

**GRANT WATER & SANITATION DISTRICT
Denver and Jefferson Counties, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016**

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April 26, 2018

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Grant Water and Sanitation District (District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grant Water and Sanitation District, as of December 31, 2017 and 2016, 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 18, 2018

**GRANT WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2017 and 2016**

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, 2017 and 2016. 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 2017. It cleaned and removed additional calcium deposits from the underdrain system at a cost of \$90,045. In 2016, the District spent \$143,445 on calcium removal from the underdrain system.

A recap of the capital projects undertaken by the District in 2016 and 2017 include the following:

- In 2016, the District lined approximately 1,000 lineal feet of sewer main using the cured in place pipe lining method (CIPP), the total cost for which was \$98,870. The District incurred costs in 2017 of \$54,365 for designing and bidding additional CIPP point repairs, manhole lining and the removal and replacement of approximately 500 lineal feet of 8 and 10-inch sewer mains. Construction had to be postponed until 2018 due to contractor availability and the shortage of material, except tree removal for the main replacement project was undertaken at a cost of \$17,250.
- In 2016, the District replaced both pumps and variable frequency drive starters at the Northeast lift station, the cost for which totaled \$32,240. The District also replaced the autodialer at the Chanson Plaza lift station in 2016 at a cost of \$5,555. Although no capital costs were incurred for the District's lift stations in 2017, maintenance costs for the lift stations increased from approximately \$30,000 in 2016 to \$50,000 in 2017 because numerous repairs and replacement of aging parts were required including check valves, transducers and discharge elbows.
- The District's 25 year capital improvements and financial plan that was started in 2015 was completed in 2017, the total cost for which was \$34,522. The District's new Geographical Information System (GIS) is still under development with costs incurred in 2016 and 2017 totaling \$4,450 and \$6,080, respectively.

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

	December 31,		
	2017	2016	2015
ASSETS			
Current assets	\$3,289,997	\$2,857,477	\$2,692,473
Capital assets	5,052,030	5,248,293	5,378,849
Total assets	8,342,027	8,105,770	8,071,322
LIABILITIES			
Current liabilities	57,079	67,250	122,396
Total liabilities	57,079	67,250	122,396
NET POSITION			
Net investment in capital assets	5,052,030	5,248,293	5,378,849
Unrestricted	3,232,918	2,790,227	2,570,077
Total net position	\$8,284,948	\$8,038,520	\$7,948,926

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 2017 by \$8,284,948. This amount increased from 2016 by \$246,428 or 3.1% and from 2015 by \$336,022 or 4.2%. This positive net increase is the result of the District having to postpone capital improvements in 2017 for which only 30% of the capital reserve fee revenue was expended and the District received over \$91,000 of unexpected system development fees in 2016 and 2017. The District's operating cash and capital reserves have grown from \$2,673,477 in 2015 to \$3,267,596 in 2017, an increase of \$594,119 or a little over 22%.

CHANGES IN NET POSITION

	Years Ended December 31,		
	2017	2016	2015
REVENUES			
OPERATING REVENUE			
Service fees	\$ 558,529	\$ 660,810	\$ 459,462
Inspection fees	18,837	14,824	15,160
Other fees and fines	16,923	14,675	11,165
Total operating revenue	<u>594,289</u>	<u>690,309</u>	<u>485,787</u>
NONOPERATING REVENUE			
Net investment income			
Interest	35,780	24,406	26,313
Net increase (decrease) in fair value of investments	(15,373)	(1,198)	(5,342)
Capital reserve fees	207,407	55,193	222,629
Total nonoperating revenue	<u>227,814</u>	<u>78,401</u>	<u>243,600</u>
CAPITAL CONTRIBUTIONS			
System development fees	71,950	19,575	3,625
	<u>71,950</u>	<u>19,575</u>	<u>3,625</u>
Total revenues	<u>894,053</u>	<u>788,285</u>	<u>733,012</u>
EXPENSES			
OPERATING AND GENERAL AND ADMINISTRATIVE			
Operating	474,601	517,546	455,326
General and administrative expenses	173,024	152,771	153,409
Total operating and general and administrative expenses	<u>647,625</u>	<u>670,317</u>	<u>608,735</u>
NONOPERATING EXPENSE			
Loss on disposal of capital assets		28,374	3,334
Total nonoperating expenses	-	28,374	3,334
Total expenses	<u>647,625</u>	<u>698,691</u>	<u>612,069</u>
CHANGE IN NET POSITION	246,428	89,594	120,943
NET POSITION - BEGINNING OF YEAR	<u>8,038,520</u>	<u>7,948,926</u>	<u>7,827,983</u>
NET POSITION - END OF YEAR	<u>\$ 8,284,948</u>	<u>\$ 8,038,520</u>	<u>\$ 7,948,926</u>

