

**Genesee Water and Sanitation District  
(Jefferson County, Colorado)**

**FINANCIAL STATEMENTS**

**with Independent Auditor's Report**

**December 31, 2018 and 2017**

**Genesee Water and Sanitation District**

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**December 31, 2018 and 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Genesee Water and Sanitation District  
Jefferson County, Colorado

We have audited the accompanying financial statements of Genesee Water and Sanitation District (the District) as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements as listed in the table of contents

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Genesee Water and Sanitation District, as of December 31, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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**Fiscal Focus Partners, LLC**

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5555 DTC Parkway, Suite 375, Greenwood Village, CO 80111  
303.202.1800 Office · 303.237.0155 Fax · [www.ffpcpa.com](http://www.ffpcpa.com)

## **Other Matters**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages i through vi 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 management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal requirements, and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

*Fiscal Focus Partners, LLC*

Lakewood, Colorado  
April 9, 2019

**Genesee Water and Sanitation District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Genesee Water and Sanitation District (the District), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of Genesee Water and Sanitation District for the year ended December 31, 2018.

**Financial Highlights**

- Net Position decreased by \$168,230 (1.67%) when compared to 2017
- District Revenues increased by \$252,639 (8.05%) from 2017 to 2018
- District Expenses increased by \$292,049 (8.93%) from 2017 to 2018

**Overview of the Financial Statements**

The basic financial statements of the District are presented as a special purpose government engaged in business type activities – providing water and sanitation services, through its enterprise.

The *Statements of Net Position* present information on all of the District's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as Net Position. Over time, increases or decreases in the Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

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

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

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

**Genesee Water and Sanitation District**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Analysis**

As noted earlier, Net Position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$6,220,237 and \$3,699,190 for water and sanitation, respectively.

	<b>NET POSITION</b>			
	<b>Water</b>		<b>Sanitation</b>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>				
Current assets	\$ 1,372,083	\$ 1,356,818	\$ 1,051,059	\$ 1,088,356
Capital assets, net	<u>18,693,999</u>	<u>19,812,648</u>	<u>3,170,207</u>	<u>3,477,356</u>
<b>Total</b>	<u><u>20,066,082</u></u>	<u><u>21,169,466</u></u>	<u><u>4,221,266</u></u>	<u><u>4,565,712</u></u>
<b>Liabilities</b>				
Current liabilities	\$ 824,185	\$ 1,075,358	\$ 47,125	\$ 59,887
Long-term liabilities	<u>12,245,985</u>	<u>12,979,956</u>	<u>474,951</u>	<u>508,565</u>
<b>Total</b>	<u><u>13,070,170</u></u>	<u><u>14,055,314</u></u>	<u><u>522,076</u></u>	<u><u>568,452</u></u>
<b>Deferred Inflows of Resources</b>	<u>775,675</u>	<u>904,882</u>	<u>-</u>	<u>118,873</u>
<b>Net Position</b>				
Net invested in capital assets	5,781,692	6,246,261	2,729,289	3,011,030
<b>Restricted</b>				
Governmental reserve	35,743	55,629	117,624	46,222
Capital replacements	624,187	269,719	280,421	446,280
Loan operating reserve	274,325	260,725	-	-
Emergency reserve	34,581	30,018	3,812	6,713
<b>Unrestricted</b>	<u>(530,291)</u>	<u>(653,082)</u>	<u>568,044</u>	<u>368,142</u>
<b>Total Net Position</b>	<u><u>\$ 6,220,237</u></u>	<u><u>\$ 6,209,270</u></u>	<u><u>\$ 3,699,190</u></u>	<u><u>\$ 3,878,387</u></u>

The largest portion of the District's Net Position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Genesee Water and Sanitation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**REVENUE, EXPENSES AND CHANGES IN NET POSITION**

	<b>Water</b>		<b>Sanitation</b>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>REVENUE</b>				
Operating Revenue	\$ 959,838	\$ 761,443	\$ 811,117	\$ 812,757
Nonoperating Revenue	1,366,558	1,214,045	255,449	352,078
<b>Total Revenue</b>	<u>2,326,396</u>	<u>1,975,488</u>	<u>1,066,566</u>	<u>1,164,835</u>
<b>EXPENSES</b>				
Operating/Administrative & General Expenses	975,190	909,842	870,542	829,115
Depreciation	1,122,647	901,542	357,166	360,387
Nonoperating Expenses	217,592	247,212	18,055	21,045
<b>Total Expenses</b>	<u>2,315,429</u>	<u>2,058,596</u>	<u>1,245,763</u>	<u>1,210,547</u>
<b>Change in Net Positions</b>	10,967	(83,108)	(179,197)	(45,712)
Net Position - Beg of Year	6,209,270	6,292,378	3,878,387	3,924,099
Net Position - End of Year	<u>\$ 6,220,237</u>	<u>\$ 6,209,270</u>	<u>\$ 3,699,190</u>	<u>\$ 3,878,387</u>

District water operating revenue increased \$198,395 (26%) from 2017 to 2018.

District sanitation operating revenue decreased by \$1,640 (.20%) from 2017 to 2018.

Investment earnings remained low in 2018. The District continues to monitor and maximize interest earnings with available funds.

General operations and administrative expenses of the water and sewer operations increased \$106,775 (6.14%) from 2017 to 2018. Insurance expense increased by \$11,968 (24%), office supplies and expense increased by \$18,888 (54%) and salaries and benefits increased by \$79,372 (8.04%).

The District received \$234,962 in tax revenue from the 3.00 mill tax levy and \$342,234 in Capital Replacement Fees (CRF) fees (\$20.00 per month, per customer, \$40 per 2-month billing cycle). All revenue generated from this mill levy is restricted and used to fund only capital replacements and reserves.

**Genesee Water and Sanitation District**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**Budgetary Highlights**

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and non-operating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect “funds available.” Additionally, the budget includes the separation of the Enterprise and Government functions within the District.

**Revenue to the Government Fund**

Income received from property taxes, specific ownership taxes, bond proceeds and related investment earnings will be used to pay for long term debt service, which includes interest and principal on bonds and loans, Jefferson County Treasurer property tax collection fees, loan administration fees and bank servicing fees associated with bonds. In past years a transfer from the Government fund to the Enterprise fund was made for associated administrative services provided by the Enterprise on behalf of the Government. However, effective January 1, 2014 it has been determined the Government will directly perform related duties. In May 2008 voters approved an additional 3.0 mills property tax to fund capital replacements beginning in 2009 and ending in 2018. Money received will be restricted funds and as of 2014 is administered through the Government capital replacement program, but in unison with the Enterprise Capital Replacement Program. For more information see the Capital Replacement Fund.

