

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

**FINANCIAL STATEMENTS**

**with Independent Auditor's Report**

**December 31, 2019 and 2018**

**Genesee Water and Sanitation District**

**TABLE OF CONTENTS**

**December 31, 2019 and 2018**

**Independent auditor’s report**..... I

**Management’s discussion and analysis** ..... i

**Basic financial statements:**

Statements of net position ..... 1

Statements of revenues, expenses, and changes in net position ..... 2

Statements of cash flows..... 3

Notes to financial statements ..... 5

**Supplemental information:**

Schedule of revenue, expenditures and changes in funds available -  
budget and actual (budgetary basis)..... 21

Reconciliation of actual (budgetary basis) to statement of revenues,  
expenses and changes in net position ..... 24

Five-year summary of assessed valuation, mill levy and  
property taxes collected ..... 25

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Genesee Water and Sanitation District (the District) as of and for the years ended December 31, 2019 and 2018 and the related notes to the financial statements as listed in the table of contents

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Genesee Water and Sanitation District, as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal requirements, and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Liscal Focus Partners, LLC*

Lakewood, Colorado  
September 6, 2020

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

As management of Genesee Water and Sanitation District (the District), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of Genesee Water and Sanitation District for the year ended December 31, 2019.

**Financial Highlights**

- Net Position decreased by \$628,606 (6.34%) when compared to 2018
- District Revenues decreased by \$408,887 (12.05%) from 2018 to 2019
- District Expenses increased by \$51,485 (1.45%) from 2018 to 2019

**Overview of the Financial Statements**

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

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

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

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

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

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

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

**Genesee Water and Sanitation District**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Analysis**

As noted earlier, Net Position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$5,957,413 and \$3,333,408 for water and sanitation, respectively.

	<b>NET POSITION</b>			
	<b>Water</b>		<b>Sanitation</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>				
Current assets	\$ 1,248,328	\$ 1,372,083	\$ 847,580	\$ 1,051,059
Capital assets, net	<u>17,864,116</u>	<u>18,693,999</u>	<u>3,000,902</u>	<u>3,170,207</u>
<b>Total</b>	<u><b>19,112,444</b></u>	<u><b>20,066,082</b></u>	<u><b>3,848,482</b></u>	<u><b>4,221,266</b></u>
<b>Liabilities</b>				
Current liabilities	861,871	824,185	70,334	47,125
Long-term liabilities	<u>11,508,206</u>	<u>12,245,985</u>	<u>444,740</u>	<u>474,951</u>
<b>Total</b>	<u><b>12,370,077</b></u>	<u><b>13,070,170</b></u>	<u><b>515,074</b></u>	<u><b>522,076</b></u>
<b>Deferred Inflows of Resources</b>	<u><b>784,954</b></u>	<u><b>775,675</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
<b>Net Position</b>				
Net invested in capital assets	5,678,505	5,781,692	2,586,324	2,729,289
<b>Restricted</b>				
Governmental reserve	23,788	35,743	15,507	117,624
Capital replacements	489,679	624,187	343,761	280,421
Loan operating reserve	295,100	274,325	-	-
Emergency reserve	27,241	34,581	596	3,812
<b>Unrestricted</b>	<u>(556,900)</u>	<u>(530,291)</u>	<u>387,220</u>	<u>568,044</u>
<b>Total Net Position</b>	<u><b>\$ 5,957,413</b></u>	<u><b>\$ 6,220,237</b></u>	<u><b>\$ 3,333,408</b></u>	<u><b>\$ 3,699,190</b></u>

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

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

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

	<u>Water</u>		<u>Sanitation</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>REVENUE</b>				
Operating Revenue	\$ 894,374	\$ 959,838	\$ 815,250	\$ 811,117
Nonoperating Revenue	1,124,185	1,366,558	150,266	255,449
<b>Total Revenue</b>	<u>2,018,559</u>	<u>2,326,396</u>	<u>965,516</u>	<u>1,066,566</u>
<b>EXPENSES</b>				
Operating/Administrative & General Expenses	1,003,258	975,190	979,282	870,542
Depreciation	1,053,675	1,122,647	336,610	357,166
Nonoperating Expenses	224,450	217,592	15,406	18,055
<b>Total Expenses</b>	<u>2,281,383</u>	<u>2,315,429</u>	<u>1,331,298</u>	<u>1,245,763</u>
<b>Change in Net Positions</b>	(262,824)	10,967	(365,782)	(179,197)
Net Position - Beg of Year	6,220,237	6,209,270	3,699,190	3,878,387
<b>Net Position - End of Year</b>	<u>\$ 5,957,413</u>	<u>\$ 6,220,237</u>	<u>\$ 3,333,408</u>	<u>\$ 3,699,190</u>

District water operating revenue decreased \$65,464 (6.82%) from 2018 to 2019 due to decreased demand.

District sanitation operating revenue increased by \$4,133 (.51%) from 2018 to 2019.

Investment earnings increased by \$21,643 (248.20%) as a result of the District investing more funds to take advantage of increasing rates. The District continues to monitor and maximize interest earnings with available funds.

