

GRANT WATER & SANITATION DISTRICT
Denver and Jefferson Counties, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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
April 17, 2024

**GRANT WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2023 and 2022**

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, 2023 and 2022. 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 2022 and 2023, removing additional calcium deposits from the underdrain system at a cost of \$216,212 and \$211,453, respectively.
- In 2023, the District's expenses were below budget and revenues exceeded budget mainly due to interest earnings on the District's investments exceeding the original budget by more than \$80,000.
- In 2022, the District's expenses exceeded budget due to unexpected street paving operations that required monitoring and replacement of manhole covers and 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 as well as an additional \$360,000 to cover \$395,803 in street and sewer main repairs required due to the District's contractor using unsuitable backfill material and improper compaction methods.
- As a result of the District's contractor's failure to perform on its capital improvements project from 2021 to 2022, the District incurred additional legal, engineering and management costs totaling \$51,683 in 2022 and \$72,885 in 2023 to pursue retribution from the contractor and its bonding company.

A recap of the capital projects undertaken by the District in 2022 and 2023 include the following:

- In 2023, the District upgraded both the District's lift stations with trash baskets to prevent large items such as rags from getting into the pump impellers and upgrading the controls at both locations. The total costs incurred were \$33,878.
- In 2022, the District removed and replaced approximately 700 lineal feet (lf) of sewer mains and underdrains totaling \$574,901.

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,		
	2023	2022	2021
ASSETS			
Current assets	\$ 3,996,916	\$ 3,695,407	\$ 4,863,661
Capital assets	6,336,682	6,606,936	6,557,862
Total assets	10,333,598	10,302,343	11,421,523
LIABILITIES			
Current liabilities	96,382	87,942	221,672
Total liabilities	96,382	87,942	221,672
NET POSITION			
Net investment in capital assets	6,336,682	6,606,936	6,557,862
Unrestricted	3,900,534	3,607,465	4,641,989
Total net position	\$ 10,237,216	\$ 10,214,401	\$ 11,199,851

Current assets increased from 2022 to 2023 by \$301,509. This is primarily due to increases in cash equivalents and investments. With the increase in interest rates in the investment market, the District collected \$130,445 in interest earnings and had a positive fair value adjustment of \$54,264 to investments. In addition, the District did not undertake any large capital projects in 2023. The decrease in current assets from 2021 to 2022 is a result of unexpected expenditures for a street paving project and sewer main repairs required due to the District's contractor using unsuitable backfill material. The District also removed and replaced approximately 700 lineal feet

of sewer mains and underdrains totaling \$574,901. The decrease in current liabilities from 2021 to 2022 of \$133,730 is a result of timing of payments on capital and repairs and maintenance projects at each year end.

As noted earlier, net position may serve as a useful indicator of the District's financial position. The District's net position in 2022 was reduced by nearly one million dollars from 2021 due to funding the District's capital improvement and major repair projects. This reduction notably came from the District's capital reserves. In 2023, the district did not pursue any capital improvement projects other than for its lift stations in order to begin rebuilding its reserves.

CHANGES IN NET POSITION

	Years Ended December 31,		
	2023	2022	2021
REVENUES			
OPERATING REVENUE			
Service fees	\$ 782,482	\$ 589,753	\$ 465,946
Inspection fees	10,750	12,250	6,450
Other fees and fines	13,315	14,226	12,560
Total operating revenue	<u>806,547</u>	<u>616,229</u>	<u>484,956</u>
NONOPERATING REVENUE			
Net investment income			
Interest	130,445	49,681	8,350
Net increase (decrease) in fair value of investments	54,264	(114,288)	(16,369)
Capital reserve fees	-	160,000	314,300
Total nonoperating revenue	<u>184,709</u>	<u>95,393</u>	<u>306,281</u>
CAPITAL CONTRIBUTIONS			
System development fees	-	15,700	-
	<u>-</u>	<u>15,700</u>	<u>-</u>
Total revenues	<u>991,256</u>	<u>727,322</u>	<u>791,237</u>
EXPENSES			
OPERATING AND GENERAL AND ADMINISTRATIVE			
Operating	725,483	1,264,091	639,388
General and administrative expenses	242,958	185,277	171,899
Total operating and general and administrative expenses	<u>968,441</u>	<u>1,449,368</u>	<u>811,287</u>
NONOPERATING EXPENSE			
Loss on disposal of capital assets	-	263,404	-
Total nonoperating expenses	<u>-</u>	<u>263,404</u>	<u>-</u>
Total expenses	<u>968,441</u>	<u>1,712,772</u>	<u>811,287</u>
CHANGE IN NET POSITION	22,815	(985,450)	(20,050)
NET POSITION - BEGINNING OF YEAR	<u>10,214,401</u>	<u>11,199,851</u>	<u>11,219,901</u>
NET POSITION - END OF YEAR	<u>\$ 10,237,216</u>	<u>\$ 10,214,401</u>	<u>\$ 11,199,851</u>

