

GRANT WATER & SANITATION DISTRICT
Denver and Jefferson Counties, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	1
Statements of Revenues, Expenses and Changes in Fund Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	4
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis)	15
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Fund Net Position	16



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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, 2018 and 2017, 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, 2018 and 2017, 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
May 1, 2019

**GRANT WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2018 and 2017**

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, 2018 and 2017. Please read it in conjunction with the District's basic financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- In 2017, the District only spent \$66,347 on calcium removal from the underdrain system, even though it budgeted \$123,000. The calcium removal was placed on hold pending testing of a new cutting device which was implemented later in the year. The District continued its underdrain system calcium remediation project in 2018. It cleaned and removed additional calcium deposits from the underdrain system at a cost of \$102,984.

A recap of the capital projects undertaken by the District in 2017 and 2018 include the following:

- In 2018, the District completed construction of all the capital improvement projects originally planned to be completed in 2017. The total construction costs incurred were \$568,462. Five sewer manholes were lined at cost of \$18,455. Approximately 500 lineal feet of 8 and 10-inch sewer mains and 360 lineal feet of 6-inch underdrain mains were removed and replaced at a cost of \$526,523. Also, two new pumps and variable frequency drives (VFD) were installed at the District's Chanson Plaza Sewer Lift Station, costing \$23,483.
- In 2017, 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 sewer and underdrain 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.
- The District's new Geographical Information System (GIS) was completed in 2018 with costs incurred in 2017 and 2018 totaling \$6,080 and \$13,255 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

NET POSITION

	December 31,		
	2018	2017	2016
ASSETS			
Current assets	\$3,448,442	\$3,289,997	\$2,857,477
Capital assets	5,345,934	5,052,030	5,248,293
Total assets	8,794,376	8,342,027	8,105,770
LIABILITIES			
Current liabilities	45,880	57,079	67,250
Total liabilities	45,880	57,079	67,250
NET POSITION			
Net investment in capital assets	5,345,934	5,052,030	5,248,293
Unrestricted	3,402,562	3,232,918	2,790,227
Total net position	\$8,748,496	\$8,284,948	\$8,038,520

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 2018 by \$8,748,496. This amount increased from 2017 by \$463,548 or 5.6% and from 2016 by \$709,976 or 8.8%. 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 \$457,025 of unexpected system development fees in 2016, 2017 and 2018. The District's operating cash and capital reserves have grown from \$2,849,916 in 2016 to \$3,398,389 in 2018, an increase of \$548,473 or a little over 19%.

CHANGES IN NET POSITION

	Years Ended December 31,		
	2018	2017	2016
REVENUES			
OPERATING REVENUE			
Service fees	\$ 452,656	\$ 558,529	\$ 660,810
Inspection fees	20,642	18,837	14,824
Other fees and fines	14,200	16,923	14,675
Total operating revenue	<u>487,498</u>	<u>594,289</u>	<u>690,309</u>
NONOPERATING REVENUE			
Net investment income			
Interest	65,002	35,780	24,406
Net increase (decrease) in fair value of investments	(4,544)	(15,373)	(1,198)
Capital reserve fees	311,258	207,407	55,193
Total nonoperating revenue	<u>371,716</u>	<u>227,814</u>	<u>78,401</u>
CAPITAL CONTRIBUTIONS			
System development fees	365,500	71,950	19,575
	<u>365,500</u>	<u>71,950</u>	<u>19,575</u>
Total revenues	<u>1,224,714</u>	<u>894,053</u>	<u>788,285</u>
EXPENSES			
OPERATING AND GENERAL AND ADMINISTRATIVE			
Operating	592,820	474,601	517,546
General and administrative expenses	161,907	173,024	152,771
Total operating and general and administrative expenses	<u>754,727</u>	<u>647,625</u>	<u>670,317</u>
NONOPERATING EXPENSE			
Loss on disposal of capital assets	6,439	-	28,374
Total nonoperating expenses	<u>6,439</u>	<u>-</u>	<u>28,374</u>
Total expenses	<u>761,166</u>	<u>647,625</u>	<u>698,691</u>
CHANGE IN NET POSITION	463,548	246,428	89,594
NET POSITION - BEGINNING OF YEAR	8,284,948	8,038,520	7,948,926
NET POSITION - END OF YEAR	<u>\$ 8,748,496</u>	<u>\$ 8,284,948</u>	<u>\$ 8,038,520</u>