General operations and administrative expenses of the water and sewer operations, exclusive of depreciation expense, increased \$136,808 (7.41%) from 2018 to 2019. Legal expense increased by \$26,088 (179.64%), repairs and maintenance expense increased by \$69,766 (45.12%), salaries and benefits increased by \$43,694 (4.10%) and utilities expense decreased by \$37,678 (13.09%).

The District received \$342,712 in Capital Replacement Fees (CRF) fees (\$20.00 per month, per customer, \$40 per 2-month billing cycle).

## **Genesee Water and Sanitation District**

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

#### **Budgetary Highlights**

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

#### **Revenue to the Government Fund**

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

#### **Revenue to the Enterprise Fund**

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

Water and sewer service fees were increased on December 26, 2019. Prior to this, the last time water fees were increased was December 26, 2017 and sewer fees December 26, 2013. There was no increase in Capital Replacement Fees for 2019. The last time Capital Replacement Water Fees were increased was December 26, 2015 and Capital Replacement Sewer Fees December 26, 2013. The current rates are summarized below:

**Genesee Water and Sanitation District**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

<b>Schedule of Fees and Charges</b>				
<b>Effective 12/26/19</b>				
<b>Single and Multi-Family dwellings</b>				
<b>Base Charges - 2 Month Period</b>				
		Prior to 12/26/19	After 12/26/19	
Water		\$ 55.00	\$ 57.00	
Sewer		\$ 90.00	\$ 99.50	
<b>Capital Replacement Fund</b>				
Water		\$ 25.00	\$ 25.00	
Sewer		\$ 15.00	\$ 15.00	
<b>Consumption Charges</b>				
1,000-5,000	Gallons	\$ 4.05	\$ 4.35	Per 1,000 Gallons
6,000-10,000	Gallons	\$ 4.80	\$ 5.10	Per 1,000 Gallons
11,000-15,000	Gallons	\$ 5.60	\$ 5.90	Per 1,000 Gallons
16,000-20,000	Gallons	\$ 6.50	\$ 6.80	Per 1,000 Gallons
21,000 Plus	Gallons	\$ 7.75	\$ 8.05	Per 1,000 Gallons

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

**Capital Replacement Fund**

On May 5, 2008 District voters approved a 3.0 property tax mill levy with a term of 2009 through 2018 to establish a restricted reserve fund for Capital replacements. At the time of review it was decided to fund the Capital Replacement fund partially through property taxes with the remaining amounts needed by any and all other revenue sources. It was estimated in 2008 3.0 mills would fund approximately one half of the projected capital replacement needs for the next ten years, exclusive of the new water treatment facility project described previously on page 2, long term debt . The fund will help to assure that as District infrastructure ages, most of which is now 30-plus years old, repair and replacement funds will be available to continue to provide high quality water and sewer service. Other related revenue sources include a Capital Replacement Fee (CRF) which was increased from \$15 to \$25 effective December 26, 2015 for water with sewer remaining at \$15 bringing the bi-monthly total to \$40. This fee is added to each customer's bill to help meet the unfunded portion of the District's capital replacement plan.

**Capital Asset and Debt Administration**

**Capital Assets**

The District's net investment in capital assets at December 31, 2019 amounts to \$8,264,829 (net of accumulated depreciation). This investment in capital assets includes water rights, operating system and equipment and vehicles. It should be noted that the actual value of the District's water rights portfolio cannot be accurately quantified as the rights have a perpetual life, and generally become increasingly valuable over time. Management feels the water rights currently held by the District have a greater value than the acquisition price reflected in the financial statements.

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

## Genesee Water and Sanitation District

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Long-Term Debt

Refunding of the remaining principal balance of the July 1, 2004 outstanding reservoir bonds ("2004 Series") in the amount of \$2,435,000 was accomplished on December 12, 2014 through a new "2014 Series" general obligation loan agreement with JP Morgan Chase Bank. In addition to the refunding, issuance of \$500,000 in new funds was provided for within the loan for a total "2014 Series" loan amount of \$2,988,000 and includes all costs of issuance. The "2014 Series" loan has a term of 10 years, no provision for early redemption and an interest rate of 2.25% per annum. Issuance of the \$500,000 amount was provided at the time creating cash flow in order to continue with engineering, geotechnical and permitting associated with the replacement of the District's 32 year old water treatment facility. At a November 4, 2014 election, the District electorate authorized (with an overwhelming 77% in favor) \$10,300,000 in general obligation debt to be used for the full replacement of its aging water treatment facility along with other water system replacements and improvements. Accordingly, a loan in the amount of \$9,790,312 at an interest rate of 2.17% with a 20 year term was put in place with the Colorado Water Resources and Power Development Authority. Unfortunately, bidding results came in higher than expected for the Advanced Water Treatment Facility and in order to complete all water system replacements anticipated to be covered/funded with the \$10,300,000 voter authorization, the District Enterprise implemented another loan in the amount of \$2.5 million with the Colorado Water Resources and Power Development Authority. This loan is a 0% interest, 20 year term and is secured with a revenue pledge from the District. Proceeds from this loan were used to fund shortfalls which developed with the water treatment project and to complete the other water system replacements and improvements.

