

GRANT WATER & SANITATION DISTRICT
Denver and Jefferson Counties, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

Table of Contents

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



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Independent Auditor's Report

Board of Directors
Grant Water and Sanitation District
Denver and Jefferson Counties, Colorado

Opinions

We have audited the financial statements of the Grant Water and Sanitation District (District) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Grant Water and Sanitation District, as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of

inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

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 is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplemental information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
May 1, 2023

**GRANT WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022 and 2021**

Our discussion and analysis of Grant Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2022 and 2021. Please read it in conjunction with the District's basic financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- The District continued its calcium remediation project in 2021 and 2022, removing additional calcium deposits from the underdrain system at a cost of \$148,878 and \$216,212, respectively.
- In 2022, the District had additional sewer maintenance costs due to unexpected street paving operations that required monitoring and replacement of manhole covers. The District also had unexpected generator and pump problems at its lift stations. The District's 2022 budget was supplemented by an additional \$50,000 to cover these unexpected expenditures.
- In addition, portions of the sewer replacement project started in 2021 and completed in 2022 needed to be redone due to the use of unsuitable backfill material and improper compaction. The District's 2022 budget was supplemented by an additional \$360,000 to cover \$395,803 in street and sewer main repairs and \$51,336 of costs incurred to pursue reimbursement of the costs the District incurred due to the contractor's failure to perform.
- The District's revenues and expenses for 2021 tracked with the amounts budgeted with the exception of investment income that did not meet budgeted levels due to interest rates continuing to decline. In 2022, interest rates improved, and interest earnings exceeded the original budget by more than \$41,000.

A recap of the capital projects undertaken by the District in 2021 and 2022 include the following:

- In 2022, the District removed and replaced approximately 700 lineal feet (lf) of sewer mains and underdrains totaling \$574,901.
- In 2021, the District planned to remove and replace approximately 1,200 lineal feet of sewer mains and 920 lineal feet of underdrain mains. Construction did not start until the fall and was completed in 2022. The total costs of the project were \$998,293 of which \$602,490 was for the mains replaced and \$395,803 was for repairs as noted above.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

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

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

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

FINANCIAL SUMMARY AND ANALYSIS

NET POSITION

	December 31,		
	2022	2021	2020
ASSETS			
Current assets	\$ 3,695,407	\$ 4,863,661	\$ 4,950,130
Capital assets	6,606,936	6,557,862	6,329,941
Total assets	10,302,343	11,421,523	11,280,071
LIABILITIES			
Current liabilities	87,942	221,672	60,170
Total liabilities	87,942	221,672	60,170
NET POSITION			
Net investment in capital assets	6,606,936	6,557,862	6,329,941
Unrestricted	3,607,465	4,641,989	4,889,960
Total net position	\$ 10,214,401	\$ 11,199,851	\$ 11,219,901

As noted earlier, net position may serve as a useful indicator of the District's financial position. The District's net position in 2020 and 2021 remained relatively the same, but in 2022, the net position was reduced by nearly one million dollars due to funding the District's capital improvement and major repair projects. This reduction notably came from the District's capital reserves.

CHANGES IN NET POSITION

	Years Ended December 31,		
	2022	2021	2020
REVENUES			
OPERATING REVENUE			
Service fees	\$ 589,753	\$ 465,946	\$ 499,475
Inspection fees	12,250	6,450	23,770
Other fees and fines	14,226	12,560	14,055
Total operating revenue	616,229	484,956	537,300
NONOPERATING REVENUE			
Net investment income			
Interest	49,681	8,350	31,519
Net increase (decrease) in fair value of investments	(114,288)	(16,369)	(32)
Capital reserve fees	160,000	314,300	270,000
Total nonoperating revenue	95,393	306,281	301,487
CAPITAL CONTRIBUTIONS			
System development fees	15,700	-	1,585,000
Contributed assets	-	-	207,507
	15,700	-	1,792,507
Total revenues	727,322	791,237	2,631,294
EXPENSES			
OPERATING AND GENERAL AND ADMINISTRATIVE			
Operating	1,264,091	639,388	785,919
General and administrative expenses	185,277	171,899	173,700
Total operating and general and administrative expenses	1,449,368	811,287	959,619
NONOPERATING EXPENSE			
Loss on disposal of capital assets	263,404	-	15,207
Total nonoperating expenses	263,404	-	15,207
Total expenses	1,712,772	811,287	974,826
CHANGE IN NET POSITION	(985,450)	(20,050)	1,656,468
NET POSITION - BEGINNING OF YEAR	11,199,851	11,219,901	9,563,433
NET POSITION - END OF YEAR	\$ 10,214,401	\$ 11,199,851	\$ 11,219,901

