

**GREATROCK NORTH WATER AND
SANITATION DISTRICT**
Adams County, 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 the Financial Statements	4
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis)	18
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Fund Net Position	20
OTHER INFORMATION	
History of District’s Assessed Valuation and Mill Levies	21
History of Property Tax Collections	22
2018 Assessed and Actual Valuation of Classes of Property in the District	23
Largest Taxpayers within the District	24
District Historical Debt Ratios	25



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

Independent Auditor's Report

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

Report for the Financial Statements

We have audited the accompanying financial statements of Greatrock North 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, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greatrock North Water and Sanitation District, as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through VII presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
June 4, 2019

**GREATROCK NORTH WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2018 and 2017**

Our discussion and analysis of Greatrock North Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2018 and 2017. Please read it in conjunction with the District's basic financial statements which begin on page 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The *Statement of Net Position* presents information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between the two reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The *Statement of Cash Flows*, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

FINANCIAL SUMMARY AND ANALYSIS

Net Position

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources in 2018, 2017 and 2016 by \$5.02 million, \$4.35 million and \$4.31 million respectively. Current assets increased by \$464,292 or 10% from 2017 to 2018. The main increase was cash and cash equivalents, which increased \$447,072 due a positive change in net position. Additionally, property taxes receivable increased by \$20,475 due to a 2.4% increase in the District assessed valuation for taxes levied for 2019 collection. Current assets increased by \$2,175,882 or 93% from 2016 to 2017. The main increase was in cash and cash equivalents, which increased by \$2,007,771 due to the issuance of the Series 2017 Bonds. Additionally, property taxes receivable, which increased \$156,951 due to a 15% increase in the District assessed valuation and a 4.577 increase in the mill levy for taxes levied for 2018 collection.

**GREATROCK NORTH WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2018 and 2017**

Total liabilities decreased \$166,025 from 2017 to 2018, primarily due to \$120,000 of principal payments made on the outstanding bonds and a \$23,644 decrease in accounts payable due to overall decreases in expenses in 2018. Total liabilities increased \$1,946,075 from 2016 to 2017, primarily due to net increase in outstanding bonds of \$2,000,923 due to the issuance of \$4,730,000 the 2017 bonds and the payment of \$2,970,000 of the 2007 bonds and a net decrease in accounts and retainage payable of \$54,848 related to the pump station capital project in 2017.

NET POSITION

	December 31,		
	2018	2017	2016
ASSETS			
Current assets	\$4,969,963	\$4,505,671	\$2,329,789
Capital assets, net	7,701,205	7,626,850	7,664,724
Other assets, net	35,602	37,628	33,176
Total assets	<u>12,706,770</u>	<u>12,170,149</u>	<u>10,027,689</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	120,737	129,881	129,354
Total deferred outflows of resources	<u>120,737</u>	<u>129,881</u>	<u>129,354</u>
LIABILITIES			
Current liabilities	58,711	82,618	137,466
Noncurrent liabilities	6,964,595	7,106,713	5,105,790
Total liabilities	<u>7,023,306</u>	<u>7,189,331</u>	<u>5,243,256</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	785,683	765,208	608,257
Total deferred inflows of resources	<u>785,683</u>	<u>765,208</u>	<u>608,257</u>
NET POSITION			
Net investment in capital assets	2,811,925	2,657,327	2,721,437
Restricted	57,729	26,196	19,200
Unrestricted	2,148,864	1,661,968	1,564,893
Total net position	<u>\$5,018,518</u>	<u>\$4,345,491</u>	<u>\$4,305,530</u>

Changes in Net Position

As noted in the table below, the District's net position increased from 2017 to 2018 by \$673,027. Charges for services increased by \$10,680, or 2%, from 2017 to 2018. This increase was due to higher water usage revenue as water usage increased from 43,236,803 gallons in 2017 to 44,984,463 in 2018. The District also collected \$63,900 in development fees and had \$204,837 in capital contributions in 2018. The District had increased interest earnings due to general improvements in the investment markets. The other revenues for the District remained consistent from 2017 to 2018. The District's net position increased from 2016 to 2017 by \$39,961. Charges for services increased by \$16,694, or 4%, from 2016 to 2017. This increase was due to higher water usage revenue as water usage increased from 42,342,913 gallons in 2016 to 43,236,803 in 2017. The other revenues for the District remained consistent from 2016 to 2017. Expenses overall decreased \$162,142 or 14% from 2017 to 2018. The fluctuation is primarily due to

**GREATROCK NORTH WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2018 and 2017**

\$175,175 decrease in bond issuance costs. Expenses overall increased \$213,056 or 22% from 2016 to 2017. The fluctuation is primarily due to \$12,203 increase in legal expense due to work related to the issuance of the 2017 bonds and an \$175,175 increase in bond issuance costs offset by \$36,197 decrease in in water rights development.