**Revenue to the Enterprise Fund**

Revenues, primarily from water and sewer service charges (excluding property taxes, specific ownership taxes) are used to pay for most operations and administrative expenses of the District.

Water service fees and Water Capital Replacement Fund charges were increased on December 26, 2017. The current rates are summarized below:

<b>Schedule of Fees and Charges</b>				
<b>Effective 12/26/17</b>				
<b>Single and Multi-Family dwellings</b>				
<b>Base Charges - 2 Month Period</b>				
		Prior to 12/26/17	After 12/26/17	
Water		\$ 46.00	\$ 55.00	
Sewer		\$ 90.00	\$ 90.00	
<b>Capital Replacement Fund</b>				
Water		\$ 25.00	\$ 25.00	
Sewer		\$ 15.00	\$ 15.00	
<b>Consumption Charges</b>				
1,000-5,000	Gallons	\$ 3.25	\$ 4.05	Per 1,000 Gallons
6,000-10,000	Gallons	\$ 3.90	\$ 4.80	Per 1,000 Gallons
11,000-15,000	Gallons	\$ 4.60	\$ 5.60	Per 1,000 Gallons
16,000-20,000	Gallons	\$ 5.30	\$ 6.50	Per 1,000 Gallons
21,000 Plus	Gallons	\$ 6.00	\$ 7.75	Per 1,000 Gallons

## **Genesee Water and Sanitation District**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Water and Sewer service fees along with associated revenues and operating expenses are reviewed annually.

#### **Capital Replacement Fund**

On May 5, 2008 District voters approved a 3.0 property tax mill levy with a term of 2009 through 2018 to establish a restricted reserve fund for Capital replacements. At the time of review it was decided to fund the Capital Replacement fund partially through property taxes with the remaining amounts needed by any and all other revenue sources. It was estimated in 2008 3.0 mills would fund approximately one half of the projected capital replacement needs for the next ten years, exclusive of the new water treatment facility project described previously on page 2, long term debt . The fund will help to assure that as District infrastructure ages, most of which is now 30-plus years old, repair and replacement funds will be available to continue to provide high quality water and sewer service. Other related revenue sources include a Capital Replacement Fee (CRF) which was increased from \$15 to \$25 effective December 26, 2017 for water with sewer remaining at \$15 bringing the bi-monthly total to \$40. This fee is added to each customer's bill to help meet the unfunded portion of the District's capital replacement plan.

#### **Capital Asset and Debt Administration**

##### **Capital Assets**

The District's net investment in capital assets at December 31, 2018 amounts to \$8,510,981 (net of accumulated depreciation). This investment in capital assets includes water rights, operating system and equipment and vehicles. It should be noted that the actual value of the District's water rights portfolio cannot be accurately quantified as the rights have a perpetual life, and generally become increasingly valuable over time. Management feels the water rights currently held by the District have a greater value than the acquisition price reflected in the financial statements. Analyses of changes in capital assets are as follows:

- Continued customer water meter replacement program

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

##### **Long-Term Debt**

Refunding of the remaining principal balance of the July 1, 2004 outstanding reservoir bonds ("2004 Series") in the amount of \$2,435,000 was accomplished on December 12, 2014 through a new "2014 Series" general obligation loan agreement with JP Morgan Chase Bank. In addition to the refunding, issuance of \$500,000 in new funds was provided for within the loan for a total "2014 Series" loan amount of \$2,988,000 and includes all costs of issuance. The "2014 Series" loan has a term of 10 years, no provision for early redemption and an interest rate of 2.25% per annum. Issuance of the \$500,000 amount was provided at the time creating cash flow in order to continue with engineering, geotechnical and permitting associated with the replacement of the District's 32 year old water treatment facility. At a November 4, 2014 election, the District electorate authorized (with an overwhelming 77% in favor) \$10,300,000 in general obligation debt to be used for the full replacement of its aging water treatment facility along with other water system replacements and improvements. Unfortunately, bidding results came in higher than expected for the Advanced Water Treatment Facility and in order to complete all water system replacements anticipated to be covered/funded with the \$10,300,000 voter authorization, the District Enterprise implemented another loan in the amount of \$2.5 million with the Colorado Water Resources and Power Development Authority. This loan is a 0% interest, 20 year term and is secured with a revenue pledge from the District. Proceeds from this loan will be used to fund any shortfalls which may

## **Genesee Water and Sanitation District**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

develop with the water treatment project and to complete the other water system replacements and improvements.

#### **Economic Factors and Next Year's (2019) Budget and Rates**

- Completion of 3<sup>rd</sup> Pump/Motor/VFD systems in Larkspur and Base stations.
- Completion of modifications to the Wastewater Treatment Facility providing for an alternative disinfection method.
- Continued Implementation of Customer Water Meter Replacement Program.
- Property taxes - Budgeted in the amount of \$775,677 to pay the District debt service requirements.
- Capital Replacement Fee (CRF) revenue is estimated at \$342,360 for 2019 and is restricted and used only for capital replacements.

#### **Requests for Information**

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Director of Administration  
2310 Bitterroot Lane  
Golden, CO 80401

