

GRAND COUNTY WATER & SANITATION DISTRICT

Grand County, Colorado

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2023 and 2022

GRAND COUNTY WATER & SANITATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grand County Water and Sanitation District No. 1
Grand County, Colorado

Opinions

We have audited the accompanying financial statements of Grand County Water and Sanitation District No. 1 (the District), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic 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 District as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

I

Fiscal Focus Partners, LLC

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

Fiscal Focus Partners LLC

Arvada, Colorado
September 26, 2024

Grand County Water and Sanitation District No. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Grand County Water and Sanitation District No. 1's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Assets of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,299,406 (net position). Of this amount, \$10,179,184 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizen and creditors.
- The District's total net position increased by \$1,816,359 from the prior fiscal year.
- Property tax revenues for 2023 were consistent with the prior year.
- Tap fees remained high at \$1,526,342, due to increased growth in the District's service area.
- Operating revenues increased approximately 10% from the prior year, and operating expenses decreased by approximately 11%, from the prior year, primarily due to decreases in engineering costs, utilities and plant operating costs as well as reduced maintenance on existing facilities.
- Capital expenditures totaled \$360,899. The largest share of the expenditures was for improvements to water infrastructure.

Overview of the Financial Statements

The Grand County Water and Sanitation District No. 1 basic financial statements included in this report are those of a special-purpose government engaged in a business-type activity, providing water and sewer services. The statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements. The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

Grand County Water and Sanitation District No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned compensation). The statement reports the District's operating and nonoperating revenue by source along with operating and nonoperating expenses and capital contributions.

The *Statement of Cash Flows* reports the District's cash flows from operating activities, investing, capital and noncapital activities.

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

A budgetary comparison schedule has been provided in the *supplemental information* to demonstrate compliance with the budget.

Unlike the basic financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. The fund statements of revenues, expenditures, and changes in fund balances are reconciled to facilitate a comparison between budget-basis fund statements and the basic financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Grand County Water and Sanitation District No. 1, assets exceeded liabilities and deferred inflows of resources by \$30,299,406 at the close of the most recent fiscal year.

Grand County Water and Sanitation District No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Statement of Net Position			
December 31,			
	2023	2022	2021
Current assets	\$ 10,445,627	\$ 8,827,050	\$ 7,090,684
Current restricted assets	716,867	707,782	782,945
Capital assets	19,403,355	19,180,726	19,454,470
Long-term investments and other assets	315,371	312,413	357,755
Total assets	30,881,220	29,027,971	27,685,854
Current liabilities	201,380	192,673	138,391
Total liabilities	201,380	192,673	138,391
Deferred inflows of resources	380,434	352,251	352,317
Net position:			
Net investment in capital assets	19,403,355	19,180,726	19,454,470
Restricted	716,867	707,782	782,945
Unrestricted	10,179,184	8,594,539	6,957,731
Net position	\$ 30,299,406	\$ 28,483,047	\$ 27,195,146

- The largest portion of the District's net position (64%) reflects its investment in capital assets (e.g. infrastructure, plant, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending.
- Restricted net position consist of \$24,000 restricted for emergencies under TABOR; \$25,000 for the required reserve pursuant to an intergovernmental agreement; and \$667,867 held in agency for sewer plant costs.
- The remaining net position of \$10,179,184 is unrestricted and available for on-going obligations of the District.

Grand County Water and Sanitation District No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

	Changes in Net Position		
	For the Years Ended December 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues			
Operating revenue			
Water operations	\$ 955,308	\$ 846,320	\$ 738,487
Sewer operations	1,009,473	943,311	830,113
Nonoperating revenue			
Taxes	374,728	374,776	353,322
Net investment income	418,339	88,868	5,881
Capital contributions			
Tap fees	1,526,342	1,832,840	2,040,766
Total revenues	<u>4,284,190</u>	<u>4,086,115</u>	<u>3,968,569</u>
Expenses			
Operating expenses			
Water operations	793,103	1,032,587	1,239,331
Sewer operations	1,020,276	1,076,386	908,050
Depreciation	638,946	634,643	626,001
Nonoperating expenses			
County Treasurer fees	17,616	17,656	16,428
Unrealized losses (gains)	(2,110)	36,942	7,994
Total expenses	<u>2,467,831</u>	<u>2,798,214</u>	<u>2,797,804</u>
Change in net position	<u>1,816,359</u>	<u>1,287,901</u>	<u>1,170,765</u>
Net position - beginning	28,483,047	27,195,146	26,024,381
Net position - ending	<u>\$ 30,299,406</u>	<u>\$ 28,483,047</u>	<u>\$ 27,195,146</u>

