system	8,843,643	-	-	8,843,643
Total capital assets being depreciated	<u>8,843,643</u>	<u>-</u>	<u>-</u>	<u>8,843,643</u>
Less accumulated depreciation for:				
Water distribution system	(2,119,841)	(221,091)	-	(2,340,932)
Total accumulated depreciation	<u>(2,119,841)</u>	<u>(221,091)</u>	<u>-</u>	<u>(2,340,932)</u>
Total capital assets being depreciated, net	<u>6,723,802</u>	<u>(221,091)</u>	<u>-</u>	<u>6,502,711</u>
Total capital assets, net	<u><u>\$ 7,955,347</u></u>	<u><u>\$ (202,061)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,753,286</u></u>

**NOTE 5 – LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	<b>Balance at December 31, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2016</b>	<b>Due Within One Year</b>
General Obligation Refunding and					
Improvement Bonds, Series 2007	\$ 3,105,000	\$ -	\$ 135,000	\$ 2,970,000	\$ 140,000
Improvement Bonds, Series 2010	2,125,000	-	55,000	2,070,000	55,000
Less deferred amounts:					
2007 issue discount	(7,129)	-	(525)	(6,604)	-
2010 issue premium	80,026	-	7,632	72,394	-
Total long-term obligations	<u><u>\$ 5,302,897</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 197,107</u></u>	<u><u>\$ 5,105,790</u></u>	<u><u>\$ 195,000</u></u>

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2015:

	<b>Balance at December 31, 2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2015</b>	<b>Due Within One Year</b>
General Obligation Refunding and					
Improvement Bonds, Series 2007	\$3,230,000	\$ -	\$ 125,000	\$ 3,105,000	\$ 135,000
Improvement Bonds, Series 2010	2,180,000	-	55,000	2,125,000	55,000
Less deferred amounts:					
2007 issue discount	(7,653)	-	(524)	(7,129)	-
2010 issue premium	87,778	-	7,752	80,026	-
Total long-term obligations	<u>\$5,490,125</u>	<u>\$ -</u>	<u>\$ 187,228</u>	<u>\$ 5,302,897</u>	<u>\$ 190,000</u>

**General Obligation Refunding and Improvement Bonds, Series 2007**

On June 21, 2007, the District authorized the issuance of General Obligation Refunding and Improvement Bonds dated June 27, 2007. The bonds refunded the outstanding Limited Tax General Obligation Bonds Series 1998 and the outstanding Subordinate Limited Tax General Obligation Bonds Series 2002 and provided funding to construct and install certain improvements to the District's water system. The bonds bear interest at rates between 4.00% and 4.49%, payable semiannually on each June 1 and December 1, commencing on December 1, 2007. The bonds are subject to mandatory sinking fund redemption commencing on December 1, 2009. The Bonds maturing on and before December 1, 2017, are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after December 1, 2022 are subject to redemption prior to maturity, at the option of the District, on December 1, 2017 at a redemption price equal to 100% together with accrued interest thereon to the date of redemption. On October 5, 2010, the District advance refunded \$1,175,000 of the principal balance of the bonds. As of December 31, 2015, all of the defeased bonds had been paid in full. The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds when due.

**General Obligation Refunding and Improvement Bonds, Series 2010**

On October 5, 2010, the District authorized the issuance of General Obligation Refunding Bonds dated December 1, 2010. The bonds partially refunded the General Obligation Refunding and Improvement Bonds Series 2007 and provided additional funding to construct and install certain improvements to the District's water system. The bonds bear interest at rates between 2.25% and 5.00%, payable semiannually on each June 1 and December 1, commencing on June 1, 2013. The bonds on and before December 1, 2020 are not subject to redemption prior to their respective maturity dates. The bonds maturing December 1, 2025 are subject to mandatory sinking fund redemption commencing on December 1, 2021 and each December thereafter. The Bonds maturing on and after December 1, 2025 are subject to redemption prior to maturity as a whole or in integral multiples of \$5,000, at the option of the District, on December 1, 2020 upon payment of par and accrued interest, without redemption premium.