As shown above, the District's revenues remained relatively level from 2020 to 2022 except for the District receiving \$1,585,000 in System Development Fees in 2020. However, the District's expenditures increased dramatically in 2022 due to unexpected maintenance and repair costs explained in the financial highlights. The District was fortunate to be able to fund these unexpected costs from its reserves which increased significantly in 2020 because of redevelopment occurring in the District. Interest earnings fortunately increased from 2021 as both long and short term interest rates improved in 2022.

CAPITAL ASSETS

The District's investment in capital assets at December 31, 2022 amounted to \$6,606,936 (net of accumulated depreciation/amortization). This investment in capital assets includes sanitary sewer and underdrain systems, as well as purchased capacity in water and sanitary sewer systems owned by others. The analysis of changes in capital assets is as follows:

	<u>Balance at December 31, 2020</u>	<u>Changes</u>	<u>Balance at December 31, 2021</u>	<u>Changes</u>	<u>Balance at December 31, 2022</u>
Projects in progress	\$ 3,459	\$ 547,446	\$ 550,905	\$ (550,905)	\$ -
Master plan and geographic information system	81,956	-	81,956	-	81,956
Sewer system	7,001,582	-	7,001,582	552,903	7,554,485
Underdrain system	2,100,556	-	2,100,556	63,462	2,164,018
Purchased capacity					
Water	1,784,634	-	1,784,634	-	1,784,634
Sewer	1,073,446	-	1,073,446	-	1,073,446
Total assets	<u>12,045,633</u>	<u>547,446</u>	<u>12,593,079</u>	<u>65,460</u>	<u>12,658,539</u>
Accumulated depreciation/amortization	<u>(5,715,692)</u>	<u>(319,525)</u>	<u>(6,035,217)</u>	<u>(16,386)</u>	<u>(6,051,603)</u>
Total capital assets, net	<u>\$ 6,329,941</u>	<u>\$ 227,921</u>	<u>\$ 6,557,862</u>	<u>\$ 49,074</u>	<u>\$ 6,606,936</u>

In 2021, the District started sewer and underdrain replacement projects incurring project costs of \$547,446. The work was completed in 2022 as were additional sewer and underdrain replacement projects totaling \$574,901. The District wrote off the cost of the sewer and underdrains replaced totaling \$561,026. The net increases in 2022 to the District's sewer and underdrain systems were \$552,903 and \$63,462, respectively.

FUTURE ECONOMIC FACTORS AND RATES

The District's service fee changes for 2023 are as follows:

- For single family residential customers, the sewer service fee is dramatically increasing but the underdrain service fee is decreasing, resulting in overall increase of \$6 in 2023.
- The District's multi-family customers annual sewer fee will increase by \$1. Multi-family units with underdrains will see a \$6 increase in the annual underdrain charge.
- Those residential customers with average annual water usage (AAWU) above the District's average will continue to be charge \$2.25 per thousand gallons. The District's AAWU for 2023 decreased from the 2022 AAWU of 59,340 gallons to an AAWU of 57,512 gallons.

A comparison of the District’s service fee rates for the past few years, as well as for 2023, is shown below.

Year	2023	2022	2021
Non-residential Sewer Service & Capital Reserve Fee – per 1,000 gallons	\$ 2.65	\$ 2.80	\$ 2.80
Residential Sewer Service & Capital Reserve Fee – Single Family	\$ 132.00	\$ 47.00	\$ 198.00
Residential Sewer Service & Capital Reserve Fee – Multi-Family	\$ 76.00	\$ 75.00	\$110.00
Underdrain Service & Capital Reserve Fee – Single Family	\$ 180.00	\$ 259.00	\$ 100.00
Underdrain Service & Capital Reserve Fee – Multi Family	\$ 145.00	\$ 139.00	\$ 110.00