Overall, the District's service fees and capital reserve fees have increased by 12.3% from 2015 to 2017. The fees funded increased maintenance costs and capital repairs required as the District's infrastructure continues to age. Some of the District's sewer system is now more than 30 years old. Also, the District is continuing to build its capital reserves, which grew from \$2,440,227 in 2016 to \$2,917,596 in 2017, exceeding the District's goal to increase its capital reserves to \$2.5 million by 2018. The District's net increase in cash and investments and increases in long term interest rates had a positive effect on the District's interest earnings for 2017. Interest earnings grew to \$35,780, an increase of more than 47% from 2016.

The District's operating expenses increased from 2015 to 2017 mainly because of the District's underdrain calcium remediation project. Project costs increased from \$98,250 in 2015 to

\$127,933 in 2016. Only \$68,397 was expended in 2017, but \$123,000 was budgeted to be spent. General and administrative expenses increased from 2016 to 2017 by more than 13% mainly due to additional consulting costs incurred for identifying the District's easements with non-permitted improvements and working through solutions for the problems found.

CAPITAL ASSETS

The District's investment in capital assets at December 31, 2017 amounted to \$5,052,030 (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, 2015		Balance at December 31, 2016		Balance at December 31, 2017	
		Changes		Changes		
Projects in progress	\$ 45,436	\$ 13,042	\$ 58,478	\$ 30,065	\$ 88,543	
Master plan	-	-	-	34,523	34,523	
Sewer system	5,440,985	65,495	5,506,480	-	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	938,435	-	938,435	-	938,435	
Total assets	9,824,952	78,537	9,903,489	64,588	9,968,077	
Accumulated depreciation/ amortization	(4,446,103)	(209,093)	(4,655,196)	(260,851)	(4,916,047)	
Total capital assets, net	\$ 5,378,849	\$ (130,556)	\$ 5,248,293	\$ (196,263)	\$ 5,052,030	

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.

The District completed its 25 year capital improvements and financial plan in 2017. The total costs of \$34,523 will be amortized for the next ten years. Additional work on the District's GIS totaling \$6,080 was completed in 2017 with the total GIS costs of \$34,178 remaining in projects in progress. These costs along with costs totaling \$54,365 for project design, bidding and tree removal related to the District's 2017 sewer capital projects make up the balance of \$88,543 remaining in the projects in progress. The District anticipates completing both the GIS project and the 2017 sewer capital projects in 2018.

FUTURE ECONOMIC FACTORS AND RATES

Overall, for 2018, the District's fees will be increasing about 1.5%. For single family residential customers, the total sewer service fee will increase by \$4.50 but the total underdrain service fee will decrease by \$4. This will result in a net increase in the minimum bill for a single family customer of only \$.50. For the District's multi-family customers, they will see a \$1.70 per unit increase in their sewer fees. Multi-family units with underdrains will see a \$4 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 2018 increased to 61,696 gallons from the 59,280 gallons average for 2017.

A comparison of the District's service fee rates for the past few years, as well as for 2018, is shown below.