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The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 195,000	\$ 230,337	\$ 425,337
2018	215,000	222,808	437,808
2019	235,000	214,192	449,192
2020	255,000	204,312	459,312
2021	255,000	193,573	448,573
2022-2026	1,570,000	774,978	2,344,978
2027-2031	1,865,000	349,230	2,214,230
2032-2033	450,000	30,260	480,260
	<u>\$ 5,040,000</u>	<u>\$ 2,219,690</u>	<u>\$ 7,259,690</u>

**Authorized Debt**

On May 5, 1998, a majority of the District's voters authorized the issuance of indebtedness in an amount not to exceed \$16,600,000 for purpose of designing, acquiring, constructing, completing and installing a complete potable and nonpotable water supply, purification, storage, transmission and distribution system. As of December 31, 2016 and 2015, the District had utilized \$6,750,000 of the total authorized debt of \$16,600,000, resulting in \$9,850,000 of authorized but unissued indebtedness.

**NOTE 6 – INCLUSION AGREEMENTS**

**Homestead Heights, LLC**

On November 21, 2006, the District entered into an inclusion agreement with Homestead Heights, LLC (Homestead) associated with property known as Homestead Heights, II. The agreement calls for Homestead to pay a system development fee in the amount of \$16,000 for the first fifteen units and the remaining system development fees will be due prior to the issuance of building permits. The agreement for inclusion is for approximately 56 residential lots. Homestead also agreed to post fees deposits in increments of \$10,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to Homestead. On January 24, 2008, the District amended the inclusion fee incremental refundable deposits to \$5,000 from \$10,000. On December 5, 2007, the District filed a statement of lien on the property owned by Homestead Heights, LLC in the amount of \$240,000 for the 15 system development fees that were to be prepaid by Homestead within 30 days of the execution of the agreement. On August 20, 2008, the District and Homestead entered into the first amendment to the inclusion agreement. In the amended agreement, the District agreed to remove the \$240,000 lien placed on the property. Additionally the payment terms for the system development fees were modified such that Homestead is to remit the system development fees, at the District's then current system development fee rate, within certain periods following the issuance of building permits by the county. During 2016 and 2015 the District received \$-0- system development fees related to this inclusion agreement.

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
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**Hayesmount Properties, LLC**

On August 23, 2007, the District entered into an inclusion agreement with Hayesmount Properties, LLC (Hayesmount) associated with property known as Hayesmount Estates. Under the agreement, Hayesmount must pay system development fees for the first five units either within 120 days of recordation of a final plat for the Hayesmount Estates development or prior to the start of construction, whichever occurs first. The system development fees on all remaining lots shall be due and owing prior to the issuance of building permits by the County. The agreement for inclusion is for approximately 21 single-family detached lots. Hayesmount also agreed to post fees deposits in increments of \$10,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to the Hayesmount. On January 24, 2008, the District amended the inclusion fee incremental refundable deposits to \$5,000 from \$10,000. No system development fees were received in 2016 or 2015.

**Ridgeview Estates LLC**

On July 24, 2008, the District entered into an inclusion agreement with Ridgeview Estates LLC (Ridgeview) associated with property known as the Ridgeview Estates Subdivision. Under the agreement, Ridgeview must provide adjudicated water rights associated with the 62.3 acre Ridgeview Estates Subdivision to the District through a Special Warranty Deed. Upon inclusion into the District, the District will provide water for 21 approximately 2.5 acre lots in the Ridgeview Estates Subdivision. Ridgeview is responsible for the construction of a single 8 inch looped water line (Water Improvements) in accordance with District specifications. Upon completion of the Water Improvements, Ridgeview shall convey the Water Improvements to the District. System development fees are to be collected on an equivalent residential unit basis on the properties within the Ridgeview Estates Subdivision. Ridgeview also agreed to post a fees deposit in increments of \$5,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to the Ridgeview. During 2016 and 2015 the District received no system development fees related to this inclusion agreement.

**NOTE 7 – WATER LEASE OPTION AGREEMENT**

On January 23, 2007, the District entered into a water lease option agreement with Box Elder Creek Ranch Water Company (Box Elder). The agreement grants Box Elder an option to lease a portion of its Laramie-Fox Hills aquifer ground water available for specific uses. Each year this agreement is in effect, Box Elder shall pay to the District a reservation/lease fee of \$7,500 per year, regardless of use, on or before January 10. The reservation/lease fee shall increase by the Denver-Boulder Consumer Price Index plus 1% compounded, annually. Box Elder shall also reimburse the District for a proportional amount of the energy and administrative costs incurred by the District to pump the Laramie Water to the Box Elder stream bed for Box Elder's benefit. The District waived the CPI adjustments and collected lease revenue of \$7,500 in 2016 and \$7,500 in 2015 under this agreement.