Overall, the District's service fees and capital reserve fees have increased by 6.7% from 2016 to 2018. The District uses these fees to fund maintenance costs and capital repairs which have increased as the District's infrastructure continues to age. Some of the District's sewer system is more than 35 years old. The District has also received \$457,025 in System Development Fees over the past several years mainly as a result of redevelopment occurring in the District's commercial areas. The District's net increase in cash and investments and increases in long term interest rates have had a positive effect on the District's interest earnings. Interest earnings in 2018 grew to \$65,002, an increase of more than 166% from 2016.

The District's operating expenses, excluding annual depreciation and amortization, have averaged about \$263,000 a year, ranging from \$311,446 in 2016 to \$265,656 in 2018. The District's underdrain calcium remediation project costs accounted for about one third of these annual expenses. Project costs were \$127,933 in 2016. In 2017, only \$66,347 was expended,

but \$123,000 was budgeted. In 2018, remediation costs were about \$103,000. 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. In 2018, general and administrative expenses were lower than 2017 by about \$11,000 or 6.5%.

CAPITAL ASSETS

The District's investment in capital assets at December 31, 2018 amounted to \$5,345,934 (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, 2016		Balance at December 31, 2017		Balance at December 31, 2018	
		Changes		Changes		
Projects in progress	\$ 58,478	\$ 30,065	\$ 88,543	\$ (88,543)	\$ -	
Master plan and geographic information system	-	34,523	34,523	47,433	81,956	
Sewer system	5,506,480	-	5,506,480	433,956	5,940,436	
Underdrain system	1,615,462	-	1,615,462	161,213	1,776,675	
Purchased capacity						
Water	1,784,634	-	1,784,634	-	1,784,634	
Sewer	938,435	-	938,435	-	938,435	
Total assets	9,903,489	64,588	9,968,077	554,059	10,522,136	
Accumulated depreciation/ amortization	(4,655,196)	(260,851)	(4,916,047)	(260,155)	(5,176,202)	
Total capital assets, net	\$ 5,248,293	\$ (196,263)	\$ 5,052,030	\$ 293,904	\$ 5,345,934	

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.

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

FUTURE ECONOMIC FACTORS AND RATES

Overall, for 2019, the District's fees will remain the same. For single family residential customers, the total sewer service fee is decreasing but the total underdrain service fee will increase resulting in a net difference of zero. The District's multi-family customers annual sewer fee will remain the same as last year. Multi-family units with underdrains will see a \$15.50 increase in the annual underdrain charge. Those residential customers with average annual water usage (AAWU) above the District's average will continue to pay an additional \$2.20 per thousand gallon. The District's AAWU for 2019 decreased slightly to 60,064 gallons from the 61,696 gallons average for 2018.

A comparison of the District's service fee rates for the past few years, as well as for 2019, is shown below.

Year	2019	2018	2017
Commercial Sewer Service & Capital Reserve Fee – per 1,000 gallons	\$ 2.70	\$ 2.70	\$ 2.67
Residential Sewer Service & Capital Reserve Fee – Single Family	\$ 170.50	\$ 186.00	\$ 181.50
Residential Sewer Service & Capital Reserve Fee – Multi-Family	\$106.00	\$106.00	\$104.30
Underdrain Service & Capital Reserve Fee	\$ 118.50	\$ 103.00	\$ 107.00

The District continues to undertake capital improvement projects each year as its sewer and underdrain systems age. For 2019, the District has budgeted to spend \$362,000 for capital projects, \$37,000 of which will be spent on new underdrain manholes and the remaining balance will be spent on sewer main replacements.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Grant Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, Judy Simonson of Simonson & Associates, Inc., P. O. Box 1239, Evergreen, CO 80437.