#### Economic Factors and Next Year's (2020) Budget and Rates

- Completion of 3<sup>rd</sup> Pump/Motor/VFD systems in Larkspur and Base stations.
- Completion of modifications to the Wastewater Treatment Facility providing for an alternative disinfection method.
- Property taxes - Budgeted in the amount of \$784,954 to pay the District debt service requirements.
- Capital Replacement Fee (CRF) revenue is estimated at \$343,440 for 2020 and is restricted and used only for capital replacements.

#### Requests for Information

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

Director of Administration  
2310 Bitterroot Lane  
Golden, CO 80401

## **BASIC FINANCIAL STATEMENTS**

**Genesee Water and Sanitation District**  
**STATEMENTS OF NET POSITION**  
**December 31, 2019 and 2018**

	Water	Sanitation	Totals	
			2019	2018
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ (247,402)	\$ 309,666	\$ 62,264	\$ 229,018
Cash and investments - restricted				
Governmental reserve	23,788	15,507	39,295	153,367
Capital reserve	489,679	343,761	833,440	904,608
Accounts receivable - service fees	168,364	164,223	332,587	324,297
Other receivables	-	-	-	40
Property taxes receivable	790,097	572	790,669	783,144
Other current assets	23,802	13,851	37,653	28,668
<b>Total current assets</b>	<u>1,248,328</u>	<u>847,580</u>	<u>2,095,908</u>	<u>2,423,142</u>
<b>Capital assets not being depreciated</b>	205,306	-	205,306	205,306
<b>Capital assets being depreciated, net</b>	<u>17,658,810</u>	<u>3,000,902</u>	<u>20,659,712</u>	<u>21,658,900</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,112,444</u>	<u>\$ 3,848,482</u>	<u>\$ 22,960,926</u>	<u>\$ 24,287,348</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 49,186	\$ 35,337	\$ 84,523	\$ 31,404
Other current liabilities	3,920	3,815	7,735	7,735
Current portion of long-term obligations	734,566	26,999	761,565	752,495
Accrued interest payable	70,624	1,248	71,872	73,777
Accrued salaries and benefits	3,575	2,935	6,510	5,899
<b>Total current liabilities</b>	<u>861,871</u>	<u>70,334</u>	<u>932,205</u>	<u>871,310</u>
<b>Long-term liabilities</b>				
Long-term obligations	11,451,045	387,579	11,838,624	12,600,730
Compensated absences	57,161	57,161	114,322	120,206
<b>Total long-term liabilities</b>	<u>11,508,206</u>	<u>444,740</u>	<u>11,952,946</u>	<u>12,720,936</u>
<b>TOTAL LIABILITIES</b>	<u>12,370,077</u>	<u>515,074</u>	<u>12,885,151</u>	<u>13,592,246</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	784,954	-	784,954	775,675
<b>Total deferred inflows of resources</b>	<u>784,954</u>	<u>-</u>	<u>784,954</u>	<u>775,675</u>
<b>NET POSITION</b>				
Net invested in capital assets	5,678,505	2,586,324	8,264,829	8,510,981
Restricted				
Governmental reserve	23,788	15,507	39,295	153,367
Capital replacements	489,679	343,761	833,440	904,608
Loan operating reserve	295,100	-	295,100	274,325
Emergency reserve	27,241	596	27,837	38,393
Unrestricted	(556,900)	387,220	(169,680)	37,753
<b>TOTAL NET POSITION</b>	<u>\$ 5,957,413</u>	<u>\$ 3,333,408</u>	<u>\$ 9,290,821</u>	<u>\$ 9,919,427</u>

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

**Genesee Water and Sanitation District**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2019 and 2018**

	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>	
			<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUE</b>				
Service fees	\$ 894,374	\$ 815,250	\$ 1,709,624	\$ 1,770,955
<b>OPERATING EXPENSES</b>				
Auto and travel	15,520	15,747	31,267	23,946
Chemicals and supplies	29,314	52,831	82,145	77,105
Depreciation	1,053,675	336,610	1,390,285	1,479,813
Directors' fees	2,900	2,900	5,800	5,900
Ditch assessments	4,303	-	4,303	4,303
Dues and publications	2,392	13,286	15,678	10,605
Elections	-	-	-	6,412
Insurance	34,901	34,274	69,175	61,760
Legal fees	37,112	3,498	40,610	14,522
Miscellaneous	2,250	4,807	7,057	7,262
Office supplies and expenses	30,631	23,987	54,618	53,618
Professional fees	16,735	4,447	21,182	14,889
Repairs and maintenance	66,363	158,037	224,400	154,634
Salaries and benefits	572,037	537,612	1,109,649	1,065,955
Small tools and equipment	12,183	6,671	18,854	15,941
Telephone and communications	15,778	11,765	27,543	22,470
Testing and analysis	8,987	11,054	20,041	18,514
Utilities	151,852	98,366	250,218	287,896
<b>Total operating expenses</b>	<u>2,056,933</u>	<u>1,315,892</u>	<u>3,372,825</u>	<u>3,325,545</u>
<b>(LOSS) FROM OPERATIONS</b>	<u>(1,162,559)</u>	<u>(500,642)</u>	<u>(1,663,201)</u>	<u>(1,554,590)</u>
<b>NONOPERATING REVENUE AND (EXPENSES)</b>				
Property taxes	774,192	-	774,192	1,011,750
Specific ownership taxes	59,482	6,610	66,092	94,777
Capital replacement fee	214,184	128,528	342,712	342,234
Tap and water resource fees	100	-	100	-
Interest income	11,379	11,136	22,515	872
Gain on sale of assets	1,878	1,877	3,755	-
Other revenue	62,970	2,115	65,085	172,374
Interest expense	(212,837)	(15,406)	(228,243)	(220,470)
Treasurer and debt servicing fees	(11,613)	-	(11,613)	(15,177)
<b>Total nonoperating revenue</b>	<u>899,735</u>	<u>134,860</u>	<u>1,034,595</u>	<u>1,386,360</u>
<b>CHANGE IN NET POSITION</b>	(262,824)	(365,782)	(628,606)	(168,230)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>6,220,237</u>	<u>3,699,190</u>	<u>9,919,427</u>	<u>10,087,657</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 5,957,413</u>	<u>\$ 3,333,408</u>	<u>\$ 9,290,821</u>	<u>\$ 9,919,427</u>