On November 4, 2010 the agreement was amended to provide for the delivery of Laramie Water to Box Elder on a rolling three year schedule and provisions related to the District's SCADA

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
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system. Box Elder may install and connect to the District's SCADA System in the future at its option. If Box Elder chooses this option, it shall be responsible for any hard and soft costs associated with the installation of the system at its pond and recharge pond.

Effective July 8, 2015, the District and Box Elder entered into an Amended and Restated Water Lease Option Agreement (Restated Agreement) which amended and restated the original agreement in its entirety. The District is entitled to withdraw an average annual amount of up to 105.2 acre-feet per year of Laramie-Fox Hills aquifer ground water. Pursuant to the Restated Agreement, the District granted to Box Elder an option to lease from the District up to 65 acre-feet of Laramie Water per year for augmentation purposes, as more particularly described in the Restated Agreement, subject to availability as determined solely by the District.

On an annual basis, Box Elder shall notify the District of the total amount of its anticipated need for the Reserved Laramie Water over a three (3) year period and the District will notify Box Elder if the amount of Reserved Laramie Water available for lease. If Box Elder chooses not to exercise its option to lease the Reserved Laramie Water, in whole or in part, then the District may lease such Reserved Laramie Water not otherwise leased to Box Elder to a third party. Any lease entered into by the District with a third party shall expire on or before March 31 of the following year. If the District determines that it does not have at least thirty (30) acre-feet of Laramie Water available to lease to Box Elder during any year for the term of the Restated Agreement, the District shall notify Box Elder of that fact and shall not be required to lease or deliver any Laramie Water to Box Elder for that year and the fee paid for that year by Box Elder shall be refunded. However, Box Elder may, at its option, accept such lesser amount of Laramie Water in which case the fee paid will not be refunded.

On or before January 10 of each year the Restated Agreement is in effect, Box Elder shall pay to the District a reservation/lease fee in the amount of \$7,500 per year, regardless of use. To account for inflation, the fee shall increase by the Denver-Boulder Consumer Price Index, plus 1% annually. In the event that Box Elder doesn't pay the fee by dates specified in the Restated Agreement, the District shall be entitled to terminate the Restated Agreement.

If Box Elder exercises its option to lease the Reserved Laramie Water, Box Elder shall also reimburse the District for a proportional amount of the operation, maintenance, administration and energy costs, including, but not limited to, labor and mileage of District employees or independent contractors, all incurred by the District to pump the Laramie Water to Box Elder.

The Restated Agreement shall be in effect until May 16, 2032; provided, however, that the Restated Agreement shall automatically renew for an additional five (5) year term unless otherwise terminated by either Party in writing at least thirty (30) days prior to the renewal date.

**NOTE 8 - NET POSITION**

The District's net position consists of three components – net investment in capital assets; restricted; 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.

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As of December 31, 2016 and 2015, the District had \$2,721,464 and \$2,635,799, respectively, net investment in capital assets.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position consists of \$19,200 and \$16,700 as of December 31, 2016 and 2015, respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 10).

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

As of December 31, 2016, the District had unexpended construction related contract commitments of approximately \$151,100.

**NOTE 10 - RISK MANAGEMENT**

Except as provided by the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., as may be amended from time to time, the District may be 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 compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past four fiscal years.

The District pays annual premiums to the Pool for property, liability, public officials' liability, boiler and machinery, 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 11 - 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.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not

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allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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 is of the opinion that its water activity enterprise, and all activities related thereto are carried on as an Enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45.;1-01, et seq. The District's annual budget and financial statements are deemed by the District to be the annual budget and financial statements of the Enterprise.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

On May 5, 1998, a majority of the District's voters approved the following ballot question: Shall Greatrock North Water and Sanitation District taxes be increased \$200,000 annually in the first full fiscal year by the imposition of a mill levy on all taxable property within the boundaries of the District, which mill levy shall generate not more than said annual amount in ad valorem property tax revenues for the District in the first full fiscal year for the purposes of the operation and maintenance of the District's services and facilities; and shall the revenues generated by such taxes in each year thereafter be approved as an increased levy without regard to the tax increase limitation contained in Section 29-1-301, Colorado Revised Statutes, or any other tax increase limitation under any other law; and shall the revenue changes caused by the collection and spending of such tax revenues in every year be approved, permitting such tax revenues and any investment earnings thereon be collected and spent by the District without limitation or condition, and without limiting the collection or spending of any other revenues or funds by the District under Article X, Section 20 of the Colorado Constitution or any other law?