The District has no capital projects planned for 2023. It plans to focus its efforts on completing the underdrain calcium remediation project and settle a construction defects dispute with one of its contractors.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GRANT WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,262,241	\$ 3,521,126
Investments	1,426,304	1,335,218
Accounts receivable	3,201	5,117
Accounts receivable - developers	1,421	910
Accrued interest receivable	1,795	845
Prepaid expenses	445	445
Total current assets	<u>3,695,407</u>	<u>4,863,661</u>
 CAPITAL ASSETS		
Projects in progress	-	550,905
Master plan and GIS	81,956	81,956
Sewer system	7,554,485	7,001,582
Underdrain system	2,164,018	2,100,556
Purchased capacity		
Water	1,784,634	1,784,634
Sewer	1,073,446	1,073,446
	<u>12,658,539</u>	<u>12,593,079</u>
Less accumulated depreciation and amortization	<u>(6,051,603)</u>	<u>(6,035,217)</u>
Total capital assets	<u>6,606,936</u>	<u>6,557,862</u>
 TOTAL ASSETS	 <u>\$ 10,302,343</u>	 <u>\$ 11,421,523</u>
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts/retainage payable	\$ 68,081	\$ 213,509
Prepaid customer accounts	11,795	8,163
Other current liabilities	8,066	-
Total current liabilities	<u>87,942</u>	<u>221,672</u>
 NET POSITION		
Net investment in capital assets	6,606,936	6,557,862
Unrestricted	3,607,465	4,641,989
Total net position	<u>10,214,401</u>	<u>11,199,851</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 10,302,343</u>	 <u>\$ 11,421,523</u>

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

**GRANT WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2022 and 2021**

	2022	2021
OPERATING REVENUE		
Service fees	\$ 589,753	\$ 465,946
Inspection fees	12,250	6,450
Other fees and fines	14,226	12,560
Total operating revenue	616,229	484,956
OPERATING EXPENSES		
Depreciation and amortization	314,007	319,525
Engineering	57,147	33,534
Repairs and maintenance	431,672	272,905
Major repairs contingency	447,139	-
Inspection and license fees	14,126	13,424
Total operating expenses	1,264,091	639,388
Direct gain (loss) from operations	(647,862)	(154,432)
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit	5,500	5,000
Insurance	17,746	15,608
Election	242	27
Legal	11,790	9,735
Management fees	120,402	111,485
Director's fees	6,567	6,144
Office and administration	23,030	23,900
Total general and administrative expenses	185,277	171,899
Income (loss) from operations	(833,139)	(326,331)
NONOPERATING REVENUE (EXPENSES)		
Net investment income		
Interest	49,681	8,350
Net increase (decrease) in fair value of investments	(114,288)	(16,369)
Capital reserve fees	160,000	314,300
Loss on disposal of capital assets	(263,404)	-
Total nonoperating revenue (expenses)	(168,011)	306,281
INCOME BEFORE CAPITAL CONTRIBUTIONS	(1,001,150)	(20,050)
CAPITAL CONTRIBUTIONS		
System development fees	15,700	-
	15,700	-
CHANGE IN NET POSITION	(985,450)	(20,050)
NET POSITION - BEGINNING OF YEAR	11,199,851	11,219,901
NET POSITION - END OF YEAR	\$ 10,214,401	\$ 11,199,851

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

**GRANT WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	2022	2021
Cash received from customers	\$ 621,777	\$ 490,809
Cash paid to vendors	(1,273,234)	(328,476)
Net cash provided (required) by operating activities	<u>(651,457)</u>	<u>162,333</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital outlay	(626,485)	(547,446)
Capital reserve fees	160,000	314,300
System development fees	15,700	-
Net cash provided (required) by capital financing activities	<u>(450,785)</u>	<u>(233,146)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(200,000)	(700,000)
Maturity of investments	-	200,000
Interest received	43,357	6,850
Net cash provided (required) by investing activities	<u>(156,643)</u>	<u>(493,150)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,258,885)	(563,963)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,521,126	4,085,089
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,262,241</u>	<u>\$ 3,521,126</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Income (loss) from operations	\$ (833,139)	\$ (326,331)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	314,007	319,525
Effects of changes in operating assets and liabilities:		
Receivables	1,405	7,637
Payables and other liabilities	(133,730)	161,502
Net cash provided (required) by operating activities	<u>\$ (651,457)</u>	<u>\$ 162,333</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Loss on disposal of capital assets	\$ 263,404	\$ -
Changes in fair value of investments	<u>\$ (114,288)</u>	<u>\$ (16,369)</u>

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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Grant Water and Sanitation District (District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Denver and Jefferson Counties, Colorado. The District was established to provide water and sewer service to property within its service area primarily through intergovernmental agreements.