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay and debt repayment in addition to operations and nonoperating revenue and expenses and contributions. Depreciation is not reflected in the budget since it does not affect funds available. Funds available (current assets less current liabilities, exclusive of the current portion of long-term obligations, plus noncurrent investments) increased \$1,591,620 during 2023.

**Grand County Water and Sanitation District No. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Capital Assets

The District's net investment in capital assets as of December 31, 2023, 2022 and 2021 was as follows:

	Capital Assets		
	December 31,		
	2023	2022	2021
Land	\$ 544,795	\$ 544,795	\$ 544,795
Water rights	1,969,964	1,969,964	1,969,964
Plant and improvements	20,296,700	20,276,950	20,189,975
Water storage tanks	2,277,466	2,277,466	2,277,466
Infrastructure	8,091,972	7,354,934	7,081,010
Vehicles	236,861	236,861	236,861
Office equipment	133,096	133,096	133,096
Other equipment	341,823	237,036	237,036
Total assets	33,892,677	33,031,102	32,670,203
Accumulated depreciation	(14,489,322)	(13,850,376)	(13,215,733)
Net capital assets	\$ 19,403,355	\$ 19,180,726	\$ 19,454,470

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

Economic Factors and Next Year's Budget

- Considering that usage varies from year to year, the District has conservatively budgeted 2024 service revenue to be slightly lower than 2023.
- Continued moderate growth in the District is expected in 2024, accordingly amounts of tap fees consistent with 2023 are budgeted to be received in 2024.
- The District is budgeting for continued water line and water plant improvements as well as sewer collection and rehab for 2024.

Requests for Information

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

Director of Administration
Grand County Water and Sanitation District No. 1
P.O. Box 3077
50 Vasquez Road
Winter Park, Colorado 80482-3077

BASIC FINANCIAL STATEMENTS

GRAND COUNTY WATER & SANITATION DISTRICT

STATEMENTS OF NET POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 216,331	\$ 3,655,311
Investments	9,633,050	4,645,460
Accounts receivable - System Users	192,710	154,736
Receivable - County Treasurer	1,725	2,066
Property taxes receivable	380,434	352,251
Prepaid expenses	21,377	17,226
Total current assets	<u>10,445,627</u>	<u>8,827,050</u>
Current restricted assets		
Cash and cash equivalents - restricted	49,000	40,000
Funds held in agency - restricted for Joint Facilities	667,867	667,782
Total current restricted assets	<u>716,867</u>	<u>707,782</u>
Noncurrent assets		
Investments	315,371	312,413
Total noncurrent assets	<u>315,371</u>	<u>312,413</u>
Capital assets		
Capital assets not being depreciated	2,514,759	2,514,759
Capital assets being depreciated, net	16,888,596	16,665,967
Total capital assets	<u>19,403,355</u>	<u>19,180,726</u>
Total assets	<u>30,881,220</u>	<u>29,027,971</u>
LIABILITIES		
Current liabilities		
Accounts payable	195,635	187,246
Other accrued liabilities	5,745	5,427
Total current liabilities	<u>201,380</u>	<u>192,673</u>
Total liabilities	<u>201,380</u>	<u>192,673</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	380,434	352,251
Total deferred inflows of resources	<u>380,434</u>	<u>352,251</u>
NET POSITION		
Net investment in capital assets	19,403,355	19,180,726
Restricted	716,867	707,782
Unrestricted	10,179,184	8,594,539
Total net position	<u>\$ 30,299,406</u>	<u>\$ 28,483,047</u>