## **BASIC FINANCIAL STATEMENTS**

**Genesee Water and Sanitation District**  
**STATEMENTS OF NET POSITION**  
**December 31, 2018 and 2017**

	Water	Sanitation	Totals	
			2018	2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ (253,459)	\$ 482,477	\$ 229,018	\$ (272,880)
Cash and investments - restricted				
Governmental reserve	35,743	117,624	153,367	101,851
Capital reserve	624,187	280,421	904,608	715,999
Cash and investments held with trustee	-	-	-	93,325
Accounts receivable - service fees	164,475	159,822	324,297	300,089
Other receivables	20	20	40	347,742
Property taxes receivable	782,418	726	783,144	1,031,075
Other current assets	18,699	9,969	28,668	127,973
<b>Total current assets</b>	<u>1,372,083</u>	<u>1,051,059</u>	<u>2,423,142</u>	<u>2,445,174</u>
<b>Capital assets not being depreciated</b>	205,306	-	205,306	147,563
<b>Capital assets being depreciated, net</b>	<u>18,488,693</u>	<u>3,170,207</u>	<u>21,658,900</u>	<u>23,142,441</u>
<b>TOTAL ASSETS</b>	<u>\$ 20,066,082</u>	<u>\$ 4,221,266</u>	<u>\$ 24,287,348</u>	<u>\$ 25,735,178</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 18,524	\$ 12,880	\$ 31,404	\$ 242,673
Other current liabilities	3,920	3,815	7,735	7,885
Current portion of long-term obligations	726,425	26,070	752,495	772,267
Accrued interest payable	72,450	1,327	73,777	75,357
Accrued salaries and benefits	2,866	3,033	5,899	37,063
<b>Total current liabilities</b>	<u>824,185</u>	<u>47,125</u>	<u>871,310</u>	<u>1,135,245</u>
<b>Long-term liabilities</b>				
Long-term obligations	12,185,882	414,848	12,600,730	13,353,771
Compensated absences	60,103	60,103	120,206	134,750
<b>Total long-term liabilities</b>	<u>12,245,985</u>	<u>474,951</u>	<u>12,720,936</u>	<u>13,488,521</u>
<b>TOTAL LIABILITIES</b>	<u>13,070,170</u>	<u>522,076</u>	<u>13,592,246</u>	<u>14,623,766</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	775,675	-	775,675	1,023,755
<b>Total deferred inflows of resources</b>	<u>775,675</u>	<u>-</u>	<u>775,675</u>	<u>1,023,755</u>
<b>NET POSITION</b>				
Net invested in capital assets	5,781,692	2,729,289	8,510,981	9,257,291
Restricted				
Governmental reserve	35,743	117,624	153,367	101,851
Capital replacements	624,187	280,421	904,608	715,999
Loan operating reserve	274,325	-	274,325	260,725
Emergency reserve	34,581	3,812	38,393	36,731
Unrestricted	(530,291)	568,044	37,753	(284,940)
<b>TOTAL NET POSITION</b>	<u>\$ 6,220,237</u>	<u>\$ 3,699,190</u>	<u>\$ 9,919,427</u>	<u>\$ 10,087,657</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Genesee Water and Sanitation District**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2018 and 2017**

	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>	
			<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUE</b>				
Service fees	\$ 959,838	\$ 811,117	\$ 1,770,955	\$ 1,574,200
<b>OPERATING EXPENSES</b>				
Auto and travel	11,973	11,973	23,946	20,293
Chemicals and supplies	28,898	48,207	77,105	77,641
Depreciation	1,122,647	357,166	1,479,813	1,261,929
Directors' fees	2,950	2,950	5,900	5,800
Ditch assessments	4,303	-	4,303	4,303
Dues and publications	2,058	8,547	10,605	14,433
Elections	3,206	3,206	6,412	128
Insurance	30,880	30,880	61,760	49,792
Legal fees	12,124	2,398	14,522	7,907
Miscellaneous	2,455	4,807	7,262	5,707
Office supplies and expenses	30,169	23,449	53,618	34,730
Professional fees	10,089	4,800	14,889	23,189
Repairs and maintenance	63,359	91,275	154,634	149,517
Salaries and benefits	549,499	516,456	1,065,955	986,583
Small tools and equipment	7,936	8,005	15,941	16,729
Telephone and communications	13,251	9,219	22,470	25,253
Testing and analysis	10,883	7,631	18,514	27,528
Utilities	191,157	96,739	287,896	289,424
<b>Total operating expenses</b>	<u>2,097,837</u>	<u>1,227,708</u>	<u>3,325,545</u>	<u>3,000,886</u>
<b>(LOSS) FROM OPERATIONS</b>	<u>(1,137,999)</u>	<u>(416,591)</u>	<u>(1,554,590)</u>	<u>(1,426,686)</u>
<b>NONOPERATING REVENUE AND (EXPENSES)</b>				
Property taxes	894,269	117,481	1,011,750	985,758
Specific ownership taxes	85,299	9,478	94,777	96,979
Capital replacement fee	213,849	128,385	342,234	340,327
Interest income	840	32	872	-
Gain on sale of assets	-	-	-	1,400
Other revenue	172,301	73	172,374	141,659
Interest expense	(204,178)	(16,292)	(220,470)	(253,474)
Treasurer and debt servicing fees	(13,414)	(1,763)	(15,177)	(14,783)
<b>Total nonoperating revenue</b>	<u>1,148,966</u>	<u>237,394</u>	<u>1,386,360</u>	<u>1,297,866</u>
<b>CHANGE IN NET POSITION</b>	10,967	(179,197)	(168,230)	(128,820)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>6,209,270</u>	<u>3,878,387</u>	<u>10,087,657</u>	<u>10,216,477</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,220,237</u>	<u>\$ 3,699,190</u>	<u>\$ 9,919,427</u>	<u>\$ 10,087,657</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

**Genesee Water and Sanitation District**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2018 and 2017**

	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>	
			<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 931,947	\$ 814,800	\$ 1,746,747	\$ 1,578,796
Cash payments to employees for services	(573,940)	(537,723)	(1,111,663)	(962,028)
Cash payments to suppliers for goods and services	(641,100)	(357,177)	(998,277)	(1,900,214)
<b>Net cash provided (used) by operating activities</b>	<u>(283,093)</u>	<u>(80,100)</u>	<u>(363,193)</u>	<u>(1,283,446)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Net property and specific ownership taxes received	965,999	125,202	1,091,201	1,067,954
Capital replacement fees received	213,849	128,385	342,234	340,327
Loan proceeds	408,149	-	408,149	5,613,124
Acquisition of fixed assets	(102,753)	(50,017)	(152,770)	(4,717,350)
Cash received on refund of permit for capital assets	98,755	-	98,755	-
Cash received from sale of assets	-	-	-	1,400
Principal paid on general obligation debt	(747,405)	(25,408)	(772,813)	(877,111)
Interest paid on general obligation debt	(205,632)	(16,418)	(222,050)	(256,220)
Other revenue	205,199	106,439	311,638	2,062
<b>Net cash provided (used) by capital and related financing activities</b>	<u>836,161</u>	<u>268,183</u>	<u>1,104,344</u>	<u>1,174,186</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment earnings received	840	32	872	-
<b>Net cash provided by investing activities</b>	<u>840</u>	<u>32</u>	<u>872</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	553,908	188,115	742,023	(109,260)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>(147,437)</u>	<u>692,407</u>	<u>544,970</u>	<u>654,230</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 406,471</u>	<u>\$ 880,522</u>	<u>\$ 1,286,993</u>	<u>\$ 544,970</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