Year	2018	2017	2016
Commercial Sewer Service & Capital Reserve Fee – per 1,000 gallons	\$ 2.70	\$ 2.67	\$ 2.60
Residential Sewer Service & Capital Reserve Fee – Single Family	\$ 186.00	\$ 181.50	\$134.00
Residential Sewer Service & Capital Reserve Fee – Multi-Family	\$106.00	\$104.30	\$101.30
Underdrain Service & Capital Reserve Fee	\$ 103.00	\$ 107.00	\$146.00

The District continues to undertake capital improvement projects each year as its sewer and underdrain systems age. For 2018, the District has budgeted to spend \$470,750 for capital projects, \$90,000 of which will be spent on additional lift station improvements and the remaining balance will be spent on the main replacement and manhole linings planned for 2017 that were not completed.

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, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,196,083	\$ 1,094,718
Investments	2,071,513	1,755,198
Accounts receivable	821	5,036
Accrued interest receivable	7,691	2,287
Prepaid expenses	13,889	238
Total current assets	<u>3,289,997</u>	<u>2,857,477</u>
 CAPITAL ASSETS		
Projects in progress	88,543	58,478
Master plan	34,523	-
Sewer system	5,506,480	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
	<u>9,968,077</u>	<u>9,903,489</u>
Less accumulated depreciation and amortization	<u>(4,916,047)</u>	<u>(4,655,196)</u>
Total capital assets	<u>5,052,030</u>	<u>5,248,293</u>
 TOTAL ASSETS	 <u><u>\$ 8,342,027</u></u>	 <u><u>\$ 8,105,770</u></u>
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 50,691	\$ 54,267
Prepaid customer accounts	4,488	-
Other current liabilities	1,900	12,983
Total current liabilities	<u>57,079</u>	<u>67,250</u>
 NET POSITION		
Net investment in capital assets	5,052,030	5,248,293
Unrestricted	3,232,918	2,790,227
Total net position	<u>8,284,948</u>	<u>8,038,520</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 8,342,027</u></u>	 <u><u>\$ 8,105,770</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, 2017 and 2016**

	2017	2016
OPERATING REVENUE		
Service fees	\$ 558,529	\$ 660,810
Inspection fees	18,837	14,824
Other fees and fines	16,923	14,675
Total operating revenue	594,289	690,309
OPERATING EXPENSES		
Depreciation and amortization	260,851	251,890
Engineering	35,601	35,681
Repairs and maintenance	162,625	216,376
Inspection fees	15,524	13,599
Total operating expenses	474,601	517,546
Direct gain from operations	119,688	172,763
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit	5,200	5,100
Insurance	13,670	13,921
Election	10	1,435
Legal	23,447	17,353
Management fees	105,438	91,822
Director's fees	6,351	6,028
Office and administration	18,908	17,112
Total general and administrative expenses	173,024	152,771
Income (loss) from operations	(53,336)	19,992
NONOPERATING REVENUE (EXPENSES)		
Net investment income		
Interest	35,780	24,406
Net increase (decrease) in fair value of investments	(15,373)	(1,198)
Capital reserve fees	207,407	55,193
Loss on disposal of capital assets	-	(28,374)
Total nonoperating revenue (expenses)	227,814	50,027
INCOME BEFORE CAPITAL CONTRIBUTIONS	174,478	70,019
CAPITAL CONTRIBUTIONS		
System development fees	71,950	19,575
	71,950	19,575
CHANGE IN NET POSITION	246,428	89,594
NET POSITION - BEGINNING OF YEAR	8,038,520	7,948,926
NET POSITION - END OF YEAR	\$ 8,284,948	\$ 8,038,520