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

**Genesee Water and Sanitation District**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2019 and 2018**

	<u>Water</u>	<u>Sanitation</u>	<u>Totals</u>	
			<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 890,505	\$ 810,869	\$ 1,701,374	\$ 1,746,747
Cash payments to employees for services	(574,270)	(540,652)	(1,114,922)	(1,111,663)
Cash payments to suppliers for goods and services	(405,662)	(423,095)	(828,757)	(998,277)
<b>Net cash provided (used) by operating activities</b>	<u>(89,427)</u>	<u>(152,878)</u>	<u>(242,305)</u>	<u>(363,193)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Net property and specific ownership taxes received	823,661	6,764	830,425	1,091,201
Capital replacement fees received	214,184	128,528	342,712	342,234
Tap and water resource fees received	100	-	100	-
Loan proceeds	-	-	-	408,149
Acquisition of fixed assets	(223,792)	(167,305)	(391,097)	(152,770)
Cash received on refund of permit for capital assets	-	-	-	98,755
Cash received from sale of assets	1,878	1,877	3,755	-
Principal paid on general obligation debt	(726,696)	(26,340)	(753,036)	(772,813)
Interest paid on general obligation debt	(214,663)	(15,485)	(230,148)	(222,050)
Other revenue	62,970	2,115	65,085	311,638
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(62,358)</u>	<u>(69,846)</u>	<u>(132,204)</u>	<u>1,104,344</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment earnings received	11,379	11,136	22,515	872
<b>Net cash provided by investing activities</b>	<u>11,379</u>	<u>11,136</u>	<u>22,515</u>	<u>872</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(140,406)	(211,588)	(351,994)	742,023
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>406,471</u>	<u>880,522</u>	<u>1,286,993</u>	<u>544,970</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 266,065</u>	<u>\$ 668,934</u>	<u>\$ 934,999</u>	<u>\$ 1,286,993</u>

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

(continued)

**Genesee Water and Sanitation District**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2019 and 2018**  
**(continued)**

			<u>Totals</u>	
	<u>Water</u>	<u>Sanitation</u>	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF OPERATING (LOSS)</b>				
<b>TO NET CASH PROVIDED/(USED) BY OPERATING</b>				
<b>ACTIVITIES</b>				
Operating (loss)	\$ (1,162,559)	\$ (500,642)	\$ (1,663,201)	\$ (1,554,590)
Adjustments to reconcile operating (loss) to cash flows provided (used) by operating activities				
Depreciation	1,053,675	336,610	1,390,285	1,479,813
(Increase) decrease in:				
Receivables	(3,869)	(4,381)	(8,250)	(24,208)
Other current assets (net of insurance receivable)	(5,103)	(3,882)	(8,985)	(7,081)
Increase (decrease) in:				
Accounts payable for operations	30,662	22,457	53,119	(211,269)
Payroll liabilities	(2,233)	(3,040)	(5,273)	(45,708)
Other current liabilities	-	-	-	(150)
<b>Net cash provided (used) by operating activities</b>	<u>\$ (89,427)</u>	<u>\$ (152,878)</u>	<u>\$ (242,305)</u>	<u>\$ (363,193)</u>

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

## Genesee Water and Sanitation District

### NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

#### Note 1 – Definition of reporting entity

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. Based on this definition, the District has determined that the Genesee Water and Sanitation Building Authority, a nonprofit corporation organized and existing under the laws of the State of Colorado, is a component unit of the District and has blended the financial information of the Corporation into the District's financial statements.

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

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

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

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

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

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

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

**Basis of accounting**

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

**Operating revenues and expenses**

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

**Cash equivalents**

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

**Accounts receivable, allowance for doubtful accounts**

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

**Property taxes**

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

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

**Capital assets**

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

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

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

**Compensated absences**

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

**Contributed capital**

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

**Budgets**

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

**Use of estimates**

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

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2019 and 2018 Statements of Net Position as follows:

	Water	Sanitation	2019	2018
Cash and investments	\$ (247,402)	\$ 309,666	\$ 62,264	\$ 229,018
Cash and investments - restricted:				
Governmental reserve	23,788	15,507	39,295	153,367
Capital reserve	489,679	343,761	833,440	904,608
Total cash and investments	\$ 266,065	\$ 668,934	\$ 934,999	\$ 1,286,993

Cash and investments as of December 31, 2019 and 2018 consist of the following:

Deposits with financial institutions	\$ 11,206	\$ 1,286,386
Investments	923,793	607
Total cash and investments	\$ 934,999	\$ 1,286,993

At December 31, 2019 and 2018, the District's cash deposits had bank balances of \$41,722 and \$1,323,191 respectively, and carrying balances of \$11,206 and \$1,286,386 respectively.