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

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

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

As of December 31, 2022, the District had no authorized but unissued debt.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Operating Revenues and Expenses

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

Restricted resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. The District does not have any restricted resources currently.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Budgets

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

The District approved supplemental appropriations for the year ended December 31, 2022.

Cash Equivalents

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

Capital Assets

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

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

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

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

System Development Fees and Contributed Lines

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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Estimates

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

Reclassifications

For comparability, certain 2021 amounts have been reclassified where appropriate to conform to the 2022 financial statement presentation.

NOTE 3 - CASH AND INVESTMENTS

Cash equivalents and investments are reflected for the December 31, 2022 and 2021 statements of net position and statements of cash flows as follows:

	<u>2022</u>	<u>2021</u>
Deposits with financial institutions	\$ 216,162	\$ 205,480
Investments	3,472,383	4,650,864
Total cash and investments	<u>\$ 3,688,545</u>	<u>\$ 4,856,344</u>

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents:		
Deposits with financial institutions	\$ 216,162	\$ 205,480
COLOTRUST - Plus+	831,719	1,816,828
COLOTRUST - Edge	1,214,360	1,498,818
Total cash and cash equivalents	<u>2,262,241</u>	<u>3,521,126</u>
Investments:		
U.S. Agency Obligations	1,426,304	1,335,218
Total investments	<u>1,426,304</u>	<u>1,335,218</u>
Total cash equivalents and investments	<u>\$ 3,688,545</u>	<u>\$ 4,856,344</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2022, the District had cash deposits with a bank balance of \$310,579 and a carrying balance of \$216,162. At December 31, 2021, the District had cash deposits with a bank balance of \$219,063 and a carrying balance of \$205,480.

Investments

The District follows state statutes regarding investments. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The District held the following investments at December 31, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity</u>
COLOTRUST - Plus+	\$ 831,719	Weighted avg. under 60 days
COLOTRUST - Edge	1,214,360	Weighted avg. over 60 days
U.S. Agency Obligations	1,426,304	Mature in 2024-2026
Total investments	<u>\$ 3,472,383</u>	

The District held the following investments at December 31, 2021:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity</u>
COLOTRUST - Plus+	\$ 1,816,828	Weighted avg. under 60 days
COLOTRUST - Edge	1,498,818	Weighted avg. over 60 days
U.S. Agency Obligations	1,335,218	Mature in 2024-2026
Total investments	<u>\$ 4,650,864</u>	

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2022 and 2021 the District's holdings of U.S. Government agency securities were rated AA+ by Standard and Poor's and AAA by Moody's.

At December 31, 2022 and 2021, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST Plus+ and COLOTRUST Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+ portfolios are rated AAAM by Standard and Poor's and the Edge portfolio is rated AAAf/S1 by Fitch Ratings.

Investment Valuation

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

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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

The valuation of the District's investments are as follows at December 31, 2022:

	<u>Amount</u>	<u>Level 1 Inputs</u>
Investments measured at fair value:		
U.S. Agency Obligations	\$ 1,426,304	\$ 1,426,304
Total investments at fair value	<u>1,426,304</u>	<u>\$ 1,426,304</u>
Investments measured at NAV:		
COLOTRUST - Plus+	831,719	
COLOTRUST - Edge	<u>1,214,360</u>	
Total investments at NAV	<u>2,046,079</u>	
Total investments	<u>\$ 3,472,383</u>	

The valuation of the District's investments are as follows at December 31, 2021:

	<u>Amount</u>	<u>Level 1 Inputs</u>
Investments measured at fair value:		
U.S. Agency Obligations	\$ 1,335,218	\$ 1,335,218
Total investments at fair value	<u>1,335,218</u>	<u>\$ 1,335,218</u>
Investments measured at NAV:		
COLOTRUST - Plus+	1,816,828	
COLOTRUST - Edge	<u>1,498,818</u>	
Total investments at NAV	<u>3,315,646</u>	
Total investments	<u>\$ 4,650,864</u>	

COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. Each share of Prime and Plus is equal in value to \$1.00 and the redemption frequency is daily with no redemption notice period. Edge's net asset value is managed to approximate a \$10.00 transactional share price and the redemption frequency is five business days. The principal value of an Edge investment may fluctuate and could be greater or less than \$10.00 per share at time of purchase, prior to redemption, and at the time of redemption. There are no unfunded commitments.