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

GRAND COUNTY WATER & SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Water operations	\$ 955,308	\$ 846,320
Sewer operations	1,009,473	943,311
Total operating revenues	1,964,781	1,789,631
OPERATING EXPENSES		
Water operations - administrative	345,680	417,235
Water operations - maintenance	447,423	615,352
Sewer operations - administrative	316,569	234,848
Sewer operations - maintenance	703,707	841,538
Depreciation	638,946	634,643
Total operating expenses	2,452,325	2,743,616
OPERATING INCOME (LOSS)	(487,544)	(953,985)
NONOPERATING REVENUES		
Property taxes	352,154	352,998
Specific ownership taxes	22,574	21,778
Net investment income	418,339	88,868
Total nonoperating revenues	793,067	463,644
NONOPERATING EXPENSES		
County Treasurer fees	17,616	17,656
Unrealized (gains) loss on investments	(2,110)	36,942
Total nonoperating expenses	15,506	54,598
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	290,017	(544,939)
CAPITAL CONTRIBUTIONS		
Tap fees	1,526,342	1,832,840
CHANGE IN NET POSITION	1,816,359	1,287,901
NET POSITION - beginning of the year	28,483,047	27,195,146
NET POSITION - end of the year	\$ 30,299,406	\$ 28,483,047

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

GRAND COUNTY WATER & SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,926,807	\$ 1,798,157
Payments to suppliers for goods and services	(1,219,670)	(1,392,289)
Payments to employees for services	(589,238)	(656,044)
Net cash provided (used) by operating activities	117,899	(250,176)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	352,154	353,283
Specific ownership taxes	22,915	21,778
County Treasurer's fees	(17,616)	(17,656)
Net cash provided (used) by noncapital financing activities	357,453	357,405
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees	1,526,342	1,832,840
Acquisition of capital assets	(861,575)	(360,899)
Reserve (increase) decrease for sewer improvements	-	86,975
Net cash provided (used) by capital and related financing activities	664,767	1,558,916
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Proceeds from (purchase of) investments	(4,988,438)	(70,852)
Interest earnings received	418,339	88,868
Net cash provided (used) by investing activities	(4,570,099)	18,016
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,429,980)	1,684,161
CASH AND CASH EQUIVALENTS - beginning of year	3,695,311	2,011,150
CASH AND CASH EQUIVALENTS - end of year	\$ 265,331	\$ 3,695,311
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (487,544)	\$ (953,985)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	638,946	634,643
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(37,974)	8,526
Prepaid expenses	(4,151)	15,170
Funds held in agency - net of capital reserve increase	(85)	-
Increase (decrease) in:		
Accounts payable	8,389	48,265
Other accrued liabilities	318	(2,795)
Total adjustments	605,443	703,809
Net cash provided (used) by operating activities	\$ 117,899	\$ (250,176)

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

Grand County Water and Sanitation District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 1 – Definition of reporting entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Grand County, Colorado. The District was organized to provide water and sanitation services to property within the District's boundaries.

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

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

Note 2 – Summary of significant accounting policies

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

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

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

Basis of Accounting

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and payments on loans are recorded as reductions in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received or collectible.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Operating revenues and expenses

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

Cash equivalents

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

Funds Held in Agency

As part of a joint operating agreement plan with Winter Park Ranch Water and Sanitation District and the Town of Fraser, District funds are being held and administered by the Joint Facilities Oversight Committee for all three participating districts. The District restricts the balance of such funds and the corresponding net position for future sewer plant operating and replacement costs.

Accounts receivable, allowance for doubtful accounts

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

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Property Taxes

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

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

Capital assets

Capital assets include land, water rights, water and sewer plants and systems, equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Plant and improvements	7 to 40 years
Water storage tanks	7 to 18 years
Water and sewers distribution system	40 years
Vehicles	5 to 7 years
Office and other equipment	5 to 7 years

Grand County Water and Sanitation District No. 1

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Water rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Water rights have a perpetual life, thus the cost is not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Compensated absences

The District has a policy that allows employees to accumulate unused vacation benefits and compensatory time off up to a certain maximum hours. Compensated absences are accrued when incurred in the financial statements. However, at December 31, 2023 and 2022, the District had no liability for accumulated unpaid vacation or sick pay.