(continued)

**Genesee Water and Sanitation District**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2018 and 2017**  
**(continued)**

			<u>Totals</u>	
	<u>Water</u>	<u>Sanitation</u>	<u>2018</u>	<u>2017</u>
<b>RECONCILIATION OF OPERATING (LOSS)</b>				
<b>TO NET CASH PROVIDED/(USED) BY OPERATING</b>				
<b>ACTIVITIES</b>				
Operating (loss)	\$ (1,137,999)	\$ (416,591)	\$ (1,554,590)	\$ (1,426,686)
Adjustments to reconcile operating (loss) to cash flows provided (used) by operating activities				
Depreciation	1,122,647	357,166	1,479,813	1,261,929
(Increase) decrease in:				
Receivables	(27,891)	3,683	(24,208)	4,596
Other current assets (net of insurance receivable)	(3,565)	(3,516)	(7,081)	3,798
Increase (decrease) in:				
Accounts payable for operations	(211,844)	575	(211,269)	(1,156,758)
Payroll liabilities	(24,441)	(21,267)	(45,708)	24,555
Other current liabilities	-	(150)	(150)	5,120
<b>Net cash provided (used) by operating activities</b>	<u>\$ (283,093)</u>	<u>\$ (80,100)</u>	<u>\$ (363,193)</u>	<u>\$ (1,283,446)</u>

*The accompanying Notes to Financial Statements are an integral part of these statements.*

## Genesee Water and Sanitation District

### NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

#### Note 1 – Definition of reporting entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Jefferson County, Colorado. The District was established to provide water and sewage treatment services to the properties within its service area.

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. Based on this definition, the District has determined that the Genesee Water and Sanitation Building Authority, a nonprofit corporation organized and existing under the laws of the State of Colorado, is a component unit of the District and has blended the financial information of the Corporation into the District's financial statements.

The District established an Enterprise of the Genesee Water and Sanitation District (the "Enterprise") by Resolution of the Board of Directors of the District in 1993. The Enterprise was organized as a "Water Activity Enterprise" within the meaning of Title 37, Article 45.1, Part 1, C.R.S. and has been established as and constitutes an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution (see Note 10). The District's Board of Directors serves as the Board of Directors for the Enterprise. The Enterprise is considered a component unit of the District and blended in the District's financial statements. Separate financial statements of the Enterprise are not issued.

The District is not a component unit of any other primary governmental entity.

#### Note 2 – Summary of significant accounting policies

The more significant accounting policies of the District are described as follows:

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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

**Basis of accounting**

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets; and payments on long-term obligations are recorded as reductions in liabilities. Tap fees are recorded as capital contribution revenue when received.

**Operating revenues and expenses**

The District distinguishes between operating revenues and expenses from non-operating items in the Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

**Cash equivalents**

For purposes of the Statements of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

**Accounts receivable, allowance for doubtful accounts**

User fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

**Property taxes**

Property taxes are levied by the District 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 normally 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 or if in equal installments, at the taxpayer's election, in February and June.

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

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 revenue 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.

**Capital assets**

Capital assets include water and sanitation operating systems and equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of \$1,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the developer's cost.

The District believes it has substantial value in the form of currently unused capital assets, including water rights, water and wastewater treatment plant capacities, and water and sewer main lines (taps) and stations. The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

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. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

Operating systems	5 to 49 years
Equipment and vehicles	2 to 10 years

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

**Compensated absences**

District employees earn a general leave benefit at the rate of 30 to 42 days per year based on length of service which is to be used for vacations, medical leave and holidays. Employees are generally allowed to accrue up to 70 days of unused general leave days each at the end of each calendar year. Compensated absences are recognized as current salary cost when earned.

**Contributed capital**

Tap fees and water resource fees are generally recorded as capital contribution revenue when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developer's cost.

**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 total appropriation can only be modified upon completion of notification and publication requirements.

**Use of estimates**

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

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2018 and 2017 Statements of Net Position as follows:

	Water	Sanitation	2018	2017
Cash and investments	\$ (253,459)	\$ 482,477	\$ 229,018	\$(272,880)
Cash and investments - restricted:				
Governmental reserve	35,743	117,624	153,367	101,851
Capital reserve	624,187	280,421	904,608	715,999
Total cash and investments	\$ 406,471	\$ 880,522	\$ 1,286,993	\$ 544,970

Cash and investments as of December 31, 2018 and 2017 consist of the following:

Deposits with financial institutions	\$ 1,286,386	\$ 544,375
Investments	607	595
Total cash and investments	\$ 1,286,993	\$ 544,970

At December 31, 2018 and 2017, the District's cash deposits had bank balances of \$1,323,191 and \$567,496 respectively, and carrying balances of \$1,286,386 and \$544,375 respectively.

**Deposits with financial institutions**

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. As of December 31, 2018 and 2017, the federal insurance limits were \$250,000. 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 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.

**Custodial credit risk – deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for deposits. As of December 31, 2018 and 2017, none of the District's bank balances were exposed to custodial credit risk, as amounts were either insured or collateralized.

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

**Investments**

The District's investment policy adopts state statutes regarding investments.

The District primarily limits its investments to local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

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.