**Deposits with financial institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2019 and 2018, the federal insurance limits were \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**Custodial credit risk – deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for deposits. As of December 31, 2019 and 2018, none of the District's bank balances were exposed to custodial credit risk, as amounts were either insured or collateralized.

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

**Investments**

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

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

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

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

As of December 31, 2019 and 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2019</u>	<u>2018</u>
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	<u>\$ 923,793</u>	<u>\$ 607</u>

**COLOTRUST**

The District invests in the Colorado Local Government Liquid Asset Trust (Colotrust) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State Statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS-24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAM by Standard and Poor's. Colotrust records its investments at fair value and the District records its investment in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**Restricted cash and investments**

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

	2019	2018
General Government reserve	\$ 39,295	\$ 153,367
Capital reserve	833,440	904,608
Restricted cash and investments	<u>\$ 872,735</u>	<u>\$ 1,057,975</u>

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

**Note 4 – Capital assets**

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance at December 31, 2018	Increases	Decreases	Balance at December 31, 2019
<b><u>Water</u></b>				
Capital assets, not being depreciated				
Water rights	\$ 147,563	\$ -	\$ -	\$ 147,563
Construction in progress	57,743	-	-	57,743
Total capital assets not being depreciated	<u>205,306</u>	<u>-</u>	<u>-</u>	<u>205,306</u>
Capital assets being depreciated				
Operating system and building	32,138,336	200,484	-	32,338,820
Equipment and vehicles	451,739	23,308	-	475,047
Total capital assets being depreciated	<u>32,590,075</u>	<u>223,792</u>	<u>-</u>	<u>32,813,867</u>
Less accumulated depreciation for				
Operating system and building	13,671,155	1,039,925	-	14,711,080
Equipment and vehicles	430,227	13,750	-	443,977
Total accumulated depreciation	<u>14,101,382</u>	<u>1,053,675</u>	<u>-</u>	<u>15,155,057</u>
Total capital assets being depreciated, net	<u>18,488,693</u>	<u>(829,883)</u>	<u>-</u>	<u>17,658,810</u>
Capital assets, net	<u>\$ 18,693,999</u>	<u>\$ (829,883)</u>	<u>\$ -</u>	<u>\$ 17,864,116</u>
<b><u>Sanitation</u></b>				
Capital assets being depreciated				
Operating system and building	\$ 12,545,699	\$ 147,853	\$ -	\$ 12,693,552
Equipment and vehicles	478,190	19,452	-	497,642
Total capital assets being depreciated	<u>13,023,889</u>	<u>167,305</u>	<u>-</u>	<u>13,191,194</u>
Less accumulated depreciation for				
Operating system and building	9,410,026	324,563	-	9,734,589
Equipment and vehicles	443,656	12,047	-	455,703
Total accumulated depreciation	<u>9,853,682</u>	<u>336,610</u>	<u>-</u>	<u>10,190,292</u>
Total capital assets being depreciated, net	<u>3,170,207</u>	<u>(169,305)</u>	<u>-</u>	<u>3,000,902</u>
Capital assets, net	<u>\$ 3,170,207</u>	<u>\$ (169,305)</u>	<u>\$ -</u>	<u>\$ 3,000,902</u>

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

**December 31, 2019 and 2018**

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

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

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

Depreciation expense for the years ended December 31, 2019 and 2018 was charged to the following operations:

	<u>2019</u>	<u>2018</u>
Water fund	\$ 1,053,675	\$ 1,122,647
Sanitation fund	336,610	357,166
	<u>\$ 1,390,285</u>	<u>\$ 1,479,813</u>

**Note 5 – Long-term obligations**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2019:

	Balance at December 31, 2018	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Series 2014 GO Loan	\$ 1,634,000	\$ -	\$ 258,000	\$ 1,376,000	\$ 263,000
2015 GO Loan - CWRPDA	8,712,390	-	317,356	8,395,034	319,569
2015 Revenue Loan - CWRPDA	2,125,000	-	125,000	2,000,000	125,000
Capital lease - building	881,835	-	52,680	829,155	53,996
Total long-term obligations	<u>\$ 13,353,225</u>	<u>\$ -</u>	<u>\$ 753,036</u>	<u>\$ 12,600,189</u>	<u>\$ 761,565</u>

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

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

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

**Loans payable**

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

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

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

The loan agreement, for a total principal amount of \$9,790,312, between the District and Colorado Water Resources and Power Development Authority (CWRPDA) was entered into for the purpose of constructing and equipping a new water treatment plant (the Project), having a total estimated cost of \$12,800,000. The District must expend 85% of the total loan by April 1, 2018. The Project was completed in 2017. Payments of principal and interest, in the amount of 2.17%, are due February 1 and August 1 each year through 2034. In addition to principal and interest, the District will pay administrative loan servicing fees totaling \$1,395,113 over the term of the loan. Annual payment amounts for principal, interest, and administrative fees vary from \$477,124 to \$776,640 over the term of the loan. Prepayments of amounts owing is allowable, subject to various conditions as set forth in the loan agreement.