BASIC FINANCIAL STATEMENTS

GRANT WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2018 and 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,231,420	\$ 1,196,083
Investments	2,166,969	2,071,513
Accounts receivable	6,122	821
Accounts receivable - developers	19,898	-
Accrued interest receivable	9,393	7,691
Prepaid expenses	14,640	13,889
Total current assets	<u>3,448,442</u>	<u>3,289,997</u>
 CAPITAL ASSETS		
Projects in progress	-	88,543
Master plan and GIS	81,956	34,523
Sewer system	5,940,436	5,506,480
Underdrain system	1,776,675	1,615,462
Purchased capacity		
Water	1,784,634	1,784,634
Sewer	938,435	938,435
	<u>10,522,136</u>	<u>9,968,077</u>
Less accumulated depreciation and amortization	<u>(5,176,202)</u>	<u>(4,916,047)</u>
Total capital assets	<u>5,345,934</u>	<u>5,052,030</u>
 TOTAL ASSETS	 <u><u>\$ 8,794,376</u></u>	 <u><u>\$ 8,342,027</u></u>
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 40,717	\$ 50,691
Prepaid customer accounts	5,163	4,488
Other current liabilities	-	1,900
Total current liabilities	<u>45,880</u>	<u>57,079</u>
 NET POSITION		
Net investment in capital assets	5,345,934	5,052,030
Unrestricted	3,402,562	3,232,918
Total net position	<u>8,748,496</u>	<u>8,284,948</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 8,794,376</u></u>	 <u><u>\$ 8,342,027</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, 2018 and 2017**

	2018	2017
OPERATING REVENUE		
Service fees	\$ 452,656	\$ 558,529
Inspection fees	20,642	18,837
Other fees and fines	14,200	16,923
Total operating revenue	487,498	594,289
OPERATING EXPENSES		
Depreciation and amortization	281,374	260,851
Engineering	37,763	35,601
Repairs and maintenance	255,346	162,625
Inspection fees	18,337	15,524
Total operating expenses	592,820	474,601
Direct gain (loss) from operations	(105,322)	119,688
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit	5,200	5,200
Insurance	13,889	13,670
Election	670	10
Legal	20,647	23,447
Management fees	94,978	105,438
Director's fees	6,459	6,351
Office and administration	20,064	18,908
Total general and administrative expenses	161,907	173,024
Income (loss) from operations	(267,229)	(53,336)
NONOPERATING REVENUE (EXPENSES)		
Net investment income		
Interest	65,002	35,780
Net increase (decrease) in fair value of investments	(4,544)	(15,373)
Capital reserve fees	311,258	207,407
Loss on disposal of capital assets	(6,439)	-
Total nonoperating revenue (expenses)	365,277	227,814
INCOME BEFORE CAPITAL CONTRIBUTIONS	98,048	174,478
CAPITAL CONTRIBUTIONS		
System development fees	365,500	71,950
	365,500	71,950
CHANGE IN NET POSITION	463,548	246,428
NET POSITION - BEGINNING OF YEAR	8,284,948	8,038,520
NET POSITION - END OF YEAR	\$ 8,748,496	\$ 8,284,948

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, 2018 and 2017

CASH FLOWS FROM OPERATING ACTIVITIES	2018	2017
Cash received from customers	\$ 482,872	\$ 602,992
Cash paid to vendors	(505,876)	(415,084)
Net cash provided (required) by operating activities	<u>(23,004)</u>	<u>187,908</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital outlay	(581,717)	(64,588)
Capital reserve fees	311,258	207,407
System development fees	365,500	71,950
Net cash provided by capital financing activities	<u>95,041</u>	<u>214,769</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(895,000)	(1,900,000)
Maturity of investments	795,000	1,572,841
Interest received	63,300	25,847
Net cash required by investing activities	<u>(36,700)</u>	<u>(301,312)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,337	101,365
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,196,083	1,094,718
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,231,420</u>	<u>\$ 1,196,083</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Income (loss) from operations	\$ (267,229)	\$ (53,336)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	281,374	260,851
Effects of changes in operating assets and liabilities:		
Receivables	(25,199)	4,215
Prepaid expenses	(751)	(13,651)
Payables and other liabilities	(11,199)	(10,171)
Net cash provided (required) by operating activities	<u>\$ (23,004)</u>	<u>\$ 187,908</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Loss on disposal of capital assets	<u>\$ 6,439</u>	<u>\$ -</u>
Changes in fair value of investments	<u>\$ (4,544)</u>	<u>\$ (15,373)</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, 2018 AND 2017**

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, 2018, 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, 2018 AND 2017**