Capital contributions

Tap fees are recorded as capital contributions when received. Water and sewer lines contributed to the District by developers are recorded as capital contribution revenue and additions to the water and sewer system when received.

Budgets

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

Use of estimates

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

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2023 and 2022 Statements of Net Position as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 216,331	\$ 3,655,311
Cash and cash equivalents - restricted	49,000	40,000
Investments	9,633,050	4,645,460
Investments - noncurrent	315,371	312,413
	<u>\$ 10,213,752</u>	<u>\$ 8,653,184</u>

Cash and investments as of December 31, 2023 and 2022 consist of the following:

Cash on hand	\$ -	\$ 200
Deposits with financial institutions	265,331	3,695,311
Investments	9,948,421	4,957,873
Total cash and investments	<u>\$ 10,213,752</u>	<u>\$ 8,653,384</u>

At December 31, 2023 and 2022, the District's cash deposits had bank balances of \$293,623 and \$3,822,267, respectively, and carrying balances of \$265,331 and \$3,695,111, respectively.

Deposits with financial institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2023 and 2022, the federal insurance limits were \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. None of the District's deposits at December 31, 2023 and 2022 were exposed to credit risk. As of December 31, 2023 and 2022, the District's bank balances and carrying balances were insured or collateralized as follows:

	<u>2023</u>	<u>2022</u>
Bank balances		
Federally insured	\$ 250,000	\$ 250,000
Collateralized	43,623	3,572,267
Total bank balances	<u>\$ 293,623</u>	<u>\$ 3,822,267</u>
Carrying balances		
Federally insured	\$ 250,000	\$ 250,000
Collateralized	15,331	3,445,311
Total carrying balances	<u>\$ 265,331</u>	<u>\$ 3,695,311</u>

Investments

The District's investment policy restricts investments to only those permitted by state statutes. Additionally, the District's policy is to hold investments until maturity.

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

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

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), CSAFE which is recorded at amortized cost, and COLOTRUST which is recorded at net asset value.

As of December 31, 2023 and 2022, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2023</u>	<u>2022</u>
U.S. government agency securities	1 to 2 years	\$ 316,138	\$ 312,413
Colorado Liquid Assets Trust (Colotrust)	Weighted average under 60 days	4,869,691	2,373,600
Colorado Surplus Asset Fund (CSAFE)	Weighted average under 60 days	4,762,592	2,271,860
Total investments		<u>\$ 9,948,421</u>	<u>\$ 4,957,873</u>

U.S. Government Agency Securities

As of December 31, 2023, the investment in government securities was in U.S. Agency Bonds rated AAA and valued using Level 1 inputs.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

COLOTRUST

The District 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 offers shares in three portfolios, COLOTRUST PRIME (PRIME), COLOTRUST PLUS+ (PLUS), and COLOTRUST EDGE (EDGE). The Trust operates similarly to a money market fund and each share of PRIME and PLUS is equal in value to \$1.00, and EDGE shares are approximately equal to \$10.00. Each portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. PLUS and Edge may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. PRIME and PLUS are rated AAAM by Standard & Poor's, and EDGE is rated AAAF/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAMmf by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investment in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Restricted cash and investments

The District had restricted cash of \$24,000 and \$15,000 for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11), as of December 31, 2023 and 2022, respectively.

Pursuant to an Intergovernmental Agreement (Note 7), the District has \$25,000 restricted for reservoir maintenance as of December 31, 2023 and 2022.