Pursuant to the loan agreement, the District is required to maintain an Operation Maintenance Reserve (the reserve) in an amount equal to three months of operating expenses of the District's water system, excluding depreciation, as set forth in the District's annual budget for the current fiscal year, but not greater than \$1,250,000. If the reserve falls below the required amount, the shortfall is payable in 24 equal monthly installments. As of December 31, 2019 and 2018, the required operating reserve was \$295,100 and \$274,325, respectively.

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

The loan agreement, for a total principal amount of \$2,500,000, between the District and Colorado Water Resources and Power Development Authority (CWRPDA) was entered into for the purpose of additional financing of the construction and equipping of the new water treatment plant (the Project). The Project was completed in 2017. The Trustee (Wells Fargo Bank, N.A), as the agent of the Authority, will disburse the amounts on deposit in the Project Loan Subaccount to the District upon receipt of a requisition executed by an authorized officer of the District and approved by the Authority. During 2019 and 2018, the District expended \$0 and \$139,180 respectively in eligible reimbursable amounts. Payments of principal (0% interest), are due May 1 and November 1 each year through 2035. Annual payment amounts for principal are

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

\$125,000 over the term of the loan. Prepayments of amounts owing is allowable, subject to various conditions as set forth in the loan agreement.

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

**Debt maturities**

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

Year Ended December 31,	Principal	Interest	Total
2020	\$ 761,565	\$ 220,928	\$ 982,493
2021	771,775	211,216	982,991
2022	781,828	201,875	983,703
2023	786,857	192,722	979,579
2024	797,755	183,989	981,744
2025-2029	4,348,442	725,785	5,074,227
2030-2034	4,226,967	273,085	4,500,052
2035	125,000	-	125,000
	<u>\$ 12,600,189</u>	<u>\$ 2,009,600</u>	<u>\$ 14,609,789</u>

**Capital Leases**

The District entered into a Municipal Lease Purchase Agreement with Bank of the West on August 10, 2012 for the purpose of financing the acquisition of certain equipment for the water treatment plant and the replacement of a pressure reducing station. The lease is payable in semi-annual installments on each April and October 15<sup>th</sup> commencing on October 15, 2013 and ending on April 15, 2018. The lease bears interest at 3.18%. The District may draw up to \$380,000 under the terms of the lease. As of December 31, 2018, the District had drawn \$350,301. The lease was paid in full as of 12/31/18.

The District entered into a Lease Purchase Agreement with Genesee Water and Sanitation Building Authority (the Authority) on April 1, 2012 for the purpose of financing the construction of a new garage, maintenance, and office facility. The District has issued a Direct Purchase Lease Revenue Bond to a bank, and from the proceeds made a construction loan to the Authority, to a maximum of \$1,200,000, as part of the lease agreement. The lease is payable in monthly installments of \$6,971, after all construction loan draws are executed, through December 1, 2027, at which time a final payment of \$391,882 is due to the bank. The lease

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

bears interest at 3.61%. The Authority has agreed to use the proceeds from the lease to repay the bond principal and interest to the bank. As of December 31, 2019 and 2018, the District had drawn, and lent to the Authority, \$1,200,000. The lease may be prepaid in full with the following prepayment premiums added to the lease balance:

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

The District is subject to a debt-service coverage ratio covenant for the capital lease on the building. The District was in violation of this covenant at December 31, 2019.

The future minimum lease obligations and the net present value of the above minimum lease payments as of December 31, 2019 are as follows:

<b><u>Year Ending December 31,</u></b>	
2020	\$ 83,651
2021	83,651
2022	83,651
2023	83,651
2024	83,651
2025-2028	578,460
Total minimum lease payments	<u>996,715</u>
Less: amount representing interest	<u>(167,560)</u>
Present value of minimum lease payments	829,155
Current portion	<u>(53,996)</u>
Long-term portion, including future draws	<u><u>\$ 775,159</u></u>

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

**Debt authorization**

At December 31, 2019, the District had no authorized but unissued indebtedness.

**Note 6 – Net Position**

The District has Net Position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, loans, notes or other borrowings that are

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019 and 2018, the District had invested in capital assets, net of related debt as follows:

	<u>2019</u>	<u>2018</u>
Capital assets, net	\$ 20,865,018	\$ 21,864,206
Current portion of long-term obligations	(761,565)	(752,495)
Long-term obligations	<u>(11,838,624)</u>	<u>(12,600,730)</u>
Net investment in capital assets	<u>\$ 8,264,829</u>	<u>\$ 8,510,981</u>

Restricted assets include Net Position that is restricted for use either externally imposed by creditors, net grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The purposes for the restrictions of Net Position are described in Note 3. As of December 31, 2019 and 2018, the District had restricted Net Position as follows:

	<u>2019</u>	<u>2018</u>
Capital reserve	\$ 833,440	\$ 904,608
General reserve	39,295	153,367
Loan reserve	295,100	274,325
Emergency reserve	27,837	38,393
Restricted net position	<u>\$ 1,195,672</u>	<u>\$ 1,370,693</u>

As of December 31, 2019 and 2018, the District had unrestricted Net Position (deficit) of \$(169,680) and \$37,753, respectively.

