

GRAND VALLEY DRAINAGE DISTRICT

BASIC FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2020

## CONTENTS

Management’s Discussion and Analysis (RSI).....	i
Independent Auditor’s Report.....	1
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position.....	3
Statement of Activities.....	4
<b>Fund Financial Statements</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet.....	6
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position.....	7
Statement of Revenues, Expenditures and Changes in Net Position.....	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Net Position of Governmental Funds to the Statement of Activities.....	9
<b>Proprietary Fund Financial Statements</b>	
Statement of Fund Net Position.....	10
Statement of Revenues, Expenditures and Changes in Net Position.....	11
Statement of Cash Flows.....	12
Notes to the Financial Statements.....	13
<b>Required Supplementary Information Other Than MD&amp;A</b>	
Schedule of Revenues, Expenditures and Changes in Net Position – Budget and Actual Major Governmental Funds	
General Fund.....	22
<b>Supplementary Information</b>	
Schedule of Revenues, Expenses and Net Position – Budget and Actual Enterprise Fund.....	23

## GRAND VALLEY DRAINAGE DISTRICT Management's Discussion and Analysis

The Grand Valley Drainage District Board of Directors and management offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2020.

### FINANCIAL AND OPERATIONAL

#### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Grand Valley Drainage District's finances in a manner similar to a private sector business.

The *statement of net position* presents information on all the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed over the past year. All changes in net position are reported as soon as an "event" causing a change occurs, regardless of when related cash flows actually take place. As a result, revenues and expenses are reported in this statement for some items that will only result in cash flows in future financial periods; for example, vacation leave which has been earned but not yet used.

During 2020, the District continued its two activities: 1) the maintenance, repair, and construction of the District's historic drainage system (a governmental activity, and District general fund); and 2) The District's Urban Storm Water Enterprise that was created specifically to deal with "regulated water," that is, storm water which is defined by federal law as being a pollutant (a business-type activity). Funding for the Enterprise Fund is provided by the facilities improvement fee.

Reconciling "schedules" are used in the financial statements to reconcile the "government-wide" financial statements to the "fund" financial statements. These schedules show reconciling amounts caused by the differences in measurement focus and basis of accounting between the two types of financial statements.

#### Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been set aside for specific activities or purposes. Grand Valley Drainage District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the District's funds can be categorized into one fund type, governmental, for both the General Fund, and for the Enterprise Fund.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, governmental fund financial statements focus on near-term flows of spendable resources, as well as on balances of spendable resources available at the end of the year. This information is helpful in evaluating the District's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements, as readers may better understand the impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds.** Proprietary (Enterprise) funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District is authorized by § 37-45.1-101, et seq., C.R.S., to perform water activities, including management of regulated water, and to declare such activities to be a water activity enterprise, and to manage, fund and account for such activities as a water activity enterprise. The Urban Storm water Enterprise Fund accounts for service fees charged by the District for services provided to entities and individuals. These activities are intended to be self-supporting.

Grand Valley Drainage District has one governmental fund and one proprietary fund. Both the *General Fund* and the *Enterprise Fund* are considered to be a major fund by the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34.

**Budgetary Comparisons.** Grand Valley Drainage District adopts an annual appropriated budget for all its funds. Budget to actual comparisons for each fund are provided elsewhere in this report.

**Notes to the Financial Statements.** These notes provide additional information that is necessary in gaining a full understanding of the data provided in the government-wide and fund financial statements.

## DISTRICT-WIDE FINANCIAL ANALYSIS

**Net Position.** Net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2020, assets exceeded liabilities by \$5,103,162.

The following table provides condensed government-wide financial data for the years ended December 31, 2020 and 2019.

**Table 1 Net Position**

	2020		2019	
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities
<b>Assets:</b>				
Current Assets	\$ 3,036,402	\$ 185,703	\$ 2,949,266	\$ 436,545
Capital Assets (net)	6,860,484	1,200	6,787,621	2,398
<b>Total Assets</b>	<b>9,896,886</b>	<b>186,903</b>	<b>9,736,887</b>	<b>438,943</b>
<b>Liabilities:</b>				
Current Liabilities	143,395	1,968,259	100,939	2,741,152
Long-term Liabilities	283,380	-	108,097	-
<b>Total Liabilities</b>	<b>426,775</b>	<b>1,968,259</b>	<b>209,036</b>	<b>2,741,152</b>
<b>Deferred Inflows:</b>				
Property Taxes	2,270,713	-	2,122,480	-
<b>Net Position:</b>				
Invested in Capital Assets	6,515,510	1,200	6,645,242	2,398
Restricted for Tabor	65,495	-	65,270	-
Unrestricted	618,393	(1,782,556)	694,859	(2,304,607)
<b>Total Net Position</b>	<b>\$ 7,199,398</b>	<b>\$ (1,781,356)</b>	<b>\$ 7,405,371</b>	<b>\$ (2,302,209)</b>

Grand Valley Drainage District's total assets were 2.2 times the District's total liabilities and deferred inflows on December 31, 2020. Total current assets were 1.5 times total current liabilities. The amount of the long-term liabilities included compensated absences payable, capital lease payments due within one year and capital leases payable.