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

As of December 31, 2018 and 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2018</u>	<u>2017</u>
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	<u>\$ 607</u>	<u>\$ 595</u>

**COLOTRUST**

The District invests in the Colorado Local Government Liquid Asset Trust (Colotrust) (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

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

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 any security allowed under CRS-24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAM by Standard and Poor's. Colotrust records its investments at fair value and the District records its investment in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**Restricted cash and investments**

The District levied 3 mills for property taxes to be collected in 2018 and 2017. All revenue generated from the 3 mills and transfers from the General Government are restricted to fund future capital replacements and general reserves. Restricted cash and investments represent funds available as follows:

	2018	2017
General Government reserve	\$ 153,367	\$ 101,851
Capital reserve	904,608	715,999
Restricted cash and investments	<u>\$ 1,057,975</u>	<u>\$ 817,850</u>

**Genesee Water and Sanitation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2018 and 2017**

**Note 4 – Capital assets**

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance at December 31, 2017	Increases	Decreases	Balance at December 31, 2018
<b><u>Water</u></b>				
Capital assets, not being depreciated				
Water rights	\$ 147,563	\$ -	\$ -	\$ 147,563
Construction in progress	-	57,743	-	57,743
Total capital assets not being depreciated	<u>147,563</u>	<u>57,743</u>	<u>-</u>	<u>205,306</u>
Capital assets being depreciated				
Operating system and building	32,196,493	40,598	98,755	32,138,336
Equipment and vehicles	447,327	4,412	-	451,739
Total capital assets being depreciated	<u>32,643,820</u>	<u>45,010</u>	<u>98,755</u>	<u>32,590,075</u>
Less accumulated depreciation for				
Operating system and building	12,557,631	1,113,524	-	13,671,155
Equipment and vehicles	421,104	9,123	-	430,227
Total accumulated depreciation	<u>12,978,735</u>	<u>1,122,647</u>	<u>-</u>	<u>14,101,382</u>
Total capital assets being depreciated, net	<u>19,665,085</u>	<u>(1,077,637)</u>	<u>98,755</u>	<u>18,488,693</u>
Capital assets, net	<u>\$ 19,812,648</u>	<u>\$ (1,019,894)</u>	<u>\$ 98,755</u>	<u>\$ 18,693,999</u>
<b><u>Sanitation</u></b>				
Capital assets being depreciated				
Operating system and building	\$ 12,500,094	\$ 45,605	\$ -	\$ 12,545,699
Equipment and vehicles	473,778	4,412	-	478,190
Total capital assets being depreciated	<u>12,973,872</u>	<u>50,017</u>	<u>-</u>	<u>13,023,889</u>
Less accumulated depreciation for				
Operating system and building	9,062,219	347,807	-	9,410,026
Equipment and vehicles	434,297	9,359	-	443,656
Total accumulated depreciation	<u>9,496,516</u>	<u>357,166</u>	<u>-</u>	<u>9,853,682</u>
Total capital assets being depreciated, net	<u>3,477,356</u>	<u>(307,149)</u>	<u>-</u>	<u>3,170,207</u>
Capital assets, net	<u>\$ 3,477,356</u>	<u>\$ (307,149)</u>	<u>\$ -</u>	<u>\$ 3,170,207</u>

**Genesee Water and Sanitation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2018 and 2017**

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

	Balance at December 31, 2016	Increases	Decreases	Balance at December 31, 2017
<b><u>Water</u></b>				
Capital assets, not being depreciated				
Water rights	\$ 147,563	\$ -	\$ -	\$ 147,563
Construction in progress	7,069,070	4,550,800	11,619,870	-
Total capital assets not being depreciated	<u>7,216,633</u>	<u>4,550,800</u>	<u>11,619,870</u>	<u>147,563</u>
Capital assets being depreciated				
Operating system and building	20,470,118	11,726,375	-	32,196,493
Equipment and vehicles	435,314	12,013	-	447,327
Total capital assets being depreciated	<u>20,905,432</u>	<u>11,738,388</u>	<u>-</u>	<u>32,643,820</u>
Less accumulated depreciation for				
Operating system and building	11,668,311	889,320	-	12,557,631
Equipment and vehicles	408,883	12,221	-	421,104
Total accumulated depreciation	<u>12,077,194</u>	<u>901,541</u>	<u>-</u>	<u>12,978,735</u>
Total capital assets being depreciated, net	<u>8,828,238</u>	<u>10,836,847</u>	<u>-</u>	<u>19,665,085</u>
Capital assets, net	<u>\$ 16,044,871</u>	<u>\$ 15,387,647</u>	<u>\$ 11,619,870</u>	<u>\$ 19,812,648</u>
<b><u>Sanitation</u></b>				
Capital assets being depreciated				
Operating system	\$ 12,464,075	\$ 36,019	\$ -	\$ 12,500,094
Equipment and vehicles	461,765	12,013	-	473,778
Total capital assets being depreciated	<u>12,925,840</u>	<u>48,032</u>	<u>-</u>	<u>12,973,872</u>
Less accumulated depreciation for				
Operating system	8,711,165	351,054	-	9,062,219
Equipment and vehicles	424,964	9,333	-	434,297
Total accumulated depreciation	<u>9,136,129</u>	<u>360,387</u>	<u>-</u>	<u>9,496,516</u>
Total capital assets being depreciated, net	<u>3,789,711</u>	<u>(312,355)</u>	<u>-</u>	<u>3,477,356</u>
Capital assets, net	<u>\$ 3,789,711</u>	<u>\$ (312,355)</u>	<u>\$ -</u>	<u>\$ 3,477,356</u>

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

Depreciation expense for the years ended December 31, 2018 and 2017 was charged to the following operations:

	<u>2018</u>	<u>2017</u>
Water fund	\$ 1,122,647	\$ 901,541
Sanitation fund	357,166	360,387
	<u>\$ 1,479,813</u>	<u>\$ 1,261,928</u>

**Note 5 – Long-term obligations**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance at December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2018</u>	Due Within <u>One Year</u>
Series 2014 GO Loan	\$ 1,886,000	\$ -	\$ 252,000	\$ 1,634,000	\$ 258,000
2015 GO Loan - CWRPDA	9,027,435	-	315,045	8,712,390	317,355
2015 Revenue Loan - CWRPDA	2,250,000	-	125,000	2,125,000	125,000
Capital lease - water	29,952	-	29,952	-	-
Capital lease - building	932,651	-	50,816	881,835	52,140
Total long-term obligations	<u>\$ 14,126,038</u>	<u>\$ -</u>	<u>\$ 772,813</u>	<u>\$ 13,353,225</u>	<u>\$ 752,495</u>

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2017:

	Balance at December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2017</u>	Due Within <u>One Year</u>
Series 2014 GO Loan	\$ 2,132,000	\$ -	\$ 246,000	\$ 1,886,000	\$ 252,000
2015 GO Loan - CWRPDA	9,341,248	-	313,813	9,027,435	315,045
2015 Revenue Loan - CWRPDA	2,375,000	-	125,000	2,250,000	125,000
Capital lease - sewer	85,550	-	85,550	-	-
Capital lease - water	87,682	-	57,730	29,952	29,952
Capital lease - building	981,668	-	49,017	932,651	50,270
Total long-term obligations	<u>\$ 15,003,148</u>	<u>\$ -</u>	<u>\$ 877,110</u>	<u>\$ 14,126,038</u>	<u>\$ 772,267</u>

**Genesee Water and Sanitation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2018 and 2017**

**Loans payable**

**\$2,988,000 General Obligation Refunding and Improvement Loan, Series 2014**

The loan with a major bank, in the original amount of \$2,988,000, has a fixed interest rate of 2.25%. Interest is payable each June 1 and December 1 each year beginning June 1, 2015. Principal payments are due each December 1, beginning December 31, 2015 and maturing December 1, 2024.