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, 2017 and 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
Cash received from customers	\$ 602,992	\$ 688,767
Cash paid to vendors	(415,084)	(459,884)
Net cash provided by operating activities	<u>187,908</u>	<u>228,883</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital outlay	(64,588)	(149,708)
Capital reserve fees	207,407	55,193
System development fees	71,950	19,575
Net cash provided (required) by capital financing activities	<u>214,769</u>	<u>(74,940)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,900,000)	(395,000)
Maturity of investments	1,572,841	672,728
Interest received	25,847	13,096
Net cash provided (required) by investing activities	<u>(301,312)</u>	<u>290,824</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,365	444,767
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,094,718</u>	<u>649,951</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,196,083</u>	<u>\$ 1,094,718</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Income (loss) from operations	\$ (53,336)	\$ 19,992
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	260,851	251,890
Effects of changes in operating assets and liabilities:		
Receivables	4,215	(1,542)
Prepaid expenses	(13,651)	13,689
Payables and other liabilities	(10,171)	(55,146)
Net cash provided by operating activities	<u>\$ 187,908</u>	<u>\$ 228,883</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Loss on disposal of capital assets	<u>\$ -</u>	<u>\$ (28,374)</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, 2017 AND 2016**

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, 2017, 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, 2017 AND 2016**

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 2016 amounts have been reclassified where appropriate to conform to the 2017 financial statement presentation.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 - CASH AND INVESTMENTS

Cash equivalents and investments are reflected for the December 31, 2017 and 2016 statements of net position and statements of cash flows as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents:		
Deposits with financial institutions	\$ 188,257	\$ 794,696
COLOTRUST	1,007,826	300,022
Total cash and cash equivalents	<u>1,196,083</u>	<u>1,094,718</u>
Investments:		
Certificates of deposit	-	768,312
U.S. Agency Obligations	<u>2,071,513</u>	<u>986,886</u>
Total investments	<u>2,071,513</u>	<u>1,755,198</u>
Total cash equivalents and investments	<u>\$ 3,267,596</u>	<u>\$ 2,849,916</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

At December 31, 2017, the District had cash deposits with a bank balance of \$198,505 and a carrying balance of \$188,257. 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.

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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

The District held the following investments as of December 31, 2017:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity</u>
COLOTRUST	\$ 1,007,826	Weighted avg. under 60 days
U.S. Agency Obligations	<u>2,071,513</u>	Mature in 2018-2022
Total investments	<u>\$ 3,079,339</u>	

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

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

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2017 and 2016 the District's holdings of U.S. Government agency securities were rated AA+ by Standard and Poor's and AAA by Moody's.

At December 31, 2017 and 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 pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or

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NOTES TO FINANCIAL STATEMENTS
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instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's.

Investment Valuation

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

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

The valuation of the District's investments are as follows at December 31, 2017:

	<u>Amount</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Investments measured at fair value:				
U.S. Agency Obligations	\$2,071,513	\$2,071,513	\$ -	\$ -
Total investments at fair value	<u>2,071,513</u>	<u>\$2,071,513</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
COLOTRUST	1,007,826			
Total investments at NAV	<u>1,007,826</u>			
Total investments	<u>\$3,079,339</u>			

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The valuation of the District's investments are as follows at December 31, 2016:

	<u>Amount</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Investments measured at fair value:				
U.S. Agency Obligations	\$ 986,886	\$ 986,886	\$ -	\$ -
Total investments at fair value	<u>986,886</u>	<u>\$ 986,886</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
COLOTRUST	<u>300,022</u>			
Total investments at NAV	<u>300,022</u>			
Total investments	<u>\$ 1,286,908</u>			

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

Concentration of Credit Risk

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

At December 31, 2017, the District had the following investments that are required to be disclosed:

<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Total Portfolio</u>
COLOTRUST	\$ 1,007,826	Not subject to disclosure
Federal Home Loan Bank	293,990	9.55%
Freddie Mac	644,976	20.95%
Fannie Mae	488,070	15.85%
Federal Home Loan Mortgage Corp.	197,170	6.40%
Federal Farm Credit Bank Notes	447,307	14.53%
	<u>\$ 3,079,339</u>	

**GRANT WATER AND SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017 AND 2016**

At December 31, 2016, the District had the following investments that are required to be disclosed:

<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Total Portfolio</u>
COLOTRUST	\$ 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>	

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**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