CHANGES IN NET POSITION

	Years Ended December 31,		
	2018	2017	2016
REVENUES			
Program revenues:			
Charges for services	\$ 492,023	\$ 481,343	\$ 464,649
Available of service fee	4,094	8,868	13,475
Irrigation lease	7,500	7,500	7,500
Inspection fees	1,825	15,095	7,306
Inclusion fees	-	17,000	3,368
Development fees	63,900	-	-
Miscellaneous	3,682	7,616	3,182
General revenues:			
Property taxes	765,208	608,257	590,549
Specific ownership taxes	66,597	58,574	48,701
Investment earnings	84,264	18,753	8,227
Capital contributions	204,837	-	-
Total revenues	<u>1,693,930</u>	<u>1,223,006</u>	<u>1,146,957</u>
EXPENSES			
Water and sewer operations	549,827	572,721	552,381
Interest and related charges	270,833	425,891	255,674
Administration	200,243	184,433	161,934
Total expenses	<u>1,020,903</u>	<u>1,183,045</u>	<u>969,989</u>
CHANGE IN NET POSITION	673,027	39,961	176,968
NET POSITION - BEGINNING OF YEAR	<u>4,345,491</u>	<u>4,305,530</u>	<u>4,128,562</u>
NET POSITION - END OF YEAR	<u><u>\$5,018,518</u></u>	<u><u>\$4,345,491</u></u>	<u><u>\$4,305,530</u></u>

BUDGETARY HIGHLIGHTS

The total actual expenditures for 2018 were \$2,263,603 under the budgeted expenditures of \$3,284,972. Capital outlay expenses were \$2,127,109 under budget, accounting for the majority of this difference.

**GREATROCK NORTH WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2018 and 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets at December 31, 2018, 2017 and 2016, amounted to \$7.70 million, \$7.63 million and \$7.66 million (net of accumulated depreciation), respectively. This investment in capital assets includes water distribution infrastructure, water rights, easements, land, and on-going capital projects.

The analysis of changes in capital assets is as follows:

	<u>December 31, 2016</u>	<u>Change</u>	<u>December 31, 2017</u>	<u>Change</u>	<u>December 31, 2018</u>
Land	\$ 94,243	\$ -	\$ 94,243	\$ -	\$ 94,243
Water rights	980,105	-	980,105	-	980,105
Easements	152,989	-	152,989	-	152,989
Construction in progress	155,767	(155,767)	-	107,831	107,831
Water distribution system	<u>8,843,643</u>	<u>338,984</u>	<u>9,182,627</u>	<u>204,837</u>	<u>9,387,464</u>
	10,226,747	183,217	10,409,964	312,668	10,722,632
Accumulated depreciation	<u>(2,562,023)</u>	<u>(221,091)</u>	<u>(2,783,114)</u>	<u>(238,313)</u>	<u>(3,021,427)</u>
Total capital assets, net	<u>\$7,664,724</u>	<u>\$ (37,874)</u>	<u>\$7,626,850</u>	<u>\$ 74,355</u>	<u>\$7,701,205</u>

In 2018 the District additions were for construction related to construction of new concentrate pond and capital contribution of water lines constructed by the developers of the Hayesmount Estates. In 2017, the District additions were for construction related to the new pump station. Additional information regarding the District's capital assets can be found in Note 4.

Debt Administration

During 2017, the District issued Series 2017 General Obligation Refunding and Improvement Bonds in the amount of \$4,730,000. The Series 2017 bonds were issued to refund \$2,830,000 of the 2007 General Obligation Refunding and Improvement Bonds and to have proceeds available for additional capital projects. In 2018 and 2017, the District made the required principal payments on the outstanding bonds.

**GREATROCK NORTH WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2018 and 2017**

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

	<u>December 31, 2016</u>	<u>Change</u>	<u>December 31, 2017</u>	<u>Change</u>	<u>December 31, 2018</u>
General Obligation Refunding and					
Improvement Bonds, Series 2007	\$ 2,970,000	\$(2,970,000)	\$ -	\$ -	\$ -
Improvement Bonds, Series 2010	2,070,000	(55,000)	2,015,000	(60,000)	1,955,000
Improvement Bonds, Series 2017	-	4,730,000	4,730,000		4,670,000
Less deferred amounts:					
2007 issue discount	(6,604)	6,604	-	-	-
2010 issue premium	72,394	(7,633)	64,761	(7,181)	57,580
2017 issue premium	-	296,952	296,952	(14,937)	282,015
Total long-term obligations	<u>\$ 5,105,790</u>	<u>\$ 2,000,923</u>	<u>\$ 7,106,713</u>	<u>\$ (82,118)</u>	<u>\$ 6,964,595</u>

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

ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES

For 2019, the District's property tax revenue is expected to increase by 2.7% due to higher assessed valuation and a small increase in the total mills levied for the District's 2019 tax collections.

Total budgeted revenues for 2019 are \$1,823,832. Total appropriated expenditures for 2019 are \$2,673,129.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Greatrock North Water and Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Manager, Lisa Johnson at Special District Management Services, 141 Union Blvd, Suite 150, Lakewood, CO 80228.