**April 1, 2015 General Obligation Loan Agreement, \$9,790,312 – Colorado Water Resources and Power Development Authority**

The loan agreement, for a total principal amount of \$9,790,312, between the District and Colorado Water Resources and Power Development Authority (CWRPDA) was entered into for the purpose of constructing and equipping a new water treatment plant (the Project), having a total estimated cost of \$12,800,000. The District must expend 85% of the total loan by April 1, 2018. The Project was completed in 2017. The Trustee (Wells Fargo Bank, N.A), as the agent of the Authority, will disburse the amounts on deposit in the Project Loan Subaccount to the District upon receipt of a requisition executed by an authorized officer of the District and approved by the Authority. During 2018 and 2017, the District expended \$0 and \$3,191,958 respectively in eligible reimbursable amounts. Payments of principal and interest, in the amount of 2.17%, are due February 1 and August 1 each year through 2034. In addition to principal and interest, the District will pay administrative loan servicing fees totaling \$1,395,113 over the term of the loan. Annual payment amounts for principal, interest, and administrative fees vary from \$477,124 to \$776,640 over the term of the loan. Prepayments of amounts owing is allowable, subject to various conditions as set forth in the loan agreement.

Pursuant to the loan agreement, the District is required to maintain an Operation Maintenance Reserve (the reserve) in an amount equal to three months of operating expenses of the District's water system, excluding depreciation, as set forth in the District's annual budget for the current fiscal year, but not greater than \$1,250,000. If the reserve falls below the required amount, the shortfall is payable in 24 equal monthly installments. As of December 31, 2018 and 2017, the required operating reserve was \$274,325 and \$260,725, respectively.

**December 11, 2015 Loan Agreement, \$2,500,000 – Colorado Water Resources and Power Development Authority**

The loan agreement, for a total principal amount of \$2,500,000, between the District and Colorado Water Resources and Power Development Authority (CWRPDA) was entered into for the purpose of additional financing of the construction and equipping of the new water treatment plant (the Project). The Project was completed in 2017. The Trustee (Wells Fargo Bank, N.A), as the agent of the Authority, will disburse the amounts on deposit in the Project Loan Subaccount to the District upon receipt of a requisition executed by an authorized officer of the

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

District and approved by the Authority. During 2018 and 2017, the District expended \$139,180 and \$2,360,820 respectively in eligible reimbursable amounts. Payments of principal (0% interest), are due May 1 and November 1 each year through 2035. Annual payment amounts for principal are \$125,000 over the term of the loan. Prepayments of amounts owing is allowable, subject to various conditions as set forth in the loan agreement.

Pursuant to the loan agreement, the District is required to establish rates, fees, and charges that pay the sum of; (a) amounts required to pay operation and maintenance expenses, (b) 110 % of the debt service due on any obligations secured by a lien on pledged revenues and District water system capital improvements, (c) amounts paid during the year into any debt service reserve account, on parity or subordinate to the loan agreement, (d) amounts necessary to pay and discharge all charges and liens or other indebtedness that is payable out of gross revenues.

**Debt maturities**

Debt maturities for the next five years and to maturity are as follows:

Year Ended December 31,	Principal	Interest	Total
2019	\$ 752,497	\$ 230,688	\$ 983,185
2020	761,566	220,928	982,494
2021	771,775	211,216	982,991
2022	781,828	201,875	983,703
2023	786,857	192,722	979,579
2024-2028	4,356,675	800,460	5,157,135
2029-2033	4,134,164	366,927	4,501,091
2034-2035	1,007,863	16,690	1,024,553
	<u>\$ 13,353,225</u>	<u>\$ 2,241,506</u>	<u>\$ 15,594,731</u>

**Capital Leases**

The District entered into a Municipal Lease Purchase Agreement with Bank of the West on October 15, 2010 for the purpose of financing the acquisition of certain sanitary sewer equipment. The lease is payable in semi-annual installments on each April and October 15<sup>th</sup> commencing on April 15, 2013 and ending on October 15, 2017. The lease bears interest at 2.972%. The District may draw up to \$550,000 under the terms of the lease. As of December 31, 2017, the District had drawn \$477,411. The lease was paid in full as of 12/31/17.

The District entered into a Municipal Lease Purchase Agreement with Bank of the West on August 10, 2012 for the purpose of financing the acquisition of certain equipment for the water treatment plant and the replacement of a pressure reducing station. The lease is payable in semi-annual installments on each April and October 15<sup>th</sup> commencing on October 15, 2013 and ending on April 15, 2018. The lease bears interest at 3.18%. The District may draw up to

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

\$380,000 under the terms of the lease. As of December 31, 2017 and 2018, the District had drawn \$350,301. The lease was paid in full as of 12/31/18.

The District entered into a Lease Purchase Agreement with Genesee Water and Sanitation Building Authority (the Authority) on April 1, 2012 for the purpose of financing the construction of a new garage, maintenance, and office facility. The District has issued a Direct Purchase Lease Revenue Bond to a bank, and from the proceeds made a construction loan to the Authority, to a maximum of \$1,200,000, as part of the lease agreement. The lease is payable in monthly installments of \$6,971, after all construction loan draws are executed, through December 1, 2027, at which time a final payment of \$391,882 is due to the bank. The lease bears interest at 3.61%. The Authority has agreed to use the proceeds from the lease to repay the bond principal and interest to the bank. As of December 31, 2017 and 2018, the District had drawn, and lent to the Authority, \$1,200,000. The lease may be prepaid in full with the following prepayment premiums added to the lease balance:

Months 1-12	3%
Months 13-24	2%
Months 25-36	1%
Month 37 to maturity	0%

The future minimum lease obligations and the net present value of the above minimum lease payments as of December 31, 2018 are as follows:

<b><u>Year Ending December 31,</u></b>	
2019	\$ 83,651
2020	83,651
2021	83,651
2022	83,651
2023	83,651
2024-2028	662,111
Total minimum lease payments	<u>1,080,366</u>
Less: amount representing interest	<u>(198,531)</u>
Present value of minimum lease payments	881,835
Current portion	(52,140)
Long-term portion, including future draws	<u><u>\$ 829,695</u></u>

The amounts in this table are included in the "Debt maturities" table above.