	Balance at January 1, 2017	Increases	Decreases	Balance at December 31, 2017
Capital assets, not being depreciated:				
Projects in progress	\$ 58,478	\$ 64,588	\$ 34,523	\$ 88,543
Capital assets, being depreciated/ amortized:				
Master plan	-	34,523		34,523
Sewer system	5,506,480	-	-	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>9,845,011</u>	<u>34,523</u>	<u>-</u>	<u>9,879,534</u>
Less accumulated depreciation/ amortization for:				
Master plan	-	2,302		2,302
Sewer system	2,519,473	150,086	-	2,669,559
Underdrain system	575,540	40,386	-	615,926
Purchased capacity				
Water	1,186,477	44,616	-	1,231,093
Sewer	373,706	23,461	-	397,167
Total accumulated depreciation/ amortization	<u>4,655,196</u>	<u>260,851</u>	<u>-</u>	<u>4,916,047</u>
Total capital assets, net	<u>\$ 5,248,293</u>	<u>\$ (161,740)</u>	<u>\$ 34,523</u>	<u>\$ 5,052,030</u>

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

	<u>Balance at January 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
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>

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, 2017 and 2016, the District had invested in capital assets of \$5,052,030 and \$5,248,293, respectively, equal to its net capital assets as the District has no outstanding debt.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 – INTERGOVERNMENTAL AGREEMENTS

WATER SERVICE AGREEMENTS

Denver Water Board

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

Participation Agreement

The District purchased Grant Properties I, Ltd's (GPI) participation cost in constructing facilities (Conduit 116) owned by the Denver Water Board in 1987. The District acquired the right to sufficient capacities in the water line to serve taps reserved to the District for \$901,297. The purchased capacity is included under the caption Purchased capacity – water and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2017 and 2016 is \$681,605 and \$659,073.

SEWER SERVICE AGREEMENTS

City of Littleton

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

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

These agreements relate to the purchase by the District of capacity in certain sewer trunk lines. The agreements with the districts provide for the sharing of maintenance expenses. In addition, the agreement with Southwest Metropolitan Water and Sanitation District provides for the sharing of replacement or rehabilitation costs. The agreement with Platte Canyon provide for the sharing of rehabilitation or replacement costs of some facilities. The purchased capacity is included under the caption Purchased capacity – sewer and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2017 and 2016 is \$397,167 and \$373,706.

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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers

compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

SUPPLEMENTAL INFORMATION

**GRANT WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2017**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Service fees	\$ 543,075	\$ 558,529	\$ 15,454
Capital reserve fees	206,000	207,407	1,407
Inspection fees	14,000	18,837	4,837
Other fees and fines	14,000	16,923	2,923
Net investment income	27,050	35,780	8,730
Decrease in fair value of investments	-	(15,373)	(15,373)
System development fees	10,000	71,950	61,950
Total Revenues	<u>814,125</u>	<u>894,053</u>	<u>79,928</u>
EXPENDITURES			
Engineering	55,950	35,601	20,349
Repairs and maintenance	337,375	162,625	174,750
Inspection fees	16,800	15,524	1,276
Audit	5,200	5,200	-
Insurance	15,500	13,670	1,830
Election costs	-	10	(10)
Legal	20,000	23,447	(3,447)
Management fees	105,000	105,438	(438)
Director's fees	6,800	6,351	449
Office and administrative	19,000	18,908	92
Capital outlay and major repairs contingency	352,500	64,588	287,912
Total Expenditures	<u>934,125</u>	<u>451,362</u>	<u>482,763</u>
NET CHANGE IN FUNDS AVAILABLE	(120,000)	442,691	562,691
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>2,743,922</u>	<u>2,790,227</u>	<u>46,305</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 2,623,922</u>	<u>\$ 3,232,918</u>	<u>\$ 608,996</u>
Funds available is computed as follows:			
Current assets		\$ 3,289,997	
Current liabilities		(57,079)	
		<u>\$ 3,232,918</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, 2017**

Revenue (budgetary basis)	<u>\$</u>	894,053
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>894,053</u>
Expenditures (budgetary basis)		451,362
Depreciation and amortization		260,851
Capital outlay		<u>(64,588)</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>647,625</u>
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>\$</u>	<u>246,428</u>