BASIC FINANCIAL STATEMENTS

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

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 2,128,307	\$ 1,658,650
Cash and cash equivalents - restricted	1,981,726	2,004,311
Accounts receivable:		
Customers	50,355	49,205
County treasurer	5,618	4,774
Other	-	6,025
Property taxes receivable	785,683	765,208
Prepaid expense	18,274	17,498
Total current assets	4,969,963	4,505,671
CAPITAL ASSETS		
Capital assets, not being depreciated	1,335,168	1,227,337
Capital assets, being depreciated	9,387,464	9,182,627
	10,722,632	10,409,964
Less accumulated depreciation and amortization	(3,021,427)	(2,783,114)
Total capital assets	7,701,205	7,626,850
OTHER ASSETS		
Prepaid bond insurance, net	35,602	37,628
Total other assets	35,602	37,628
Total assets	12,706,770	12,170,149
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding, net	120,737	129,881
Total deferred outflows of resources	120,737	129,881
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,827,507	\$ 12,300,030
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 34,670	\$ 58,314
Interest payable	23,191	23,454
Deposits	850	850
Total current liabilities	58,711	82,618
NONCURRENT LIABILITIES		
Bonds payable		
Due within one year	140,000	120,000
Due in more than one year	6,824,595	6,986,713
Total noncurrent liabilities	6,964,595	7,106,713
Total liabilities	7,023,306	7,189,331
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	785,683	765,208
Total deferred inflows of resources	785,683	765,208
NET POSITION		
Net investment in capital assets	2,811,925	2,657,327
Restricted for emergencies	12,000	20,000
Restricted for debt service	45,729	6,196
Unrestricted	2,148,864	1,661,968
Total net position	5,018,518	4,345,491
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 12,827,507	\$ 12,300,030

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

GREATROCK NORTH WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUE		
Service charges - Greatrock	\$ 166,414	\$ 172,582
Service charges - Rockinghorse Farms	126,257	126,516
Service charges - Box Elder	199,352	182,245
Available of service fees	4,094	8,868
Irrigation lease revenue	7,500	7,500
Inspection fees	1,825	15,095
Inclusion fees	-	17,000
Development fees	63,900	-
Miscellaneous	3,682	7,616
Total operating revenue	573,024	537,422
OPERATING EXPENSES		
General and administration		
Accounting	27,318	18,852
District management	61,789	45,870
Audit	6,931	6,651
Director fees	5,600	5,000
Payroll taxes	398	505
Utility billing	19,093	23,913
Insurance	18,689	18,065
Legal	35,929	47,291
Website development	409	1,324
Elections	1,074	81
Miscellaneous	11,525	7,748
Operations		
Depreciation	238,313	221,091
Engineering	45,960	79,967
Utilities	42,147	46,172
Testing and reporting	6,695	6,419
Plant supplies	7,631	6,064
Meter reading	6,418	8,640
Rules and regulations	-	1,633
GIS	5,670	6,206
Maintenance and repair	123,673	103,768
Operator services	37,680	51,459
Inclusions	2,197	18,631
Water rights development	33,443	22,671
Total operating expenses	738,582	748,021
OPERATING LOSS	(165,558)	(210,599)
NONOPERATING REVENUE AND (EXPENSES)		
Property taxes	765,208	608,257
Specific ownership taxes	66,597	58,574
Net investment income	84,264	18,753
County treasurer's fees	(11,488)	(9,133)
Bond interest expense	(268,207)	(248,199)
Bond insurance cost amortization	(2,026)	(2,167)
Paying agent fees	(600)	(350)
Bond issuance costs	-	(175,175)
Total nonoperating revenue (expense)	633,748	250,560
INCOME BEFORE CAPITAL CONTRIBUTIONS	468,190	39,961
CAPITAL CONTRIBUTIONS		
Capital assets contributed	204,837	-
CHANGE IN NET POSITION	673,027	39,961
NET POSITION - BEGINNING OF YEAR	4,345,491	4,305,530
NET POSITION - END OF YEAR	\$ 5,018,518	\$ 4,345,491

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

GREATROCK NORTH WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 577,899	\$ 528,190
Payments to vendors	(524,689)	(524,594)
Net cash provided by operating activities	53,210	3,596
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital asset purchases	(107,831)	(245,295)
Bond interest paid	(282,044)	(230,688)
Bond principal paid	(120,000)	(195,000)
Bond proceeds	-	4,730,000
Bond premium	-	296,952
Bond issuance costs	-	(175,175)
Bond insurance	-	(21,777)
Payment to refunding escrow	-	(2,830,000)
Net cash provided (required) by capital financing activities	(509,875)	1,329,017
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property and specific ownership taxes received	830,961	665,538
County treasurer's fees paid	(11,488)	(9,133)
Net cash provided by noncapital financing activities	819,473	656,405
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	84,264	18,753
Net cash provided by investing activities	84,264	18,753
NET INCREASE IN CASH AND CASH EQUIVALENTS	447,072	2,007,771
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,662,961	1,655,190
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,110,033	\$ 3,662,961
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES		
Operating loss	\$ (165,558)	\$ (210,599)
Adjustments to reconcile operating loss to net cash required by operating activities:		
Depreciation	238,313	221,091
Effects of changes in operating assets and liabilities:		
Accounts receivable	4,875	(9,232)
Prepaid expenses	(776)	(635)
Accounts payable	(23,644)	2,971
Net cash provided (required) by operating activities	\$ 53,210	\$ 3,596

Cash flows from capital financing activities do not include \$204,837 of water lines contributed in 2018.