At the end of 2020, Grand Valley Drainage District had positive balances in all categories of net position in the General Fund. The Business Type Activities fund shows a deficit balance. This is due to the court ruling as explained in Note K.

## CHANGES IN NET POSITION

The net position of all the District activities increased by \$314,880 in 2020 from 2019. The major reason for the change in net position was due to the purchase of equipment and the reduction of the deficit fund balance in the Business Type activity

The following table indicates the changes in net position for governmental activities for 2020 and 2019.

2020	Governmental Activities	Business-Type Activities	Total
<b>Revenues:</b>			
Charges for Services	\$ -	\$ 1,850	\$ 1,850
Contributions	-	14,171	14,171
Property Taxes	2,143,585	-	2,143,585
Specific Ownership Tax	310,153	-	310,153
Grant Income	7,639	18,333	25,972
Interest Income	5,083	199	5,282
Misscellaneous Income	65,425	56,255	121,680
<b>Total Revenue</b>	<u>2,531,885</u>	<u>90,808</u>	<u>2,622,693</u>
<b>Expenses:</b>			
Operating Expese	1,323,598	84,343	1,407,941
General & Administrative	181,801	121,653	303,454
Interest Expense	-	690,876	690,876
Depreciation	52,342	1,199	53,541
<b>Total Expenses</b>	<u>1,557,741</u>	<u>898,071</u>	<u>2,455,812</u>
<b>Change in Net Position</b>	974,144	(807,263)	166,881
<b>Net Position, January 1,</b>	801,491	(2,302,209)	(1,500,718)
<b>Prior Period Adjustment</b>	-	292,116	292,116
Equity Transfer	(1,036,000)	1,036,000	-
<b>Net Position, December 31,</b>	<u>\$ 739,635</u>	<u>\$ (1,781,356)</u>	<u>\$ (1,041,721)</u>

2019	Governmental Activities	Business-Type Activities	Total
<b>Revenues:</b>			
Charges for Services	\$ -	\$ 126,277	\$ 126,277
Contributions	-	189,758	189,758
Property Taxes	2,012,382	-	2,012,382
Specific Ownership Tax	299,502	-	299,502
Grant Income	5,200	20,542	25,742
Interest Income	4,896	2,362	7,258
Misscellaneous Income	60,000	370	60,370
<b>Total Revenue</b>	<u>2,381,980</u>	<u>339,309</u>	<u>2,721,289</u>
<b>Expenses:</b>			
Operating Expese	1,353,378	94,322	1,447,700
General & Administrative	220,691	95,643	316,334
Interest Expense	-	910,043	910,043
Depreciation	103,578	1,199	104,777
<b>Total Expenses</b>	<u>1,677,647</u>	<u>1,101,207</u>	<u>2,778,854</u>
<b>Change in Net Position</b>	704,333	(761,948)	(57,615)
<b>Net Position, January 1,</b>	7,751,208	(3,441,437)	4,309,771
Prior Period Adjsutment	-	851,006	851,006
Equity Transfer	(1,050,170)	1,050,170	-
<b>Net Position, December 31,</b>	<u>\$ 7,405,371</u>	<u>\$ (2,302,209)</u>	<u>\$ 5,103,162</u>

The major general revenues for governmental activities were as follows:  
 Property taxes of \$2,143,585 and specific ownership taxes of \$310,153.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's capital assets on December 31, 2020 and 2019 are presented below.