On May 6, 2008, a majority of the District's voters approved the following ballot question: Shall Greatrock North Water and Sanitation District be authorized to retain all revenues generated by or from rates, fees, tolls, charges, specific ownership taxes, agreements with other local governments, grants from the state or from any local government, lottery distributions, and any other revenues generated or received by the District, including reduction in debt service, in 1998 and in all subsequent years (which amounts does not include revenues generated from ad valorem property taxes); and shall the District be authorized to spend such revenues and investment income thereon as a voter-approved revenue change and an exception to and spending limitations which might otherwise apply?

On May 6, 2008, a majority of the District's voters approved the following ballot question: Shall Greatrock North Water and Sanitation District taxes be increased \$300,000 annually (for collection in calendar year 2008) and by the additional amounts that are raised annually thereafter by the imposition of an ad valorem property tax levy of 35 mills for the purpose of paying the District's administration, operations and maintenance and other similar expenses, and shall the revenue from such taxes and any investment income thereon together with all revenue received prior to calendar year 2008 from imposition of the District's operations mill levy and any investment income thereon be collected, retained and spent by the District in each fiscal year prior to, through and including 2008 and thereafter as a voter-approved revenue changes without regard to any spending, revenue-raising, or other limitation contained within Articles X, Section 20 of the

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

Colorado Constitution, the limits imposed on increased in property taxation by Section 29-1-301, C.R.S in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

**NOTE 12 - ESTIMATED CLOSURE COSTS**

The District utilizes two evaporation ponds (impoundments) as part of its water treatment waste management. The impoundments are classified as Type B and subject to the requirements of the Hazardous Material and Waste Management Division's (Division) *Regulations Pertaining to Solid Waste Sites and Facilities* (the Regulations). Section 9.3.4 (F) and Section 1.8 of the Regulations requires the District to estimate the closure costs if the impoundments owned and used by the District were to be closed.

The District's engineer has provided an estimate of the closure costs based on the closure plan presented in the *Engineering, Design, and Operation Plan dated May 2013, Revision 2* submitted to the Division in May 2013. The closure plan follows a clean-in-place closure thereby eliminating the need for environmental covenant and post-closure care and costs. The closure costs were gathered from suppliers, contractors, and an internal database of historical project costs for the area. The estimates include the cost of engineering oversight, soil disposal, testing, liner removal and disposal, site grading, seeding, piping abandonment, erosion control as well as a contingency. As of December 31, 2015, the estimated closure costs for the impoundments are \$346,815. As of the date of the audit report, the District has no plans or intentions nor has it been ordered to close the impoundments, therefore, no liability has been recorded on the financial statements of the District in connection with the estimated costs.

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

**SUPPLEMENTAL INFORMATION**

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
Year Ended December 31, 2016