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

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – DEFINITION OF REPORTING ENTITY

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

The District has no employees and all operations and administration functions are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

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

Property Taxes

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

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

Accounts Receivable

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

Cash Equivalents

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

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

Water distribution system	20 - 40 years
---------------------------	---------------

**GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017**

Estimates

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

Tap Fees and Contributed Lines

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

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

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

Deferred Inflows/Outflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the Statements of Net Position. Deferred inflows of resources reported are property taxes levied for the ensuing year.

Reclassifications

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

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2018 and 2017 are classified in the accompanying financial statements as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents - unrestricted	\$ 2,128,307	\$ 1,658,650
Cash and cash equivalents - restricted	<u>1,981,726</u>	<u>2,004,311</u>
	<u>\$ 4,110,033</u>	<u>\$ 3,662,961</u>

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

**GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash deposits	\$ 404,666	\$ 371,734
Investments	<u>3,705,367</u>	<u>3,291,227</u>
	<u>\$ 4,110,033</u>	<u>\$ 3,662,961</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 \$404,868 and a carrying balance of \$404,666. At December 31, 2017, the District had cash deposits with a bank balance of \$444,534 and a carrying balance of \$371,734.

Investments

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

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

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

Interest Rate Risk

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

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

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>	
		<u>2018</u>	<u>2017</u>
Colotrust Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$3,705,367</u>	<u>\$3,291,227</u>

COLOTRUST

The District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreement collateralized by certain obligations of the U.S. government agencies. COLOTRUST is rated AAAM by Standard and Poor's.

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments are not required to be 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 District held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

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.

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

RESTRICTED CASH AND INVESTMENTS

At December 31, 2018 and 2017, cash and investments in the amount of \$1,981,726 and \$2,004,311, respectively are restricted for debt service related to the Series 2017 Improvement Bonds and Series 2010 Improvement Bonds (Note 5) and capital projects.

NOTE 4 - CAPITAL ASSETS

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

	Balance at December 31, 2017	Additions	Disposals/ Retirements	Balance at December 31, 2018
Capital assets, not being depreciated:				
Land	\$ 94,243	\$ -	\$ -	\$ 94,243
Water rights	980,105	-	-	980,105
Easements	152,989	-	-	152,989
Construction in progress	-	107,831	-	107,831
Total capital assets, not being depreciated	<u>1,227,337</u>	<u>107,831</u>	<u>-</u>	<u>1,335,168</u>
Capital assets, being depreciated:				
Water distribution system	9,182,627	204,837	-	9,387,464
Total capital assets being depreciated	<u>9,182,627</u>	<u>204,837</u>	<u>-</u>	<u>9,387,464</u>
Less accumulated depreciation for:				
Water distribution system	(2,783,114)	(238,313)	-	(3,021,427)
Total accumulated depreciation	<u>(2,783,114)</u>	<u>(238,313)</u>	<u>-</u>	<u>(3,021,427)</u>
Total capital assets being depreciated, net	<u>6,399,513</u>	<u>(33,476)</u>	<u>-</u>	<u>6,366,037</u>
Total capital assets, net	<u>\$ 7,626,850</u>	<u>\$ 74,355</u>	<u>\$ -</u>	<u>\$ 7,701,205</u>

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

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

	Balance at December 31, 2016	Additions	Disposals/ Retirements	Balance at December 31, 2017
Capital assets, not being depreciated:				
Land	\$ 94,243	\$ -	\$ -	\$ 94,243
Water rights	980,105	-	-	980,105
Easements	152,989	-	-	152,989
Construction in progress	155,767	183,217	(338,984)	-
Total capital assets, not being depreciated	<u>1,383,104</u>	<u>183,217</u>	<u>(338,984)</u>	<u>1,227,337</u>
Capital assets, being depreciated:				
Water distribution system	8,843,643	338,984	-	9,182,627
Total capital assets being depreciated	<u>8,843,643</u>	<u>338,984</u>	<u>-</u>	<u>9,182,627</u>
Less accumulated depreciation for:				
Water distribution system	(2,562,023)	(221,091)	-	(2,783,114)
Total accumulated depreciation	<u>(2,562,023)</u>	<u>(221,091)</u>	<u>-</u>	<u>(2,783,114)</u>
Total capital assets being depreciated, net	<u>6,281,620</u>	<u>117,893</u>	<u>-</u>	<u>6,399,513</u>
Total capital assets, net	<u>\$ 7,664,724</u>	<u>\$ 301,110</u>	<u>\$ (338,984)</u>	<u>\$ 7,626,850</u>

NOTE 5 – LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2017	Additions	Reductions	Balance at December 31, 2018	Due Within One Year
General Obligation Refunding and					
Improvement Bonds, Series 2010	\$ 2,015,000	\$ -	\$ 60,000	\$ 1,955,000	\$ 65,000
Improvement Bonds, Series 2017	4,730,000	-	60,000	4,670,000	75,000
Less deferred amounts:					
2010 issue premium	64,761	-	7,181	57,580	-
2017 issue premium	296,952	-	14,937	282,015	-
Total long-term obligations	<u>\$ 7,106,713</u>	<u>\$ -</u>	<u>\$ 142,118</u>	<u>\$ 6,964,595</u>	<u>\$ 140,000</u>