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

The District participates in the Colorado County Officials and Employees Retirement Association Defined Contribution Plan (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become participants immediately upon employment. Under this plan, ten percent of the employees’ compensation is withheld and remitted to the CCOERA along with a matching payment of ten percent from the District. The District’s contributions, plus earnings, related to employees of the District in place as of April 28, 2009, are 100% vested. As to employees hired after April 28, 2009, the District’s contributions, plus earnings, vest according to the following schedule:

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

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

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

There is no liability for benefits under the plan beyond the District's matching payments. Both the District and the participating employees made the required ten percent contributions for 2019 and 2018, amounting to \$82,214 and \$80,690, respectively.

**Note 8 – Deferred compensation plan**

The District has two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The District contributes 2% of eligible employees' salaries to the plan of each employee's choice. One plan is sponsored by CCOERA and the other is sponsored by Nationwide Retirement Solutions. Participation in the plans is optional for all employees. The plans allow the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergencies. The contributions totaled \$17,803 and \$16,138 for 2019 and 2018, respectively.

**Note 9 – Risk management**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. During 2019, The District maintained commercial insurance for all risks of loss.

During 2019, the District purchased an insurance policy with Plus Water Insurance Program. The District paid annual premiums for property, commercial crime, commercial general liability, public officials and management liability, business auto commercial excess liability and privacy 101. During 2019, the District was a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. The District paid annual premiums to the Pool for workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Settled claims have not exceeded these coverages in any of the past three fiscal years.

**Note 10 – Commitments and contingencies**

On June 12, 2019, the District entered into an agreement to lease equipment and software for centralized monitoring for field sites over long-distance communications networks for the Drinking Water and the Waste Water system operated by the District.

**Genesee Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2019 and 2018**

The lessor is responsible for all maintenance and repair on the equipment and software and the equipment and software will be returned to the lessor at the end of the lease term. Total payments of \$1,245 were made in 2019. The future minimum lease payments are as follows:

2020	\$ 14,940
2021	14,940
2022	14,940
2023	14,940
2024	<u>13,695</u>
	<u>\$ 73,455</u>

**Note 11 - Tax, spending and debt limitations**

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

TABOR requires local governments (not including enterprises) to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). The District established an emergency reserve of \$27,837 and \$38,393 as of December 31, 2019 and 2018, respectively.

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

**SUPPLEMENTAL INFORMATION**

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

**For the Year Ended December 31, 2019**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>ENTERPRISE:</b>			
<b>REVENUE</b>			
Service fees	\$ 1,743,620	\$ 1,703,393	\$ (40,227)
Penalty, lien and disconnection fees	5,540	6,311	771
Investment earnings	40	22,515	22,475
Miscellaneous and rebates	225	65,005	64,780
Proceeds from sale of assets	-	3,755	3,755
<b>Total enterprise revenue</b>	<u>1,749,425</u>	<u>1,800,979</u>	<u>51,554</u>
<b>EXPENDITURES</b>			
Auto and travel	28,000	31,267	(3,267)
Chemicals and supplies	90,000	82,145	7,855
Contingency and miscellaneous	52,000	805	51,195
Director's fees	7,102	5,800	1,302
Ditch assessments	4,685	4,303	382
Dues and publications	16,500	15,678	822
Insurance	64,000	69,175	(5,175)
Permits	6,350	6,252	98
Office supplies and expense	50,550	54,618	(4,068)
Professional fees	37,040	61,792	(24,752)
Rent	83,652	83,652	-
Repairs and maintenance	141,450	224,400	(82,950)
Salaries and benefits	1,128,222	1,115,533	12,689
Small tools and equipment	22,900	18,854	4,046
Telephone and communication	28,720	27,543	1,177
Testing and analysis	28,550	20,041	8,509
Transfer from government for administrative	(85,000)	(66,092)	(18,908)
Utilities	298,692	250,218	48,474
<b>Total enterprise expenditures</b>	<u>2,003,413</u>	<u>2,005,984</u>	<u>(2,571)</u>
<b>EXCESS (DEFICIT) OF ENTERPRISE REVENUE OVER (UNDER) ENTERPRISE EXPENDITURES</b>	(253,988)	(205,005)	48,983
<b>FUNDS AVAILABLE - BEGINNING OF YEAR - ENTERPRISE</b>	<u>347,736</u>	<u>576,167</u>	<u>228,431</u>
<b>FUNDS AVAILABLE - END OF YEAR - ENTERPRISE</b>	<u>\$ 93,748</u>	<u>\$ 371,162</u>	<u>\$ 277,414</u>

(continued)

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

(continued)