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

**Debt authorization**

At December 31, 2018, the District had no authorized but unissued indebtedness.

**Note 6 – Net Position**

The District has Net Position consisting 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 reduced by the outstanding balances of bonds, loans, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2018 and 2017, the District had invested in capital assets, net of related debt as follows:

	2018	2017
Capital assets, net	\$ 21,864,206	\$ 23,290,004
Current portion of long-term obligations	(752,495)	(772,267)
Long-term obligations	(12,600,730)	(13,353,771)
Unspent portion of loan proceeds	-	93,325
Net investment in capital assets	\$ 8,510,981	\$ 9,257,291

Restricted assets include Net Position that is restricted for use either externally imposed by creditors, net grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The purposes for the restrictions of Net Position are described in Note 3. As of December 31, 2018 and 2017, the District had restricted Net Position as follows:

	2018	2017
Capital reserve	\$ 904,608	\$ 715,999
General reserve	153,367	101,851
Loan reserve	274,325	260,725
Emergency reserve	38,393	36,731
Restricted net position	\$ 1,370,693	\$ 1,115,306

As of December 31, 2018 and 2017, the District had unrestricted Net Position (deficit) of \$37,753 and \$(284,940), respectively.

**Note 7 – District employees’ retirement plan**

The District participates in the Colorado County Officials and Employees Retirement Association Defined Contribution Plan (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become participants immediately upon employment. Under this plan, ten percent of the employees’

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

compensation is withheld and remitted to the CCOERA along with a matching payment of ten percent from the District. The District's contributions, plus earnings, related to employees of the District in place as of April 28, 2009, are 100% vested. As to employees hired after April 28, 2009, the District's contributions, plus earnings, vest according to the following schedule:

By the end of the 1 <sup>st</sup> year:	0%
By the end of the 2 <sup>nd</sup> year:	25%
By the end of the 3 <sup>rd</sup> year:	50%
By the end of the 4 <sup>th</sup> year:	75%
By the end of the 5 <sup>th</sup> year:	100%

Plan provisions and contribution requirements are established and may be amended by CCOERA and would have to be approved by the District's Board of Directors.

There is no liability for benefits under the plan beyond the District's matching payments. Both the District and the participating employees made the required ten percent contributions for 2018 and 2017, amounting to \$80,690 and \$84,344 (of which \$8,396 was from forfeitures), respectively.

**Note 8 – Deferred compensation plan**

The District has two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The District contributes 2% of eligible employees' salaries to the plan of each employee's choice. One plan is sponsored by CCOERA and the other is sponsored by Nationwide Retirement Solutions. Participation in the plans is optional for all employees. The plans allow the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergencies. The contributions totaled \$16,138 and \$16,869 for 2018 and 2017, respectively.

**Note 9 – 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. During 2018, The District maintained commercial insurance for all risks of loss.

During 2018, the District purchased an insurance policy with Plus Water Insurance Program. The District paid annual premiums for property, commercial crime, commercial general liability, public officials and management liability, business auto commercial excess liability and privacy 101. During 2018, the District was a member of the Colorado Special Districts Property and Liability Pool (Pool). 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. The District paid annual premiums to the Pool for

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018 and 2017**

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. Settled claims have not exceeded these coverages in any of the past three fiscal years.

**Note 10 - 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 which 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 Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

TABOR requires local governments (not including enterprises) to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). The District established an emergency reserve of \$38,393 and \$36,731 as of December 31, 2018 and 2017, respectively.

The District's management believes, after consultation with legal counsel, it is in compliance with the provisions of TABOR. However, TABOR is complex and has been, and will continue to be, subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an enterprise will require further judicial interpretation.

**SUPPLEMENTAL INFORMATION**

**Genesee Water and Sanitation District**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**

**For the Year Ended December 31, 2018**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>ENTERPRISE:</b>			
<b>REVENUE</b>			
Service fees	\$ 1,739,570	\$ 1,763,805	\$ 24,235
Tap, water resource fees, inspection	5,590	7,205	1,615
Investment earnings	40	872	832
Miscellaneous and rebates	180,225	41,777	(138,448)
<b>Total enterprise revenue</b>	<b>1,925,425</b>	<b>1,813,659</b>	<b>(111,766)</b>
<b>EXPENDITURES</b>			
Auto and travel	28,000	23,946	4,054
Chemicals and supplies	94,600	77,105	17,495
Contingency and miscellaneous	52,000	1,010	50,990
Director's fees	7,102	5,900	1,202
Ditch assessments	4,686	4,303	383
Dues and publications	15,920	10,605	5,315
Election expense	2,900	6,412	(3,512)
Insurance	47,000	61,760	(14,760)
Permits	5,610	6,252	(642)
Office supplies and expense	39,874	53,618	(13,744)
Professional fees	34,100	29,411	4,689
Rent	83,652	83,652	-
Repairs and maintenance	153,290	154,634	(1,344)
Salaries and benefits	1,093,471	1,062,423	31,048
Small tools and equipment	24,800	15,941	8,859
Telephone and communication	29,230	22,470	6,760
Testing and analysis	28,600	18,514	10,086
Transfer from government for administrative	(85,000)	(94,777)	9,777
Utilities	267,069	287,896	(20,827)
<b>Total enterprise expenditures</b>	<b>1,926,904</b>	<b>1,831,075</b>	<b>95,829</b>
<b>EXCESS (DEFICIT) OF ENTERPRISE REVENUE OVER (UNDER) ENTERPRISE EXPENDITURES</b>	(1,479)	(17,416)	(15,937)
<b>FUNDS AVAILABLE - BEGINNING OF YEAR - ENTERPRISE (restated)</b>	131,887	593,583	461,696
<b>FUNDS AVAILABLE - END OF YEAR - ENTERPRISE</b>	<b>\$ 130,408</b>	<b>\$ 576,167</b>	<b>\$ 445,759</b>