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

**GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017**

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
General Obligation Refunding and					
Improvement Bonds, Series 2007	\$ 2,970,000	\$ -	\$ 2,970,000	\$ -	\$ -
Improvement Bonds, Series 2010	2,070,000	-	55,000	2,015,000	60,000
Improvement Bonds, Series 2017	-	4,730,000	-	4,730,000	60,000
Less deferred amounts:					
2007 issue discount	(6,604)	-	(6,604)	-	-
2010 issue premium	72,394	-	7,633	64,761	-
2017 issue premium	-	296,952	-	296,952	-
Total long-term obligations	<u>\$ 5,105,790</u>	<u>\$ 5,026,952</u>	<u>\$ 3,026,029</u>	<u>\$ 7,106,713</u>	<u>\$ 120,000</u>

General Obligation Refunding and Improvement Bonds, Series 2007

On June 21, 2007, the District authorized the issuance of General Obligation Refunding and Improvement Bonds dated June 27, 2007. The bonds refunded the outstanding Limited Tax General Obligation Bonds Series 1998 and the outstanding Subordinate Limited Tax General Obligation Bonds Series 2002 and provided funding to construct and install certain improvements to the District's water system. The bonds bear interest at rates between 4.00% and 4.49%, payable semiannually on each June 1 and December 1, commencing on December 1, 2007. The bonds are subject to mandatory sinking fund redemption commencing on December 1, 2009. The Bonds maturing on and before December 1, 2018, are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after December 1, 2022 are subject to redemption prior to maturity, at the option of the District, on December 1, 2017 at a redemption price equal to 100% together with accrued interest thereon to the date of redemption. On October 5, 2010, the District advance refunded \$1,175,000 of the principal balance of the bonds. As of December 31, 2017, all of the defeased bonds had been paid in full. On December 1, 2017, the District issued the General Obligation Refunding and Improvement Bonds, Series 2018 (as discussed below). Proceeds in the amount of \$2,830,000 were placed into escrow in order to redeem \$2,830,000 of the 2007 Series Bonds on December 1, 2017.

General Obligation Refunding and Improvement Bonds, Series 2010

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

**GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017**

General Obligation Refunding and Improvement Bonds, Series 2017

On November 7, 2017, the District authorized the issuance of General Obligation Refunding Bonds dated December 1, 2017. The bonds refunded the General Obligation Refunding and Improvement Bonds Series 2007 and provided additional funding to construct and install certain improvements to the District's water system. The bonds bear interest at rates between 2.00% and 5.00%, payable semiannually on each June 1 and December 1, commencing on June 1, 2018. The bonds maturing on and before December 1, 2022 are not subject to redemption prior to their respective maturity dates. The bonds maturing December 1, 2032 are subject to mandatory sinking fund redemption commencing on December 1, 2031 and each December thereafter. The Bonds maturing on and after December 1, 2032 are subject to redemption prior to maturity as a whole or in integral multiples of \$5,000, at the option of the District, on December 1, 2020 upon payment of par and accrued interest, without redemption premium.

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 140,000	\$ 278,293	\$ 418,293
2020	145,000	273,994	418,994
2021	145,000	268,893	413,893
2022	155,000	262,394	417,394
2023	155,000	255,494	410,494
2024-2028	1,015,000	1,143,220	2,158,220
2029-2033	1,245,000	869,520	2,114,520
2034-2038	1,455,000	599,217	2,054,217
2039-2043	1,780,000	267,681	2,047,681
2044	390,000	13,163	403,163
	<u>\$ 6,625,000</u>	<u>\$ 4,231,869</u>	<u>\$ 10,856,869</u>

Authorized Debt

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

NOTE 6 – INCLUSION AGREEMENTS

Homestead Heights, LLC

On November 21, 2006, the District entered into an inclusion agreement with Homestead Heights, LLC (Homestead) associated with property known as Homestead Heights, II. The agreement calls for Homestead to pay a system development fee in the amount of \$16,000 for the first fifteen units and the remaining system development fees will be due prior to the issuance of building permits. The agreement for inclusion is for approximately 56 residential lots. Homestead also agreed to post fees deposits in increments of \$10,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to Homestead. On January 24, 2008, the District amended the inclusion fee incremental refundable deposits to \$5,000 from \$10,000. On December 5, 2007, the District filed a statement of lien on the property owned by

**GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017**

Homestead Heights, LLC in the amount of \$240,000 for the 15 system development fees that were to be prepaid by Homestead within 30 days of the execution of the agreement. On August 20, 2008, the District and Homestead entered into the first amendment to the inclusion agreement. In the amended agreement, the District agreed to remove the \$240,000 lien placed on the property. Additionally the payment terms for the system development fees were modified such that Homestead is to remit the system development fees, at the District's then current system development fee rate, within certain periods following the issuance of building permits by the county. During 2018 and 2017 the District received \$-0- system development fees related to this inclusion agreement.