<b>Capital Assets (Net of Depreciation)</b>		
	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
Land	\$ 420,051	\$ 420,051
Infrastructure	4,300,729	4,388,369
Building & Improvements	385,712	393,350
Vehicles	618,487	713,332
Equipment	1,124,745	860,563
Office Furniture & Equipment	10,760	11,955
<b>Total</b>	<b>\$ 6,860,484</b>	<b>\$ 6,787,620</b>

	<b>Business-Type Activities</b>	
	<b>2020</b>	<b>2019</b>
Office Furniture & Equipment	\$ 1,199	\$ 2,398
<b>Total</b>	<b>\$ 1,199</b>	<b>\$ 2,398</b>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As mentioned earlier, Grand Valley Drainage District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund** - The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

**Proprietary Fund** –The District's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

### Major Activity for 2020

#### *Governmental Fund*

- Receipt of \$2,453,738 of total tax revenues
- Expenditures of \$1,505,399 for operations
- Fixed Asset Capitalized \$52,342

#### *Proprietary Fund*

- Receipt of \$1,850 in Impact Fees
- Expenditures of \$207,195 for operations.

## **BUDGETARY COMPARISON HIGHLIGHTS**

- The estimated Budget compared to actual expenditure reflects a large number of unexpended allowances for Reserves. Some of those funds are restricted by State statute for emergency reserves of 3% of the annual budget.
- The District's budget is prepared and approved according to Colorado statutes.

## **FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR 2020**

### Overview of the Financial Statements

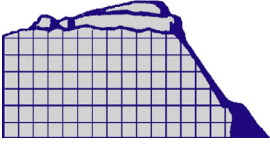
Since the storm water fee charged by the District was determined to be a tax, preparations were made to start paying back the \$8.25M debt. Although only \$6.9M was collected in two and a half years of the fee, the TABOR penalty is 10% simple interest per year causing the \$8.25M payback. The District had \$4.5M of the storm water revenue available for the payback. Staff was reduced to create \$500,000 annually in salary savings to help with the refund. It is anticipated the refund will require a minimum of five years before it is resolved.

Regardless, of the storm water refund issue, the District remains solvent and able to complete our statutory mission.

The District continues to maintain over 250 miles of open and piped conveyance systems with an annual mill levy which generated 2.1M in 2020.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Grand Valley Drainage District's finances for all those with an interest in this local government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Grand Valley Drainage District, 722 23 Road, Grand Junction, CO 81505, or to the District's Manager at 242-4343.



INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Grand Valley Drainage District  
Grand Junction, CO

I have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Grand Valley Drainage District as of and for the year ended December 31, 2020, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

**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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund, of the Grand Valley Drainage District, as of December 31, 2020, and the respective changes in financial position and cash flows for the business-type activity, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Valley Drainage District's financial statements as a whole. Accounting principles generally accepted in the United States of America require that the management's discussion, analysis, and budgetary comparison information on pages i through vi, and 21, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Valley Drainage District's financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the enterprise fund on page 22 is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison information for the enterprise fund are the responsibility of management and were 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 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 my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Paul D. Miller, CPA, LLC*

Grand Junction, Colorado

March 19, 2021

## **Basic Financial Statements**

GRAND VALLEY DRAINAGE DISTRICT  
Statement of Net Position  
December 31, 2020

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 694,965	\$ 185,703	\$ 880,668
Investments	25,513	-	25,513
Accounts Receivable	-	-	0
Due From Other Governments	37,563	-	37,563
Property Taxes Receivable	2,270,713	-	2,270,713
Prepaid Expenses	7,648	-	7,648
Capital Assets, Net	6,860,484	1,200	6,861,684
Total Assets	<u>9,896,886</u>	<u>186,903</u>	<u>10,083,789</u>
<b>LIABILITIES</b>			
Accounts Payable	4,367	-	4,367
Due Customers	-	849,226	849,226
Accrued Expenses	21,687	178,937	200,624
Capital Lease Payments due in one year	117,341	-	117,341
Noncurrent Liabilities			
Due Customers-more than one year	-	940,096	940,096
Compensated Absences Payable	55,747	-	55,747
Capital Lease Payable	227,633	-	227,633
Total Liabilities	<u>426,775</u>	<u>1,968,259</u>	<u>2,395,034</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes Receivable	<u>2,270,713</u>	<u>-</u>	<u>2,270,713</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	6,515,510	1,200	6,516,710
Restricted for Emergencies	65,495	-	65,495
Unrestricted	618,393	(1,782,556)	(1,164,163)
<b>TOTAL NET POSITION</b>	<u>\$ 7,199,398</u>	<u>\$ (1,781,356)</u>	<u>\$ 5,418,042</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY DRAINAGE DISTRICT