	Budgeted Amounts	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 590,913	\$ 590,913	\$ 590,549	\$ (364)
Specific ownership taxes	41,364	41,364	48,701	7,337
Service charges - Greatrock	151,031	151,031	195,822	44,791
Service charges - Rocking Horse	107,530	107,530	109,224	1,694
Service charges - Box Elder	152,318	152,318	159,603	7,285
Available of service fees	14,880	14,880	13,475	(1,405)
Irrigation lease revenue	7,500	7,500	7,500	-
Net investment income	1,600	1,600	8,227	6,627
Inspection fees	-	-	7,306	7,306
Inclusion fees	-	-	3,368	3,368
Transfer from General Fund	160,000	160,000	160,491	491
Miscellaneous	-	-	3,182	3,182
Total Revenues	<u>1,227,136</u>	<u>1,227,136</u>	<u>1,307,448</u>	<u>80,312</u>
<b>EXPENDITURES</b>				
Administration and operations:				
Accounting	23,220	23,220	18,307	4,913
District management	65,450	65,450	36,709	28,741
Project management	3,920	3,920	1,913	2,007
Water rights development	106,000	106,000	58,869	47,131
Audit	7,500	7,500	8,207	(707)
Director fees	6,500	6,500	4,000	2,500
Utility billing	19,200	19,200	16,719	2,481
Insurance	18,118	18,118	18,359	(241)
Legal	59,750	59,750	34,108	25,642
Website development	1,000	1,000	643	357
Elections	10,000	10,000	1,261	8,739
Miscellaneous	14,000	14,000	11,423	2,577
Engineering	50,717	50,717	36,819	13,898
Utilities	35,000	35,000	48,077	(13,077)
Testing and reporting	7,000	7,000	5,013	1,987
Plant supplies	8,000	8,000	4,205	3,795
Meter reading	8,500	8,500	10,005	(1,505)
Rules and regulations	1,000	1,000	1,820	(820)
GIS	-	-	19,252	(19,252)
Maintenance and repair	372,870	372,870	90,547	282,323
Concentrate disposal	5,000	5,000	1,881	3,119
Operator services	54,084	54,084	49,156	4,928
Inclusions	-	-	1,295	(1,295)
Payroll taxes	497	497	444	53
County treasurer's fees	5,363	5,363	5,361	2
Water meters	5,400	5,400	4,351	1,049
Transfer to Debt Service Fund	160,000	160,000	160,491	(491)
Emergency reserve	24,073	24,073	-	24,073
Contingency	-	-	-	-

(Continued)

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended December 31, 2016**

	(Continued)			
	Budgeted Amounts	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Debt Service:				
Paying agent fees	500	500	350	150
Arbitrage compliance	2,000	2,000	2,000	-
Legal	500	500	-	500
2007 GO Bonds principal	135,000	135,000	135,000	-
2007 GO Bonds interest	136,157	136,157	135,685	472
2010 GO Bonds principal	55,000	55,000	55,000	-
2010 GO Bonds interest	102,050	102,050	101,866	184
County treasurer's fees	3,501	3,501	3,500	1
Contingency	500	500	-	500
Capital Outlay:				
Legal	3,000	3,000	980	2,020
Greatrock North pump station	187,970	319,504	132,529	186,975
Total expenditures	<u>1,698,340</u>	<u>1,829,874</u>	<u>1,216,145</u>	<u>613,729</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(471,204)	(602,738)	91,303	694,041
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>1,483,381</u>	<u>1,483,381</u>	<u>1,492,763</u>	<u>9,382</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 1,012,177</u>	<u>\$ 880,643</u>	<u>\$ 1,584,066</u>	<u>\$ 703,423</u>

Funds available are computed as follows:

Current assets	\$ 2,329,789
Current liabilities	(137,466)
Deferred inflows of resources	(608,257)
	<u>\$ 1,584,066</u>

**GREATROCK NORTH 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)	\$ 1,307,448
Transfer from General Fund	<u>(160,491)</u>
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>1,146,957</u>
Expenditures (budgetary basis)	1,216,145
Depreciation	221,091
Capital outlay	(132,529)
Transfer to Debt Service Fund	(160,491)
Bond principal payment	(190,000)
Bond insurance cost amortization	2,167
Original issue discount/premium amortization	(7,107)
Deferred loss on refunding amortization	<u>20,713</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>969,989</u>
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	<u><u>\$ 176,968</u></u>

## **OTHER INFORMATION**

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
SUMMARY OF ASSESSED VALUATION , MILL LEVY  
AND PROPERTY TAXES COLLECTED  
Year Ended December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2010	\$ 12,326,250	35.000	\$ 431,419	\$ 456,737	105.9%
2011	\$ 12,050,510	42.500	\$ 512,146	\$ 515,286	100.6%
2012	\$ 11,231,320	45.500	\$ 511,025	\$ 511,359	100.1%
2013	\$ 11,217,880	45.500	\$ 510,414	\$ 509,506	99.8%
2014	\$ 10,900,660	46.840	\$ 510,587	\$ 511,135	100.1%
2015	\$ 10,921,110	46.840	\$ 511,545	\$ 511,545	100.0%
2016	\$ 12,615,550	46.840	\$ 590,913	\$ 590,549	99.9%
Estimated for year ending December 31, 2017	\$ 12,985,840	46.840	\$ 608,257		

**NOTE:** Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.