Hayesmount Properties, LLC

On August 23, 2007, the District entered into an inclusion agreement with Hayesmount Properties, LLC (Hayesmount) associated with property known as Hayesmount Estates. Under the agreement, Hayesmount must pay system development fees for the first five units either within 120 days of recordation of a final plat for the Hayesmount Estates development or prior to the start of construction, whichever occurs first. The system development fees on all remaining lots shall be due and owing prior to the issuance of building permits by the County. The agreement for inclusion is for approximately 21 single-family detached lots. Hayesmount also agreed to post fees deposits in increments of \$10,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to the Hayesmount. On January 24, 2008, the District amended the inclusion fee incremental refundable deposits to \$5,000 from \$10,000. During 2018 and 2017 the District received \$63,900 and \$0, respectively in system development fees related to this inclusion agreement.

Ridgeview Estates LLC

On July 24, 2008, the District entered into an inclusion agreement with Ridgeview Estates LLC (Ridgeview) associated with property known as the Ridgeview Estates Subdivision. Under the agreement, Ridgeview must provide adjudicated water rights associated with the 62.3 acre Ridgeview Estates Subdivision to the District through a Special Warranty Deed. Upon inclusion into the District, the District will provide water for 21 approximately 2.5 acre lots in the Ridgeview Estates Subdivision. Ridgeview is responsible for the construction of a single 8 inch looped water line (Water Improvements) in accordance with District specifications. Upon completion of the Water Improvements, Ridgeview shall convey the Water Improvements to the District. System development fees are to be collected on an equivalent residential unit basis on the properties within the Ridgeview Estates Subdivision. Ridgeview also agreed to post a fees deposit in increments of \$5,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to the Ridgeview. During 2018 and 2017 the District received no system development fees related to this inclusion agreement.

NOTE 7 – WATER LEASE OPTION AGREEMENT

On January 23, 2007, the District entered into a water lease option agreement with Box Elder Creek Ranch Water Company (Box Elder). The agreement grants Box Elder an option to lease a portion of its Laramie-Fox Hills aquifer ground water available for specific uses. Each year this

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

agreement is in effect, Box Elder shall pay to the District a reservation/lease fee of \$7,500 per year, regardless of use, on or before January 10. The reservation/lease fee shall increase by the Denver-Boulder Consumer Price Index plus 1% compounded, annually. Box Elder shall also reimburse the District for a proportional amount of the energy and administrative costs incurred by the District to pump the Laramie Water to the Box Elder stream bed for Box Elder's benefit. The District waived the CPI adjustments and collected lease revenue of \$7,500 in 2018 and \$7,500 in 2017 under this agreement.

On November 4, 2010 the agreement was amended to provide for the delivery of Laramie Water to Box Elder on a rolling three year schedule and provisions related to the District's SCADA system. Box Elder may install and connect to the District's SCADA System in the future at its option. If Box Elder chooses this option, it shall be responsible for any hard and soft costs associated with the installation of the system at its pond and recharge pond.

Effective July 8, 2016, the District and Box Elder entered into an Amended and Restated Water Lease Option Agreement (Restated Agreement) which amended and restated the original agreement in its entirety. The District is entitled to withdraw an average annual amount of up to 105.2 acre-feet per year of Laramie-Fox Hills aquifer ground water. Pursuant to the Restated Agreement, the District granted to Box Elder an option to lease from the District up to 65 acre-feet of Laramie Water per year for augmentation purposes, as more particularly described in the Restated Agreement, subject to availability as determined solely by the District.

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

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

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

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

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8 - NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and, if applicable, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2018 and 2017, the District had \$2,811,925 and \$2,657,327, respectively, net investment in capital assets.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position consists of \$12,000 and \$20,000 as of December 31, 2018 and 2017, respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 10). The District's restricted net position for debt service includes \$45,729 and \$6,196 as of December 31, 2018 and 2017, respectively, which represent unspent taxes levied for debt service (see Note 5).

NOTE 9 - RISK MANAGEMENT

Except as provided by the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., as may be amended from time to time, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 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 four fiscal years.

The District pays annual premiums to the Pool for property, liability, public officials' liability, boiler and machinery, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members.

Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 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 that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District is of the opinion that its water activity enterprise, and all activities related thereto are carried on as an Enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45.;1-01, et seq. The District's annual budget and financial statements are deemed by the District to be the annual budget and financial statements of the Enterprise.

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

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

and without limiting the collection or spending of any other revenues or funds by the District under Article X, Section 20 of the Colorado Constitution or any other law?