Statement of Activities

December 31, 2020

	Expenses	Program Revenues	
		Charges For Services & Fees	Capital Grants & Contributions
<b>Functions/Programs</b>			
Governmental Activities:			
Drainage System Operation	\$ (2,032,012)	\$ -	\$ -
Total Governmental Activities	\$ (2,032,012)	\$ -	\$ -
Business Type Activities:			
Enterprise Fund	(207,195)	1,850	-
Total Business Type Activities	(207,195)	1,850	-
<b>Total Primary Government</b>	<b>\$ (2,239,207)</b>	<b>\$ 1,850</b>	<b>\$ -</b>

**General Revenues:**

Property Taxes

Specific Ownership Taxes

Interest Income

Grant Income

Miscellaneous Income

**Total General Revenues**

Other Expense:

Interest Expense

**Change in Net Position**

**Other Financing Source:**

Capital Lease

Net Position January 1,

Prior Period Adjustment

Fund Transfer

**Net Position December, 31**

The accompanying notes are an integral part of these financial statements.

Net Expense/Revenue and  
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,032,012)	\$ -	\$ (2,032,012)
<u>(2,032,012)</u>	<u>-</u>	<u>(2,032,012)</u>
-	(205,345)	(205,345)
-	(205,345)	(205,345)
<u>(2,032,012)</u>	<u>(205,345)</u>	<u>(2,237,357)</u>
2,143,585	-	2,143,585
310,153	-	310,153
5,083	199	5,282
7,639	18,333	25,972
65,425	70,426	135,851
<u>2,531,885</u>	<u>88,958</u>	<u>2,620,843</u>
-	(690,876)	(690,876)
499,873	(807,263)	(307,390)
330,154	-	330,154
7,405,371	(2,302,209)	5,103,162
-	292,116	292,116
(1,036,000)	1,036,000	-
<u>\$ 7,199,398</u>	<u>\$ (1,781,356)</u>	<u>\$ 5,418,042</u>

**Fund Financial Statements**

GRAND VALLEY DRAINAGE DISTRICT  
Balance Sheet - Governmental Fund  
December 31, 2020

		General Fund
<b>ASSETS</b>		
Cash and Equivalents	\$	694,965
Investments		25,513
Due from other Governments		37,563
Prepaid Expenses		7,648
Property Taxes Receivable		2,270,713
Total Assets	\$	<u>3,036,402</u>
<b>LIABILITIES</b>		
Accounts Payable	\$	4,367
Accrued Expenses		21,687
Total Liabilities		<u>26,054</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Receivable		<u>2,270,713</u>
<b>NET POSITION</b>		
Restricted for Emergencies		65,495
Unspendable		7,648
Unassigned		666,492
Net Position		<u>739,635</u>
Total Liabilities, Deferred Inflows and Net Position	\$	<u><u>3,036,402</u></u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY DRAINAGE DISTRICT  
Reconciliation of Total Governmental Funds  
December 31, 2020

Total Governmental Fund Balance	\$ 739,635
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	6,860,484
Long-term liabilities, including compensated absences are not due and payable in the current period and are therefore not reported in the funds.	
Compensated Absences	(55,747)
Capital Leases	(344,973)
<b>Net Position of Governmental Activities</b>	<u><u>\$ 7,199,398</u></u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY DRAINAGE DISTRICT  
Statement of Revenue, Expenses and Changes in Fund Balance-Governmental Funds  
For The Year Ended December 31, 2020

Revenues		
Taxes		\$ 2,453,738
Interest Income		5,083
Grant Income		7,639
Miscellaneous		65,425
	Total Revenue	<u>2,531,885</u>
Expenditures		
Current		
General & Administrative		181,801
Drainage Operations		1,323,598
Capital Outlays		52,342
	Total Expenditures	<u>1,557,741</u>
	Excess (Deficiency) of Revenue over Expenditure	974,144
Net Position January 1		801,491
Transfer to Enterprise Fund		(1,036,000)
Net Position December 31,		<u>\$ 739,635</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY DRAINAGE DISTRICT  
 Reconciliation of the Statement of Revenue, Expenses and Changes  
 In Fund Balance of Governmental Fund to Statement of Activities  
 For The Year Ended December 31, 2020

<b>Net Change in Fund Balance-Governmental Fund</b>	<b>\$ 974,144</b>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities and cost of those assets in allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and capitalized labor and other expenses in the current period.</p>	
Fixed Assets Current Additions (Capitalized)	52,342
Depreciation Expense	<u>(316,994)</u>
	<u>(264,652)</u>
Long-term liabilities, including compensated absences are not due and payable in current period and are therefore not reported in the funds	<u>(55,747)</u>
Governmental funds report repayment of debt as an expenditure	<u>(153,872)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 499,873</u></u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY DRAINAGE DISTRICT  
Statement of Net Position - Proprietary Fund  
December 31, 2020