Concentration of Credit Risk

The District does not have a policy that addresses limitation on the amount that can be invested in any one issuer. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures* requires the District to disclose investments in single issuers that exceed five percent (5%) of the District's entire investment portfolio.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

At December 31, 2022, the District had the following investments that are required to be disclosed:

<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Total Portfolio</u>
COLOTRUST - Plus+	\$ 831,719	Not subject to disclosure
COLOTRUST - Edge	1,214,360	Not subject to disclosure
Freddie Mac	416,836	12.00%
Federal Home Loan Bank	649,399	18.70%
Federal Home Loan Mortgage Corp	360,069	10.37%
	<u>\$ 3,472,383</u>	

At December 31, 2021, the District had the following investments that are required to be disclosed:

<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Total Portfolio</u>
COLOTRUST - Plus+	\$ 1,816,828	Not subject to disclosure
COLOTRUST - Edge	1,498,818	Not subject to disclosure
Freddie Mac	446,145	9.59%
Federal Home Loan Bank	496,945	10.69%
Federal Home Loan Mortgage Assn	392,128	8.43%
	<u>\$ 4,650,864</u>	

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**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

	Balance at January 1, 2022	Increases	Decreases	Balance at December 31, 2022
Capital assets, not being depreciated:				
Projects in progress	\$ 550,905	\$ 626,485	\$ 1,177,390	\$ -
Capital assets, being depreciated/ amortized:				
Master plan and geographic and information system	81,956	-	-	81,956
Sewer system	7,001,582	1,052,599	499,696	7,554,485
Underdrain system	2,100,556	124,791	61,329	2,164,018
Purchased capacity				
Water	1,784,634	-	-	1,784,634
Sewer	1,073,446	-	-	1,073,446
Total capital assets being depreciated/amortized	<u>12,042,174</u>	<u>1,177,390</u>	<u>561,025</u>	<u>12,658,539</u>
Less accumulated depreciation/ amortization for:				
Master plan and geographic and information system	30,341	8,195	-	38,536
Sewer system	3,317,509	180,851	273,524	3,224,836
Underdrain system	802,992	53,509	24,097	832,404
Purchased capacity				
Water	1,409,556	44,615	-	1,454,171
Sewer	474,819	26,837	-	501,656
Total accumulated depreciation/ amortization	<u>6,035,217</u>	<u>314,007</u>	<u>297,621</u>	<u>6,051,603</u>
Total capital assets, net	<u>\$6,557,862</u>	<u>\$1,489,868</u>	<u>\$1,440,794</u>	<u>\$ 6,606,936</u>

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

	<u>Balance at January 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2021</u>
Capital assets, not being depreciated:				
Projects in progress	\$ 3,459	\$ 547,446	\$ -	\$ 550,905
Capital assets, being depreciated/ amortized:				
Master plan and geographic and information system	81,956	-	-	81,956
Sewer system	7,001,582	-	-	7,001,582
Underdrain system	2,100,556	-	-	2,100,556
Purchased capacity				
Water	1,784,634	-	-	1,784,634
Sewer	1,073,446	-	-	1,073,446
Total capital assets being depreciated/amortized	<u>12,042,174</u>	<u>-</u>	<u>-</u>	<u>12,042,174</u>
Less accumulated depreciation/ amortization for:				
Master plan and geographic and information system	22,145	8,196	-	30,341
Sewer system	3,130,145	187,364	-	3,317,509
Underdrain system	750,478	52,514	-	802,992
Purchased capacity				
Water	1,364,940	44,616	-	1,409,556
Sewer	447,984	26,835	-	474,819
Total accumulated depreciation/ amortization	<u>5,715,692</u>	<u>319,525</u>	<u>-</u>	<u>6,035,217</u>
Total capital assets, net	<u>\$6,329,941</u>	<u>\$ 227,921</u>	<u>\$ -</u>	<u>\$ 6,557,862</u>

NOTE 5 - NET POSITION

The District has net position consisting of two components – net investment in capital assets and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and if applicable, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2022 and 2021, the District had invested in capital assets of \$6,606,936 and \$6,557,862, respectively, equal to its net capital assets as the District has no outstanding debt.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 – INTERGOVERNMENTAL AGREEMENTS

WATER SERVICE AGREEMENTS

Denver Water Board

The District has a total service contract with the Board of Water Commissioners of the City and County of Denver (Denver Water Board) which was renegotiated in 1994 whereby the Denver Water Department provides water in the District's service area and charges the users directly. The Denver Water Board has contracted to provide for service to future users within the District. All water lines within the District have been conveyed to the Denver Water Board which is responsible for maintenance and repair of those lines.