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Cash Equivalents

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

Capital Assets

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

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

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

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

System Development Fees and Contributed Lines

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

Reclassifications

For comparability, certain 2017 amounts have been reclassified where appropriate to conform to the 2018 financial statement presentation.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3 - CASH AND INVESTMENTS

Cash equivalents and investments are reflected for the December 31, 2018 and 2017 statements of net position and statements of cash flows as follows:

	<u>2018</u>	<u>2017</u>
Deposits with financial institutions	\$ 171,142	\$ 188,257
Investments	<u>3,227,247</u>	<u>3,079,339</u>
Total cash and investments	<u>\$ 3,398,389</u>	<u>\$ 3,267,596</u>

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents:		
Deposits with financial institutions	\$ 171,142	\$ 188,257
COLOTRUST	<u>1,060,278</u>	<u>1,007,826</u>
Total cash and cash equivalents	<u>1,231,420</u>	<u>1,196,083</u>
Investments:		
U.S. Agency Obligations	<u>2,166,969</u>	<u>2,071,513</u>
Total investments	<u>2,166,969</u>	<u>2,071,513</u>
Total cash equivalents and investments	<u>\$ 3,398,389</u>	<u>\$ 3,267,596</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, 2018, the District had cash deposits with a bank balance of \$182,869 and a carrying balance of \$171,142. At December 31, 2017, the District had cash deposits with a bank balance of \$198,505 and a carrying balance of \$188,257.

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:

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

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

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

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>	

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, 2018 and 2017 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, 2018 and 2017, 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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

Investment Valuation

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

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

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

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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

	<u>Amount</u>	<u>Level 1 Inputs</u>
Investments measured at fair value:		
U.S. Agency Obligations	<u>\$2,071,513</u>	<u>\$2,071,513</u>
Total investments at fair value	<u>2,071,513</u>	<u>\$2,071,513</u>
Investments measured at NAV:		
COLOTRUST	<u>1,007,826</u>	
Total investments at NAV	<u>1,007,826</u>	
Total investments	<u>\$3,079,339</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, 2018, the District had the following investments that are required to be disclosed:

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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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>	

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**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 - CAPITAL ASSETS

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

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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

	<u>Balance at January 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
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>

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, 2018 and 2017, the District had invested in capital assets of \$5,345,934 and \$5,052,030, 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, 2018 AND 2017**

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, 2018 and 2017 is \$704,138 and \$681,605.

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, 2018 and 2017 is \$420,627 and \$397,167.

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, 2018 AND 2017**

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, 2018. 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, 2018**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Service fees	\$ 451,200	\$ 452,656	\$ 1,456
Capital reserve fees	311,250	311,258	8
Inspection fees	9,000	20,642	11,642
Other fees and fines	15,000	14,200	(800)
Net investment income	33,200	65,002	31,802
Decrease in fair value of investments	-	(4,544)	(4,544)
System development fees	9,000	365,500	356,500
Total Revenues	828,650	1,224,714	396,064
EXPENDITURES			
Engineering	37,200	37,763	(563)
Repairs and maintenance	226,500	255,346	(28,846)
Inspection fees	18,000	18,337	(337)
Audit	5,200	5,200	-
Insurance	15,000	13,889	1,111
Election costs	25,000	670	24,330
Legal	21,000	20,647	353
Management fees	108,000	94,978	13,022
Director's fees	6,800	6,459	341
Office and administrative	22,700	20,064	2,636
Capital outlay and major repairs contingency	590,750	581,717	9,033
Total Expenditures	1,076,150	1,055,070	21,080
NET CHANGE IN FUNDS AVAILABLE	(247,500)	169,644	417,144
FUNDS AVAILABLE - BEGINNING OF YEAR	3,221,852	3,232,918	11,066
FUNDS AVAILABLE - END OF YEAR	\$ 2,974,352	\$ 3,402,562	\$ 428,210
Funds available is computed as follows:			
Current assets		\$ 3,448,442	
Current liabilities		(45,880)	
		\$ 3,402,562	

**GRANT WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2018**

Revenue (budgetary basis)	\$ 1,224,714
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	1,224,714
Expenditures (budgetary basis)	1,055,070
Depreciation and amortization	281,374
Capital outlay	(581,717)
Loss on disposal of capital assets	6,439
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	761,166
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	\$ 463,548