**ASSETS**

Cash & Equivalents		\$ 185,703
Accounts Receivable		-
Prepaid Expense		-
Office Equipment-Net of Accumulated Depreciation		1,200
	Total Assets	186,903

**LIABILITIES**

Interest Payable-Customers		178,937
Due Customers-Payback		849,226
		1,028,163

**LONG-TERM LIABILITIES**

Due Customers-Payback		940,096
	Total Liabilities	1,968,259

**Net Position**

Invested in Capital Assets		1,200
Unrestricted		(1,782,556)
	Net Position	\$ (1,781,356)

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY DRAINAGE DISTRICT  
Statement of Revenues, Expenses & Change in Net Position - Proprietary Fund  
For The Year Ended December 31, 2020

Revenues			
Service Fees		\$	1,850
Interest			199
Grant Income			18,333
Miscellaneous			70,426
	Total Revenues		90,808
Expenses			
Management Fee			60,000
Operating Expense			84,343
Legal			17,780
Office Expense			3,674
Bad Debts			40,199
Depreciation Expense			1,199
	Total Expenses		207,195
	Excess Expenses over Revenue		(116,387)
Nonoperating Expenses:			
Interest Expense			(690,876)
	Change in Net Position		(807,263)
Net Position January 1,			(2,302,209)
Prior Period Adjustment			292,116
Transfer-in from General Fund			1,036,000
Net Position December 31,		\$	(1,781,356)

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY DRAINAGE DISTRICT  
Statement of Cash Flows - Proprietary Fund  
For The Year Ended December 31, 2020

**Increase (Decrease) in Cash & Cash Equivalents**

Cash Flows from Operations		
Cash Received for Services	\$	1,850
Other Income		88,759
Interest Received		199
Cash Paid to Suppliers		<u>(138,256)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>		<u><b>(47,448)</b></u>

**Cash Flows from Capital & Related Financing Activities:**

Customer Payable-Storm Water Fees		(1,169,162)
Transfer from General Fund		<u>1,036,000</u>
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>		<u><b>(133,162)</b></u>

<b>INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>		<u><b>(180,610)</b></u>
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Cash & Cash Equivalents January 1,		366,313
Cash & Cash Equivalents December 31,	\$	<u><u>185,703</u></u>

**Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities**

Operating Income (Loss)	\$	<u>(116,387)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amounts not requiring cash:		
Depreciation		1,199
(Increase) Decrease in Accounts Receivable		68,170
Increase (Decrease) in Accounts Payable		<u>(430)</u>
Total Adjustments		<u>68,939</u>
Net Cash Provided (Used) by Operating Activities	\$	<u><u>(47,448)</u></u>

The accompanying notes are an integral part of these financial statements.

**GRAND VALLEY DRAINAGE DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting Entity

The Grand Valley Drainage District (the District) was organized in September 1915. The District was created, formed and is governed by Colorado State Statute. The purpose of the District is the management of seep waters, waste irrigation waters and storm waters within its boundaries.

The District is governed by a publicly elected three member board of directors, is a legally separate entity and is fiscally independent. The District is the primary government. It is not included in any other governmental reporting entity, nor is the District financially accountable for any other organizations and does not include any component units.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and user charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District has no *component units*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Financial statements are provided for governmental funds and the enterprise fund. Major individual funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the provider have been met. When the District has the option to use either restricted or unrestricted Net Position to finance a program it is the District's policy to first apply restricted resources.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The District considers revenues to be available if they are collectible within 180 days except for property taxes which are considered available if they are

**GRAND VALLEY DRAINAGE DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-continued

collectible within 60 days after year-end. Property taxes and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

The government reports the following major governmental fund:

The *General Fund* is the District's operating fund. It accounts for all financial resources of the government except for those required to be reported in another fund.

The government reports the following major proprietary fund:

The *Urban Storm Water Enterprise Fund* accounts for service fees charged by the District for services provided to entities and individuals. These activities are intended to be self-supporting.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating revenues and expenses generally result from providing services and delivering goods. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Risk Management

The District is exposed to various risks of loss related to property and casualty losses. The District has joined together with other governments in the State of Colorado to form the Colorado Special District's Property and Liability Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for member districts. The Pool provides the District with general property, vehicle comprehensive and collision, and various liability insurance coverage. The District pays an annual contribution to the Pool for its property and casualty insurance coverage. During 2020, the District paid contributions of \$99,832. The intergovernmental agreement of formation of the Pool provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and that the Pool will purchase insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. There were no significant reductions in insurance coverage from prior year by major categories of risk, and there have been no settlements that exceed the District's insurance coverage during the past three years.