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

On May 6, 2008, a majority of the District's voters approved the following ballot question: Shall Greatrock North Water and Sanitation District taxes be increased \$300,000 annually (for collection in calendar year 2008) and by the additional amounts that are raised annually thereafter by the imposition of an ad valorem property tax levy of 35 mills for the purpose of paying the District's administration, operations and maintenance and other similar expenses, and shall the

GREATROCK NORTH WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

revenue from such taxes and any investment income thereon together with all revenue received prior to calendar year 2008 from imposition of the District's operations mill levy and any investment income thereon be collected, retained and spent by the District in each fiscal year prior to, through and including 2008 and thereafter as a voter-approved revenue changes without regard to any spending, revenue-raising, or other limitation contained within Articles X, Section 20 of the Colorado Constitution, the limits imposed on increased in property taxation by Section 29-1-301, C.R.S in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

NOTE 11 - ESTIMATED CLOSURE COSTS

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

The District's engineer has provided an estimate of the closure costs based on the closure plan presented in the *Engineering, Design, and Operation Plan dated May 2013, Revision 2* submitted to the Division in May 2013. The closure plan follows a clean-in-place closure thereby eliminating the need for environmental covenant and post-closure care and costs. The closure costs were gathered from suppliers, contractors, and an internal database of historical project costs for the area. The estimates include the cost of engineering oversight, soil disposal, testing, liner removal and disposal, site grading, seeding, piping abandonment, erosion control as well as a contingency. As of December 31, 2018, the estimated closure costs for the impoundments are \$364,050. As of the date of the audit report, the District has no plans or intentions nor has it been ordered to close the impoundments, therefore, no liability has been recorded on the financial statements of the District in connection with the estimated costs.

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

SUPPLEMENTAL INFORMATION

**GREATROCK NORTH WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2018**

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 765,208	\$ 765,208	\$ -
Specific ownership taxes	53,000	66,597	13,597
Service charges - Greatrock	161,593	166,414	4,821
Service charges - Rocking Horse	116,897	126,257	9,360
Service charges - Box Elder	165,499	199,352	33,853
Available of service fees	12,380	4,094	(8,286)
Irrigation lease revenue	7,500	7,500	-
Net investment income	9,880	84,264	74,384
Inspection fees	-	1,825	1,825
Development fees	-	63,900	63,900
Miscellaneous	-	3,682	3,682
Total Revenues	<u>1,291,957</u>	<u>1,489,093</u>	<u>197,136</u>
EXPENDITURES			
Administration and operations:			
Accounting	21,000	27,318	(6,318)
District management	55,000	52,502	2,498
Project management	4,000	9,287	(5,287)
Water rights development	83,500	33,443	50,057
Audit	7,500	6,931	569
Director fees	6,000	5,600	400
Utility billing	26,000	19,093	6,907
Insurance	20,000	18,689	1,311
Legal	58,450	35,929	22,521
Website development	2,000	409	1,591
Elections	15,000	1,074	13,926
Miscellaneous	12,000	11,525	475
Engineering	59,450	45,960	13,490
Utilities	40,800	42,147	(1,347)
Testing and reporting	7,000	6,695	305
Plant supplies	9,500	7,631	1,869
Meter reading	10,285	6,418	3,867
Rules and regulations	1,825	-	1,825
GIS	15,000	5,670	9,330
Maintenance and repair	88,102	123,673	(35,571)
Concentrate disposal	5,000	-	5,000
Operator services	57,000	37,680	19,320
Inclusions	-	2,197	(2,197)
Payroll taxes	450	398	52
County treasurer's fees	5,395	5,400	(5)
Water meters	5,400	-	5,400
Emergency reserve	25,475	-	25,475

(Continued)

**GREATROCK NORTH WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2018**

	(Continued)		
	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	<u>Original and Final</u>	<u>Actual</u>	<u>(Negative)</u>
Debt Service:			
Paying agent fees	500	600	(100)
Legal	500	-	500
2017 GO Bonds principal	60,000	60,000	-
2017 GO Bonds interest	183,244	182,981	263
2010 GO Bonds principal	60,000	60,000	-
2010 GO Bonds interest	98,200	98,200	-
County treasurer's fees	6,083	6,088	(5)
Contingency	373	-	373
Capital Outlay:			
Capital repairs and replacements	2,234,940	107,831	2,127,109
Total expenditures	<u>3,284,972</u>	<u>1,021,369</u>	<u>2,263,603</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,993,015)	467,724	2,460,739
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>3,643,018</u>	<u>3,657,845</u>	<u>14,827</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 1,650,003</u>	<u>\$ 4,125,569</u>	<u>\$ 2,475,566</u>

Funds available are computed as follows:

Current assets	\$ 4,969,963
Current liabilities	(58,711)
Deferred inflows of resources	(785,683)
	<u>\$ 4,125,569</u>

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

Revenue (budgetary basis)	\$ 1,489,093
Contributed capital	204,837
	1,693,930
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	1,693,930
Expenditures (budgetary basis)	1,021,369
Depreciation	238,313
Capital outlay	(107,831)
Bond principal payment	(120,000)
Bond insurance cost amortization	2,026
Original issue discount/premium amortization	(22,118)
Deferred loss on refunding amortization	9,144
	1,020,903
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	1,020,903
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	\$ 673,027

OTHER INFORMATION

**GREATROCK NORTH WATER AND SANITATION DISTRICT
HISTORY OF DISTRICT'S ASSESSED VALUATION AND MILL LEVIES
Year Ended December 31, 2018
(UNAUDITED)**