Note 4 – Capital assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	December 31, 2022	Additions	Deletions	December 31, 2023
Capital assets, not being depreciated				
Land	\$ 544,795	\$ -	\$ -	\$ 544,795
Water rights	1,969,964	-	-	1,969,964
Total capital assets, not being depreciated	<u>2,514,759</u>	<u>-</u>	<u>-</u>	<u>2,514,759</u>
Capital assets being depreciated				
Plant and improvements	20,276,950	19,750	-	20,296,700
Water storage tanks	2,277,466	-	-	2,277,466
Infrastructure	7,354,934	737,038	-	8,091,972
Vehicles	236,861	-	-	236,861
Office equipment	133,096	-	-	133,096
Other equipment	237,036	104,787	-	341,823
Total capital assets being depreciated	<u>30,516,343</u>	<u>861,575</u>	<u>-</u>	<u>31,377,918</u>
Less accumulated depreciations for				
Plant and improvements	9,729,728	437,263	-	10,166,991
Water storage tanks	2,277,466	-	-	2,277,466
Infrastructure	1,244,819	195,556	-	1,440,375
Vehicles	225,992	6,127	-	232,119
Office equipment	133,636	-	-	133,636
Other equipment	238,735	-	-	238,735
Total accumulated depreciation	<u>13,850,376</u>	<u>638,946</u>	<u>-</u>	<u>14,489,322</u>
Total capital assets being depreciated, net	<u>16,665,967</u>	<u>222,629</u>	<u>-</u>	<u>16,888,596</u>
Capital assets, net	<u>\$ 19,180,726</u>	<u>\$ 222,629</u>	<u>\$ -</u>	<u>\$ 19,403,355</u>

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Capital asset activity for the year ended December 31, 2022 was as follows:

	December 31, 2021	Additions	Deletions	December 31, 2022
Capital assets, not being depreciated				
Land	\$ 544,795	\$ -	\$ -	\$ 544,795
Water rights	1,969,964	-	-	1,969,964
Total capital assets, not being depreciated	<u>2,514,759</u>	<u>-</u>	<u>-</u>	<u>2,514,759</u>
Capital assets being depreciated				
Plant and improvements	20,189,975	86,975	-	20,276,950
Water storage tanks	2,277,466	-	-	2,277,466
Infrastructure	7,081,010	273,924	-	7,354,934
Vehicles	236,861	-	-	236,861
Office equipment	133,096	-	-	133,096
Other equipment	237,036	-	-	237,036
Total capital assets being depreciated	<u>30,155,444</u>	<u>360,899</u>	<u>-</u>	<u>30,516,343</u>
Less accumulated depreciation for				
Plant and improvements	9,292,465	437,263	-	9,729,728
Water storage tanks	2,277,466	-	-	2,277,466
Infrastructure	1,058,285	186,534	-	1,244,819
Vehicles	216,791	9,201	-	225,992
Office equipment	131,991	1,645	-	133,636
Other equipment	238,735	-	-	238,735
Total accumulated depreciation	<u>13,215,733</u>	<u>634,643</u>	<u>-</u>	<u>13,850,376</u>
Total capital assets being depreciated, net	<u>16,939,711</u>	<u>(273,744)</u>	<u>-</u>	<u>16,665,967</u>
Capital assets, net	<u>\$ 19,454,470</u>	<u>\$ (273,744)</u>	<u>\$ -</u>	<u>\$ 19,180,726</u>

Depreciation expense of \$638,946 and \$634,643 for the years ended December 31, 2023 and 2022, respectively, was charged to water and sewer operations.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Note 5 – Debt authorization

At December 31, 2023/12/31/2023, the District had no authorized but unissued indebtedness.

Note 6 – Net Position

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2023 and 2022, the District had net investment in capital assets of \$19,403,355 and \$19,180,726, respectively.

Restricted assets include Net Position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2023 and 2022, the District had restricted Net Position as follows:

	<u>2023</u>	<u>2022</u>
Emergencies	\$ 24,000	\$ 15,000
JFOC reserves	667,867	667,782
Reservoir agreement	<u>25,000</u>	<u>25,000</u>
Total restricted	<u>\$ 716,867</u>	<u>\$ 707,782</u>

The District had unrestricted net position of \$10,179,184 and \$8,594,539 at December 31, 2023 and 2022, respectively.