**GRAND VALLEY DRAINAGE DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

6. Cash and Cash Equivalents

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

7. Capital Assets

Capital assets, which include property, plant and equipment are defined by the District as assets with an initial, individual cost of at least \$1,000, (\$5,000 for infrastructure), and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with the requirements of the Governmental Accounting Standards Board (GASB) the District began recording infrastructure assets for the year ended December 31, 2004.

Depreciation is provided on the straight-line method over the assets estimated useful lives, as follows:

Infrastructure	50 years
Building	100 years
Vehicles	10 – 40 years
Equipment	10 – 50 years
Office furniture and equipment	4 – 50 years

8. Fund Balance

The District has approved the following Fund Balance policies:

Committed fund balances are approved by the District's Board via a majority vote. The District does not use the assigned fund balance designation.

As stated in Note A3, the District considers restricted amount to have been spent for purposes for which both restricted and unrestricted fund balance is available. The District also considers committed amounts to have been spent for purposes which any unrestricted fund balance classifications could have been used.

9. Net Position

In the entity-wide financial statements, net position represents the difference between assets and liabilities. Amounts shown as invested in capital assets net of related debt consists of capital assets net of accumulated depreciation and related debt. Balances are reported as restricted when there are constraints placed on their use either by law through constitutional provisions or enabling legislation or through restrictions externally imposed by creditors, grantors, laws, or regulations of other governments.

10. Budgets

The annual budget is prepared and approved by the Board of Directors in accordance with the State of Colorado Financial Management Manual. The budget is prepared on the modified accrual basis of accounting. It is submitted to the District Board of Directors by October 15<sup>th</sup>. The mill levy is certified to the Mesa County Board of County Commissioners by December 15<sup>th</sup>. The commissioners certify the property taxes are levied and mill levy by December 22<sup>nd</sup>. The Board of Directors may amend the appropriation resolution at any time during the year if warranted by circumstances. The 2020 budget was amended for both funds.

**GRAND VALLEY DRAINAGE DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

11. Subsequent Events

Management has reviewed subsequent events through the date of the audit report.

**NOTE B – CASH AND INVESTMENTS**

*Cash*

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 PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed by the GASB. At year-end, the bank balance of the District's deposits in the General Fund was \$694,275 of this balance \$264,592 was insured by FDIC and \$429,723 was collateralized under PDPA.

On December 31, 2020, the deposits of the governmental activities consisted of the following:

Cash on hand	\$ 650
Cash in checking	<u>694,315</u>
Total	<u>\$ 694,925</u>

On December 31, 2020, the carrying amount of the District's Enterprise Fund deposits was \$185,503. Of this amount, \$185,503 was covered by federal depository insurance.

On December 31, 2020, the deposits of the proprietary activities consisted of the following:

Cash on Hand	\$ 200
Cash in checking	<u>185,503</u>
Total	<u>\$ 185,703</u>

**GRAND VALLEY DRAINAGE DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

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**NOTE B – CASH AND INVESTMENTS-Continued**

At year-end, the District's Enterprise fund had invested \$25,513 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. This pool is not required to and is not registered with the SEC. COLOTRUST funds are rated AAA by Standard and Poor's, an AAR/V1+ from Fitch's and an Aaa from Moody's rating services.

Summary of Investments Held by the District:

ColoTrust (Measured at Net Asset Value)	<u>\$ 25,513</u>
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Fair Value

The County categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

**Level 1:** Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3:** Unobservable inputs for an asset or liability.

**NOTE C – PROPERTY TAXES**

Property taxes for 2019, collectible in 2020, were certified by the Mesa County Commissioners in December 2020. Property taxes attach as an enforceable lien on January 1, 2020 are due in total April 30, 2020 or in equal installments February 28, 2020 and June 15, 2020, at the option of the taxpayer.

Property taxes for 2020, collectible in 2021, are shown as property taxes receivable and deferred revenue on the balance sheet in the amount of the assessed taxes. The County Treasurer remits taxes collected to the District by the 10<sup>th</sup> day of the month following collection.