Levy/Collection Year	Assessed Valuation	Percent Increase	Mill Levy		
			General	Debt	Total
2012/2013	\$ 11,217,880	-	27.000	18.500	45.500
2013/2014	\$ 10,900,660	-2.83%	28.340	18.500	46.840
2014/2015	\$ 10,921,110	0.19%	28.340	18.500	46.840
2015/2016	\$ 12,615,550	15.51%	28.340	18.500	46.840
2016/2017	\$ 12,985,840	2.93%	28.340	18.500	46.840
2017/2018	\$ 14,882,390	14.60%	24.167	27.250	51.417
2018/2019	\$ 15,246,500	2.45%	25.882	25.650	51.532

Sources: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, 2012-2018 State of Colorado Property Tax Annual Reports and the Adams County Assessor's Office

**GREATROCK NORTH WATER AND SANITATION DISTRICT
HISTORY OF PROPERTY TAX COLLECTIONS
Year Ended December 31, 2018
(UNAUDITED)**

Levy/Collection Year	Taxes Levied	Taxes Collected (1)	Tax Collections as Percent of Tax Levied
2011/2012	\$ 511,025	\$ 511,539	100.10%
2012/2013	\$ 510,414	\$ 509,506	99.82%
2013/2014	\$ 510,587	\$ 511,135	100.11%
2014/2015	\$ 511,545	\$ 511,545	100.00%
2015/2016	\$ 590,913	\$ 590,549	99.94%
2016/2017	\$ 608,257	\$ 608,257	100.00%
2017/2018	\$ 765,208	\$ 765,208	100.00%
2018/2019	\$ 785,683	\$ 371,727 (2)	47.31%

(1) Figures do not include treasurer's fees, abatements or interest payable on abatements.

(2) Collections through April 30, 2019

**GREATROCK NORTH WATER AND SANITATION DISTRICT
2018 ASSESSED AND ACTUAL VALUATION OF CLASSES OF
PROPERTY IN THE DISTRICT
Year Ended December 31, 2018
(UNAUDITED)**

<u>Class</u>	<u>Assessed Valuation</u>	<u>Percent of Assessed Valuation</u>	<u>"Actual" Valuation</u>	<u>Percent of "Actual" Valuation</u>
Residential	\$ 14,467,880	94.89%	\$ 200,942,778	98.73%
Vacant Land	393,590	2.58%	1,357,207	0.67%
Personal Property	336,500	2.21%	1,160,345	0.57%
Oil and Gas	42,860	0.28%	48,983	0.02%
Agricultural	5,320	0.03%	18,345	0.01%
State Assessed	350	0.00%	1,207	0.00%
Total	<u>\$ 15,246,500</u>	<u>100.00%</u>	<u>\$ 203,528,865</u>	<u>100.00%</u>

Source: Adam's County Assessor's Office

**GREATROCK NORTH WATER AND SANITATION DISTRICT
LARGEST TAXPAYERS WITHIN THE DISTRICT
Year Ended December 31, 2018
(UNAUDITED)**

<u>Name</u>	<u>2018 Assessed Valuation (1)</u>	<u>Percent of Total Assessed Valuation (1)</u>
Front Range Pipeline Company LLC	158,850	1.04%
Public Service Co of Colorado	88,270	0.58%
Homestead Heights LLC	84,160	0.55%
KP Kauffman Company Inc.	60,540	0.40%
Diana E Christensen et al	58,520	0.38%
Kerr McGee Gathering LLC	52,530	0.34%
Individual homeowner	50,750	0.33%
Jeffrey Homes Inc	50,130	0.33%
Individual homeowner	49,150	0.32%
Individual homeowner	45,840	0.30%
Total	<u>\$ 698,740</u>	<u>4.58%</u>

(1) Based on District 2018 assessed valuation of \$15,246,500.

Source: Adam's County Assessor's Office

**GREATROCK NORTH WATER AND SANITATION DISTRICT
DISTRICT HISTORICAL DEBT RATIOS
Year Ended December 31, 2018
(UNAUDITED)**

	Fiscal Year Ended December 31,						
	2012	2013	2014	2015	2016	2017	2018
General Obligation Debt Outstanding	\$ 5,460,000	\$ 5,435,000	\$ 5,410,000	\$ 5,230,000	\$ 5,040,000	\$ 6,745,000	\$ 6,625,000
Estimated Population	1,050	1,050	1,050	1,050	1,050	1,050	1,050
Debt Per Capita	\$ 5,200	\$ 5,176	\$ 5,152	\$ 4,981	\$ 4,800	\$ 6,424	\$ 6,310
District Assessed Value	\$ 11,217,880	\$ 10,900,660	\$ 10,921,110	\$ 12,615,550	\$ 12,985,840	\$ 14,882,390	\$ 15,246,500
Ratio of Debt to Assessed Value	48.67%	49.86%	49.54%	41.46%	38.81%	45.32%	43.45%
Personal Income Per Capita (Adams County)	\$ 33,558	\$ 33,850	\$ 35,704	\$ 36,962	\$ 38,378	unavailable	unavailable
Ratio of Debt Per Capita to Personal Income Per Capita (Adams County)	15.50%	15.29%	14.43%	13.48%	12.51%	unavailable	unavailable

Sources: Adams County Assessor's Office, State of Colorado, Division of Property Taxation, Regional Economics Information System Bureau of Economic Analysis; the State Division of Local Governments and the District