For the Year Ended December 31, 2019

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>ENTERPRISE CAPITAL OUTLAY RESERVE:</b>			
<b>REVENUE</b>			
Capital replacement fee	\$ 342,360	\$ 342,712	\$ 352
Water and sewer tap, inclusion and resource fees	325,000	100	(324,900)
Investment revenue	20	-	(20)
<b>Total enterprise capital outlay reserve revenue</b>	<b>667,380</b>	<b>342,812</b>	<b>(324,568)</b>
<b>EXPENDITURES</b>			
Capital outlay:			
Wastewater system	336,750	45,736	291,014
Water system	288,000	196,718	91,282
Vehicles and equipment	40,700	42,760	(2,060)
In house labor - capital projects	56,850	3,766	53,084
Loan principal	125,000	125,000	-
<b>Total enterprise capital outlay reserve expenditures</b>	<b>847,300</b>	<b>413,980</b>	<b>433,320</b>
<b>EXCESS (DEFICIT) OF ENTERPRISE CAPITAL OUTLAY RESERVE REVENUE OVER (UNDER) ENTERPRISE CAPITAL OUTLAY RESERVE EXPENDITURES</b>	<b>(179,920)</b>	<b>(71,168)</b>	<b>108,752</b>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR ENTERPRISE CAPITAL OUTLAY RESERVE</b>	<b>1,032,642</b>	<b>904,608</b>	<b>(128,034)</b>
<b>FUNDS AVAILABLE - END OF YEAR - ENTERPRISE CAPITAL OUTLAY RESERVE</b>	<b>\$ 852,722</b>	<b>\$ 833,440</b>	<b>\$ (19,282)</b>

(continued)

**Genesee Water and Sanitation District**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
(continued)  
**For the Year Ended December 31, 2019**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>GENERAL GOVERNMENT:</b>			
<b>REVENUE</b>			
Property Taxes Series 2015 State Revolving Fund Loan CWRPDA	\$ 476,468	\$ 476,468	\$ -
Property Taxes - Series 2014 GO Refunding and Improvement Loan	299,209	297,724	(1,485)
Specific ownership taxes	85,000	66,092	(18,908)
<b>Total general government revenue</b>	<u>860,677</u>	<u>840,284</u>	<u>(20,393)</u>
<b>EXPENDITURES</b>			
Principal and interest on notes and capital leases	774,534	772,628	1,906
Capital construction	338,250	102,117	236,133
Loan servicing and fees	11,617	11,613	4
General administration	85,000	66,092	18,908
<b>Total general government expenditures</b>	<u>1,209,401</u>	<u>952,450</u>	<u>256,951</u>
<b>EXCESS (DEFICIT) OF GENERAL GOVERNMENT REVENUE OVER (UNDER) GENERAL GOVERNMENT EXPENDITURES</b>	<u>(348,724)</u>	<u>(112,166)</u>	<u>236,558</u>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR - GENERAL GOVERNMENT</b>	<u>348,724</u>	<u>113,052</u>	<u>(235,672)</u>
<b>FUNDS AVAILABLE - END OF YEAR - GENERAL GOVERNMENT</b>	<u>\$ -</u>	<u>\$ 886</u>	<u>\$ 886</u>
<b>BUILDING AUTHORITY:</b>			
<b>REVENUE</b>			
Rental income	\$ 83,652	\$ 83,652	\$ -
<b>Total building authority revenue</b>	<u>83,652</u>	<u>83,652</u>	<u>-</u>
<b>EXPENDITURES</b>			
Loan repayment to District	83,652	83,652	-
<b>Total building authority expenditures</b>	<u>83,652</u>	<u>83,652</u>	<u>-</u>
<b>EXCESS (DEFICIT) OF BUILDING AUTHORITY REVENUE OVER (UNDER) BUILDING AUTHORITY EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR - BUILDING AUTHORITY</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUNDS AVAILABLE - END OF YEAR - BUILDING AUTHORITY</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL DISTRICT REVENUE</b>		3,067,727	
Less Interdistrict revenue		(83,652)	
<b>District revenue</b>	<u>3,361,134</u>	<u>2,984,075</u>	<u>(377,059)</u>
<b>TOTAL DISTRICT EXPENDITURES</b>		3,456,066	
Less Interdistrict expenses		(83,652)	
<b>District expenses</b>	<u>4,143,766</u>	<u>3,372,414</u>	<u>771,352</u>
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>1,729,102</u>	<u>1,593,827</u>	<u>(135,275)</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 946,470</u>	<u>\$ 1,205,488</u>	<u>\$ 259,018</u>

**Genesee Water and Sanitation District**  
**RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT**  
**OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2019**

<b>REVENUE (BUDGETARY BASIS)</b>	\$ 2,984,075
<b>EXPENDITURES (BUDGETARY BASIS)</b>	3,372,414
Add:	
Depreciation	1,390,285
General leave	(5,884)
Less:	
Bond principal	(700,356)
Capital lease principal	(52,681)
Capital outlay	(391,097)
	3,612,681
<b>CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>	\$ (628,606)

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

**12/31/2019**

<b>Year Ended December 31,</b>	<b>for Current Year Property Tax Levy</b>	<b>Mills Levied</b>	<b>Property Taxes</b>		<b>Percent Collected to Levied</b>
			<b>Levied</b>	<b>Collected</b>	
2015	66,031,379	16.563	1,093,708	1,083,501	99.1%
2016	74,411,768	13.706	1,019,888	1,018,330	99.8%
2017	74,050,796	13.405	992,650	985,758	99.3%
2018	79,248,787	12.918	1,023,735	1,011,750	98.8%
2019	78,224,605	9.916	775,675	774,192	99.8%
Estimated for the year ending December 31, 2020	\$ 83,576,875	9.392	\$ 784,954		

**NOTE:**

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