**GRAND VALLEY DRAINAGE DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

**NOTE C – PROPERTY TAXES -continued**

*Revenue recognized in 2020.*

Local property taxes levied for 2019 and collected in 2020 are recognized as revenue in these financial statements as shown below:

Year	Assessed Valuation	Mill Levy	Amount of Taxes Levied	Collected	Percent Collected
2019	\$ 1,244,671,910	1.748	\$ 2,175,686	\$ 2,143,585	98.52%

**NOTE D – DEFERRED COMPENSATION PLAN**

The District provides a 457 plan for all its full-time employees through the Colorado Retirement Association. Employees participate in the plan after completing one year of service. Both the District and employees are required to contribute 6% of the employee's gross wages. In addition, employees may voluntarily contribute up to another 10% of gross wages. Participants may make lump sum contributions to the plan to provide for past service benefits. Employees vest their interest in the District's contribution at the rate of 10% per year. The District's covered payroll for 2020 was \$652,094 and the District's contribution to the plan was \$39,126. This was equal to the required contribution for the year. Employees contributed \$45,578 to the plan during 2020.

**NOTE E – TAX, SPENDING AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local government. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

**NOTE F – RESTRICTED NET POSITION**

Restricted Net Position consists of a 3% emergency reserve of \$65,495.

**NOTE G – LINE OF CREDIT**

The District has \$100,000 line of credit with a local financial institution the line has not been drawn upon as of the date of the audit report.

**NOTE H – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the audit report.

**GRAND VALLEY DRAINAGE DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

**NOTE I – CAPITAL ASSETS**

<b>General Fund</b>	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Land	\$ 420,051	\$ -	\$ -	\$ 420,051
Infrastructure (Drainage System)	5,828,959	29,232	-	5,858,191
Building & Improvements	591,198	-	-	591,198
Vehicles	1,440,593	-	(80,453)	1,360,140
Equipment	1,730,112	447,198	(94,765)	2,082,545
Office Furniture & Equipment	54,573	1,299	-	55,872
Totals	<u>10,065,486</u>	<u>477,729</u>	<u>(175,218)</u>	<u>10,367,997</u>
Less Accumulated Depreciation:				
Infrastructure (Drainage System)	(1,440,589)	(116,871)	-	(1,557,460)
Building & Improvements	(197,848)	(7,638)	-	(205,486)
Vehicles	(726,215)	(87,523)	72,085	(741,653)
Equipment	(864,811)	(102,466)	9,477	(957,800)
Office Furniture & Equipment	(42,619)	(2,495)	-	(45,114)
Total Accumulated Depreciation	<u>(3,272,082)</u>	<u>(316,993)</u>	<u>81,562</u>	<u>(3,507,513)</u>
Governmental activities capital assets, net	<u>\$ 6,793,404</u>	<u>\$ 160,736</u>	<u>\$ (256,780)</u>	<u>\$ 6,860,484</u>
<b>Enterprise Fund</b>				
Office Furniture & Equipment	\$ 5,994	\$ -	\$ -	\$ 5,994
Total	<u>5,994</u>	<u>0</u>	<u>-</u>	<u>5,994</u>
Less Accumulated Depreciation	(3,595)	(1,199)	-	(4,794)
Net	<u>2,399</u>	<u>(1,199)</u>	<u>-</u>	<u>1,200</u>
Construction in Progress-Infrastructure	-	-	-	-
Enterprise activities capital assets, net	<u>\$ 2,399</u>	<u>\$ (1,199)</u>	<u>\$ -</u>	<u>\$ 1,200</u>

**NOTE J – LONG-TERM LIABILITIES**

Governmental Activities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated Absences	<u>\$ 41,362</u>	<u>\$ 14,385</u>	<u>\$ -</u>	<u>\$ 55,747</u>
Leases Payable	<u>\$ 142,379</u>	<u>\$ 330,154</u>	<u>\$ 127,559</u>	<u>\$ 344,974</u>

Capitalized Lease Obligations

The District has entered into several lease agreements for equipment. The leases payments must be appropriated every year.

**GRAND VALLEY DRAINAGE DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

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**NOTE J – LONG-TERM LIABILITIES-Continued**

In August 2015 the District entered into a lease agreement for an excavator. A down payment was made at closing in August 2015 and payments on the lease began September 2015 and will continue thru July 2021.

In June 2014 the District entered into a lease agreement for an excavator. A down payment was made at closing in June 2014 and payments on the lease began July 2014 and will continue thru May 2020. This lease was paid-off.

In February, 2015 the District entered into a lease agreement for an excavator. A down payment was made at closing February 2015 and payment on the lease will begin March 2015 and continue to be made annually thru February 2020. This lease was paid-off

In February 2018, the District entered into a lease agreement for a motor grader. Payments on the lease will begin March 2018 and continue to be made annually thru February 2022.