Note 7 – Intergovernmental Agreements

The District participates in various intergovernmental agreements, the more significant agreements being as noted below.

Joint Facilities Oversight Committee

The District, Winter Park Ranch Water and Sanitation District, and the Town of Fraser have entered into an agreement whereby the entities jointly own and operate a sewer plant (JFOC Plant) that services each entity. The District's share of operating and capital costs for the JFOC Plant is 44%. The JFOC bills the District each month for the District's share of operating costs and capital improvements. The District's share of JFOC cash reserves is \$667,867 and \$667,782 at December 31, 2023 and 2022, respectively.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

GCWSD Water Storage Reservoir No. 2 Operating Agreement

The District operates an 80 acre-feet water storage reservoir, in which Winter Park Water and Sanitation District (WPWSD) and the Town of Fraser (Fraser) each acquired rights to 25 acre-feet of storage from the District pursuant to Purchase and Sale agreements dated May 9, 2018 and May 3, 2018, respectively. The District is solely responsible for the storage and release of water, and the District is entitled to assess charges to WPWSD and Fraser for water releases. The District must maintain a \$25,000 minimum cash reserve for operating and maintenance costs.

Note 8 – Occupancy Costs

During 2017, the District renewed its lease with the Town of Winter Park (the Town) for a term of 60 months. The lease agreement requires the Town to provide office space to the District in the Town's office facility through 2022. Under the lease, the annual lease payments to the Town are \$72,000. The lease stipulates that the Town can receive from the District one water and one sewer tap every six months currently valued at \$18,000 in lieu of paying rent to the Town. If tap fee rates being charged by the District increase, at that point the annual rent amount being charged by the Town will be recalculated.

In September 2022, the Town and the District entered into a new lease whereby the District agreed to a lease price of four combined water and sewer tap fees charged to customers by the District. At the time of the lease, this totaled \$80,000 annually. The number of taps fees charged will not change during the term of the lease but increases in charges of fees to customers will result in a change in the amount paid by the District to the Town. The lease remains in effect until September 2027.

Note 9 – Deferred compensation plan

Employees of the District may participate in a deferred compensation plan adopted under the provisions of the Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying income taxes on the deferred portion until the withdrawal date. The deferred compensation is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

In accordance with Internal Revenue Code Section 457(b), all plan assets and income are held in trust for the exclusive benefit of the participants and their beneficiaries. During the years ended December 31, 2023 and 2022, \$40,220 and \$59,067, respectively, was deferred at the request of the plan participants and remitted to the trustee on their behalf.

Note 10 – Risk management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for these risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three fiscal years.

Note 11 – Tax, spending and debt limitations

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

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

Spending and revenue limits are determined based on the prior year's fiscal year spending as adjusted for allowable increases for inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless retention of such revenue has been approved by the voters.

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

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

Grand County Water and Sanitation District No. 1

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

During 1998, the District's voters authorized the District to collect, retain and expend all revenues derived from water and sewer rates, fees, tolls, and charges and tap fees, property taxes, state grants and all other sources during the year 1996 and each year thereafter notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution provided that no property tax rate or mill levy shall be increased without voter approval.

SUPPLEMENTAL INFORMATION

GRAND COUNTY WATER & SANITATION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE -
BUDGET AND ACTUAL - BUDGETARY BASIS**