(continued)

**Genesee Water and Sanitation District**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**

(continued)

For the Year Ended December 31, 2018

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>ENTERPRISE CAPITAL OUTLAY RESERVE:</b>			
<b>REVENUE</b>			
Capital replacement fee	\$ 343,440	\$ 342,234	\$ (1,206)
Loan proceeds	120,000	93,325	(26,675)
Miscellaneous and rebates	140,000	130,542	(9,458)
Investment revenue	20	-	(20)
<b>Total enterprise capital outlay reserve revenue</b>	603,460	566,101	(37,359)
<b>EXPENDITURES</b>			
Capital outlay:			
Wastewater system	120,000	5,019	114,981
Water system	216,500	5,019	211,481
Vehicles and equipment	4,500	8,824	(4,324)
In house labor - capital projects	42,550	9,624	32,926
Treasurer's fees	3,565	3,525	40
Loan principal	125,000	125,000	-
<b>Total enterprise capital outlay reserve expenditures</b>	512,115	157,011	355,104
<b>EXCESS (DEFICIT) OF ENTERPRISE CAPITAL OUTLAY RESERVE REVENUE OVER (UNDER) ENTERPRISE CAPITAL OUTLAY RESERVE EXPENDITURES</b>			
	91,345	409,090	317,745
<b>FUNDS AVAILABLE - BEGINNING OF YEAR ENTERPRISE CAPITAL OUTLAY RESERVE (restated)</b>			
	64,331	495,518	431,187
<b>FUNDS AVAILABLE - END OF YEAR - ENTERPRISE CAPITAL OUTLAY RESERVE</b>			
	\$ 155,676	\$ 904,608	\$ 748,932

(continued)

**Genesee Water and Sanitation District**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
(continued)  
**For the Year Ended December 31, 2018**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>GENERAL GOVERNMENT:</b>			
<b>REVENUE</b>			
Property Taxes Series 2015 State Revolving Fund Loan CWRPDA	\$ 575,516	\$ 566,295	\$ (9,221)
Property Taxes - Series 2014 GO Refunding and Improvement Loan	210,493	210,493	-
Property taxes - capital replacements	237,746	234,962	(2,784)
Specific ownership taxes	85,000	94,777	9,777
<b>Total general government revenue</b>	<u>1,108,755</u>	<u>1,106,527</u>	<u>(2,228)</u>
<b>EXPENDITURES</b>			
Principal and interest on notes and capital leases	804,821	784,629	20,192
Capital construction	-	124,284	(124,284)
Loan servicing and fees	11,616	11,652	(36)
General administration	85,000	94,777	(9,777)
<b>Total general government expenditures</b>	<u>901,437</u>	<u>1,015,342</u>	<u>(113,905)</u>
<b>EXCESS (DEFICIT) OF GENERAL GOVERNMENT REVENUE OVER (UNDER) GENERAL GOVERNMENT EXPENDITURES (1)</b>	<u>207,318</u>	<u>91,185</u>	<u>(116,133)</u>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR - GENERAL GOVERNMENT (restated)</b>	<u>-</u>	<u>21,867</u>	<u>21,867</u>
<b>FUNDS AVAILABLE - END OF YEAR - GENERAL GOVERNMENT</b>	<u>\$ 207,318</u>	<u>\$ 113,052</u>	<u>\$ (94,266)</u>
<b>BUILDING AUTHORITY:</b>			
<b>REVENUE</b>			
Rental income	\$ 83,652	\$ 83,652	\$ -
<b>Total building authority revenue</b>	<u>83,652</u>	<u>83,652</u>	<u>-</u>
<b>EXPENDITURES</b>			
Loan repayment to District	83,652	83,652	-
<b>Total building authority expenditures</b>	<u>83,652</u>	<u>83,652</u>	<u>-</u>
<b>EXCESS (DEFICIT) OF BUILDING AUTHORITY REVENUE OVER (UNDER) BUILDING AUTHORITY EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR - BUILDING AUTHORITY</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUNDS AVAILABLE - END OF YEAR - BUILDING AUTHORITY</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL DISTRICT REVENUE</b>		3,569,939	
Less Interdistrict revenue		(83,652)	
<b>District revenue</b>	<u>3,721,292</u>	<u>3,486,287</u>	<u>(235,005)</u>
<b>TOTAL DISTRICT EXPENDITURES</b>		3,087,080	
Less Interdistrict expenses		(83,652)	
<b>District expenses</b>	<u>3,424,108</u>	<u>3,003,428</u>	<u>420,680</u>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR (restated)</b>	<u>196,218</u>	<u>1,110,968</u>	<u>914,750</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 493,402</u>	<u>\$ 1,593,827</u>	<u>\$ 1,100,425</u>

(1) The Excess of General Government revenue over expenditures resulted from tax collected for capital replacement projects and is carried over as a capital reserve.

**Genesee Water and Sanitation District**  
**RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT**  
**OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2018**

<b>REVENUE (BUDGETARY BASIS)</b>	\$ 3,486,287
Less:	
Loan proceeds	(93,325)
	3,392,962
 <b>EXPENDITURES (BUDGETARY BASIS)</b>	3,003,428
Add:	
Depreciation	1,479,813
General leave	3,532
Less:	
Bond principal	(692,045)
Capital lease principal	(80,766)
Capital outlay	(152,770)
	3,561,192
 <b>CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>	 \$ (168,230)

**Genesee Water and Sanitation District**  
**FIVE-YEAR SUMMARY OF ASSESSED VALUATION, MILL LEVY**  
**AND PROPERTY TAXES COLLECTED**

**December 31, 2018**

<b>Year Ended December 31,</b>	<b>for Current Year Property Tax Levy</b>	<b>Mills Levied</b>	<b>Property Taxes</b>		<b>Percent Collected to Levied</b>
			<b>Levied</b>	<b>Collected</b>	
2014	65,725,355	18.597	1,222,300	1,224,850	100.2%
2015	66,031,379	16.563	1,093,708	1,083,501	99.1%
2016	74,411,768	13.706	1,019,888	1,018,330	99.8%
2017	74,050,796	13.405	992,650	985,758	99.3%
2018	79,248,787	12.918	1,023,735	1,011,750	98.8%

Estimated for the  
year ending

December 31, 2019      \$ 78,224,605      9.916      \$ 775,675

**NOTE:**

Property taxes collected in any one year 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.