In April 2021, the District entered into a lease agreement for two Excavators. Payments began in May 2021 of \$5,902, principal and interest. The interest rate is 2.89%. The payments are for 60 months. Payments will end in March 2025.

The assets acquired thru capital leases are as follows:

	Governmental Activities
Equipment	\$ 998,190
Less Depreciation	(449,717)
	548,473

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2020 were as follows:

	2021	\$ 117,341
	2022	76,126
	2023	67,994
	2024	69,561
	2025	13,951
Present value of net minimum lease payments		\$ 344,973

**NOTE K – CUSTOMER PAYABLE**

In 2017, a trial court ruled that the District's storm water "fee" is actually a "tax," in violation of TABOR. The District Board has voted to not appeal the court's order and to refund all storm water fees to all constituents whether they were plaintiffs or not. Thus, the District is actively working in implementing the Board's decision to refund the fees. TABOR provides that the District constituents must be repaid their fees paid to date (in 2016, 2017 and 2018) plus ten percent interest, as soon as reasonably possible. The total amount of fees received to date, as of December 31, 2018, is \$7,004,809, and interest calculated on that amount is estimated to be 1,235,993, bring a total to be repaid to \$8,240,802. On December 31, 2020, \$1,789,322 was left to be paid over the next few years.

**GRAND VALLEY DRAINAGE DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

**NOTE L – PRIOR PERIOD ADJUSTMENT**

Due to the Order handed down by the courts in 2017, an adjustment was necessary to bring the amount payable to the constituents on December 31, 2020, to actual. The effect of this prior period adjustment was a net increase in fund balance of \$854,006.

Balance 12/31/2019	\$ (2,302,209)
Adjustment	<u>292,116</u>
Balance 12/31/2020	<u>\$ (2,040,093)</u>

**REQUIRED  
SUPPLEMENTARY INFORMATION**

GRAND VALLEY DRAINAGE DISTRICT  
Schedule of Revenues, Expenditures and Changes in Net Position  
Budget & Actual - General Fund  
For The Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 2,407,480	\$ 2,453,738	\$ 46,258
Interest Income	5,000	5,083	83
Grants	-	7,639	7,639
Miscellaneous	60,000	65,425	5,425
Total Revenues	<u>2,472,480</u>	<u>2,531,885</u>	<u>59,405</u>
<b>Expenditures</b>			
Drainage Operations	1,623,485	1,323,598	299,887
General & Admin.	322,500	181,801	140,699
Capital Outlay	121,000	52,342	68,658
Contingencies & Reserves	-	-	-
Total Expenditures	<u>2,066,985</u>	<u>1,557,741</u>	<u>509,244</u>
Excess of Revenues Over (Under) Expenditures	405,495	974,144	568,649
Net Position, January 1,	750,000	801,491	51,491
Transfer-out to Enterprise Fund	(1,040,000)	(1,036,000)	4,000
Net Position, December 31,	<u>\$ 115,495</u>	<u>\$ 739,635</u>	<u>\$ 624,140</u>

**SUPPLEMENTARY INFORMATION**

GRAND VALLEY DRAINAGE DISTRICT  
Schedule of Revenues, Expenditures and Changes in Net Position  
Budget & Actual - Proprietary Fund  
For The Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Available Funds at beginning of year	\$ 212,000	\$ -	\$ 212,000
Revenue			
Other fees	51,700	1,850	(49,850)
Grant Income	71,994	18,333	(53,661)
Miscellaneous	-	70,426	70,426
Interest	360	199	(161)
Total Revenue	<u>124,054</u>	<u>90,808</u>	<u>(33,246)</u>
Expenses			
Management Fee	60,000	60,000	-
Operating Expense	179,267	84,343	94,924
Engineering	15,000	-	15,000
Legal	50,000	17,780	32,220
Office Expense	7,000	3,674	3,326
Bad Debts	-	40,199	(40,199)
Depreciation Expense	-	1,199	(1,199)
Total Expenses	<u>311,267</u>	<u>207,195</u>	<u>104,072</u>
Other income / (Expense)			
Interest Expense	(1,332,372)	(690,876)	(641,496)
Debt Service-Storm Water Refund	(4,206,348)	-	(4,206,348)
Excess of Revenues Over (Under) Expenses	(5,513,933)	(807,263)	4,706,670
Net Position, January 1,	-	(2,302,209)	(2,302,209)
Prior Period Adjustment	-	292,116	292,116
Transfer from General Fund	1,040,000	1,036,000	4,000
Net Position, December 31,	<u>\$ (4,473,933)</u>	<u>\$ (1,781,356)</u>	<u>\$ 2,700,577</u>