WATER FUND

For the Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Charges for services	\$ 850,000	\$ 932,057	\$ 82,057
Property taxes	176,125	176,077	(48)
Specific ownership taxes	18,000	11,287	(6,713)
Net investment income	25,000	199,252	174,252
Tap fees	200,000	798,671	598,671
Other income	10,500	23,251	12,751
Total revenues	<u>1,279,625</u>	<u>2,140,595</u>	<u>860,970</u>
Expenditures			
Administrative			
Salaries	105,000	89,813	15,187
Benefits and taxes	42,000	33,507	8,493
County Treasurer's fees	9,000	8,808	192
Directors fees and meetings	4,000	2,400	1,600
Engineering	126,000	64,301	61,699
Legal	66,000	40,606	25,394
Audit	4,000	4,000	-
Insurance	46,500	34,078	12,422
Office, supplies and administrative expenses	76,000	76,975	(975)
Total administrative	<u>478,500</u>	<u>354,488</u>	<u>124,012</u>
Maintenance			
Salaries	150,000	133,791	16,209
Benefits and taxes	55,500	47,609	7,891
Vehicle expenses	8,000	8,343	(343)
Utilities	60,000	31,943	28,057
Existing facilities maintenance	160,000	2,181	157,819
Outside services - testing	20,000	25,427	(5,427)
Maintenance and repairs	25,000	127,894	(102,894)
Supplies and expense	80,000	70,235	9,765
Total maintenance	<u>558,500</u>	<u>447,423</u>	<u>111,077</u>
Capital outlay	475,000	841,825	(366,825)
Emergency reserve and contingency	4,952,176	-	4,952,176
Total expenditures	<u>6,464,176</u>	<u>1,643,736</u>	<u>4,820,440</u>
Excess (deficit) of revenues over (under) expenditures	<u>(5,184,551)</u>	<u>496,859</u>	<u>5,681,410</u>
Funds available - beginning of year	<u>5,184,551</u>	<u>2,887,659</u>	<u>(2,296,892)</u>
Funds available - end of year	<u>\$ -</u>	<u>\$ 3,384,518</u>	<u>\$ 3,384,518</u>

GRAND COUNTY WATER & SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL - BUDGETARY BASIS

SEWER FUND

For the Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Charges for services	\$ 900,000	\$ 1,006,092	\$ 106,092
Property taxes	176,125	176,077	(48)
Specific ownership taxes	18,000	11,287	(6,713)
Net investment income	25,000	219,087	194,087
Tap fees	200,000	727,671	527,671
Miscellaneous income	10,000	3,381	(6,619)
Total revenues	<u>1,329,125</u>	<u>2,143,595</u>	<u>814,470</u>
Expenditures			
Administrative			
Salaries	105,000	89,813	15,187
Benefits and taxes	42,000	33,510	8,490
County Treasurer's fees	9,000	8,808	192
Directors fees meetings	4,800	2,529	2,271
Engineering	16,000	62,555	(46,555)
Legal	16,000	30,307	(14,307)
Audit	4,000	4,000	-
Insurance	44,500	34,077	10,423
Office, supplies and administrative expenses	61,200	59,778	1,422
Total administrative	<u>302,500</u>	<u>325,377</u>	<u>(22,877)</u>
Maintenance			
Salaries	150,000	113,586	36,414
Benefits and taxes	52,500	47,609	4,891
Vehicle expenses	7,000	7,843	(843)
Utilities	2,000	17,285	(15,285)
Existing facilities maintenance	10,000	2,039	7,961
Outside services - testing	2,000	1,109	891
Collection Rehab	-	58,242	(58,242)
Sewer plant operations and management	478,339	448,948	29,391
Supplies and expense	8,000	7,046	954
Total maintenance	<u>709,839</u>	<u>703,707</u>	<u>6,132</u>
Capital outlay	225,000	19,750	205,250
Emergency reserve	4,952,175	-	4,952,175
Total expenditures	<u>6,189,514</u>	<u>1,048,834</u>	<u>5,140,680</u>
Excess (deficit) of revenues over (under) expenditures	<u>(4,860,389)</u>	<u>1,094,761</u>	<u>5,955,150</u>
Funds available - beginning of year	<u>4,860,389</u>	<u>4,875,285</u>	<u>14,896</u>
Funds available - end of year	<u>\$ -</u>	<u>\$ 5,970,046</u>	<u>\$ 5,970,046</u>

GRAND COUNTY WATER & SANITATION DISTRICT
RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

Revenues (budgetary basis)	\$ 4,284,190
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	4,284,190
Expenditures (budgetary basis)	2,692,570
Unrealized losses	(2,110)
Depreciation and amortization	638,946
Capital outlay	(861,575)
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	2,467,831
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	\$ 1,816,359