Participation Agreement

The District purchased Grant Properties I, Ltd's (GPI) participation cost in constructing facilities (Conduit 116) owned by the Denver Water Board in 1987. The District acquired the right to sufficient capacities in the water line to serve taps reserved to the District for \$901,297. The purchased capacity is included under the caption Purchased capacity – water and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2022 and 2021 is \$794,267 and \$771,735.

SEWER SERVICE AGREEMENTS

City of Littleton

The District has a service agreement with the City of Littleton (City) whereby the City provides sewage treatment service to the District's service area and charges the users directly. The District is to provide and maintain its own sewer lines and connection to the City's facilities.

Platte Canyon Water and Sanitation and Southwest Metropolitan Water and Sanitation Districts

These agreements relate to the purchase by the District of capacity in certain sewer trunk lines. The agreements with the districts provide for the sharing of maintenance expenses. In addition, the agreement with Southwest Metropolitan Water and Sanitation District provides for the sharing of replacement or rehabilitation costs. The agreement with Platte Canyon provide for the sharing of rehabilitation or replacement costs of some facilities. The purchased capacity is included under the caption Purchased capacity – sewer and is being amortized over 40 years using the straight-line method. Accumulated amortization at December 31, 2022 and 2021 is \$501,657 and \$474,820.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

OTHER AGREEMENTS

**Bowles Metropolitan District
Section 14 Metropolitan District**

These agreements are with the metropolitan districts whose boundaries are entirely within the District. The agreements provide for the metropolitan districts to construct and finance water and sewer lines not financed by the District and to transfer the sewer lines to the District for control and operation.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2022. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes that its operations qualify for this exclusion.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Some of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise may require judicial interpretation.

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

SUPPLEMENTAL INFORMATION

GRANT WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Service fees	\$ 597,355	\$ 597,355	\$ 589,753	\$ (7,602)
Capital reserve fees	160,000	160,000	160,000	-
Inspection fees	10,000	10,000	12,250	2,250
Other fees and fines	12,025	12,025	14,226	2,201
Net investment income	8,000	48,000	49,681	1,681
Decrease in fair value of investments	-	-	(114,288)	(114,288)
System development fees	-	-	15,700	15,700
Total Revenues	<u>787,380</u>	<u>827,380</u>	<u>727,322</u>	<u>(100,058)</u>
EXPENDITURES				
Engineering	48,100	65,100	57,147	7,953
Repairs and maintenance	454,050	504,050	431,672	72,378
Inspection and license fees	14,450	14,450	14,126	324
Audit	5,500	5,500	5,500	-
Insurance	16,500	16,500	17,746	(1,246)
Election costs	1,200	1,200	242	958
Legal	12,000	12,000	11,790	210
Management fees	120,000	125,000	120,402	4,598
Director's fees	6,800	6,800	6,567	233
Office and administrative	22,000	22,000	23,030	(1,030)
Major repairs contingency	100,000	460,000	447,139	12,861
Capital outlay	665,300	665,300	626,485	38,815
Total Expenditures	<u>1,465,900</u>	<u>1,897,900</u>	<u>1,761,846</u>	<u>136,054</u>
NET CHANGE IN FUNDS AVAILABLE	(678,520)	(1,070,520)	(1,034,524)	35,996
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>4,571,780</u>	<u>4,641,989</u>	<u>4,641,989</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 3,893,260</u>	<u>\$ 3,571,469</u>	<u>\$ 3,607,465</u>	<u>\$ 35,996</u>
Funds available is computed as follows:				
Current assets			\$ 3,695,407	
Current liabilities			(87,942)	
			<u>\$ 3,607,465</u>	

**GRANT WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2022**

Revenue (budgetary basis)	\$ 727,322
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	727,322
 Expenditures (budgetary basis)	 1,761,846
Depreciation and amortization	314,007
Capital outlay	(626,485)
Loss on disposal of capital assets	263,404
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	1,712,772
 Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	 \$ (985,450)