As shown above, the District’s revenues increased from 2021 to 2023 mainly due to interest earnings increasing as both long and short term interest rates continued to improve. Service fees were kept relatively stable although the allocation of those service fees changed from 2022 to 2023. The District did not allocate a portion of the service fees to capital reserve fees as it had done in 2022. 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. In 2023, the District’s expenditures returned to more normal levels and with increased interest earnings, the District was able to improve its net position slightly.

CAPITAL ASSETS

The District’s investment in capital assets at December 31, 2023 amounted to \$6,336,682 (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:

	Balance at December 31, 2021	Changes	Balance at December 31, 2022	Changes	Balance at December 31, 2023
Projects in progress	\$ 550,905	\$ (550,905)	\$ -	\$ 22,444	\$ 22,444
Master plan and geographic information system	81,956	-	81,956	-	81,956
Sewer system	7,001,582	552,903	7,554,485	33,878	7,588,363
Underdrain system	2,100,556	63,462	2,164,018	-	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	12,593,079	65,460	12,658,539	56,322	12,714,861
Accumulated depreciation/amortization	(6,035,217)	(16,386)	(6,051,603)	(326,576)	(6,378,179)
Total capital assets, net	<u>\$ 6,557,862</u>	<u>\$ 49,074</u>	<u>\$ 6,606,936</u>	<u>\$ (270,254)</u>	<u>\$ 6,336,682</u>

In 2023, the District kept its capital improvements to a minimum with only new controls and trash racks added to its lift stations for a total cost of \$33,878. Engineering costs were also incurred in 2023 for preliminary design of sewer replacement projects planned for 2024.

The capital projects started in 2021 were 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 \$561,025. 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 2024 are as follows:

- For single family residential customers, the sewer service fee is increasing but the underdrain service fee is decreasing, resulting in overall increase of \$12 in 2024.

- The District’s multi-family customers annual sewer fee will remain the same while multi-family units with underdrains will see a \$9 increase in the annual underdrain charge.
- Those residential customers with average annual water usage (AAWU) above the District’s average will be charged \$2.30 per thousand gallons. The District’s AAWU for 2024 decreased from the 2023 AAWU of 57,512 gallons to an AAWU of 54,344 gallons.

A comparison of the District’s service fee rates for the past few years, as well as for 2024, is shown below.

District Fee Schedule Comparison

Year	2024	2023	2022
Non-residential Sewer Service & Capital Reserve Fee – per 1,000 gallons	\$ 2.75	\$ 2.65	\$ 2.80
Residential Sewer Service & Capital Reserve Fee – Single Family	\$ 161.30	\$ 132.00	\$ 47.00
Residential Sewer Service & Capital Reserve Fee – Multi-Family	\$ 76.00	\$ 76.00	\$ 75.00
Underdrain Service & Capital Reserve Fee – Single Family	\$ 162.70	\$ 180.00	\$ 259.00
Underdrain Service & Capital Reserve Fee – Multi Family	\$ 154.00	\$ 145.00	\$ 139.00

The District plans to replace approximately 430 lineal feet of sewer main in 2024 at an estimated cost of \$384,000. It also plans to complete 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, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,486,260	\$ 2,262,241
Investments	1,476,777	1,426,304
Accounts receivable	2,431	3,201
Accounts receivable - developers	1,246	1,421
Accrued interest receivable	3,365	1,795
Prepaid expenses	26,837	445
Total current assets	<u>3,996,916</u>	<u>3,695,407</u>
CAPITAL ASSETS		
Projects in progress	22,444	-
Master plan and GIS	81,956	81,956
Sewer system	7,588,363	7,554,485
Underdrain system	2,164,018	2,164,018
Purchased capacity		
Water	1,784,634	1,784,634
Sewer	1,073,446	1,073,446
	<u>12,714,861</u>	<u>12,658,539</u>
Less accumulated depreciation and amortization	<u>(6,378,179)</u>	<u>(6,051,603)</u>
Total capital assets	<u>6,336,682</u>	<u>6,606,936</u>
TOTAL ASSETS	<u><u>\$ 10,333,598</u></u>	<u><u>\$ 10,302,343</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts/retainage payable	\$ 72,511	\$ 68,081
Prepaid customer accounts	17,221	11,795
Other current liabilities	6,650	8,066
Total current liabilities	<u>96,382</u>	<u>87,942</u>
NET POSITION		
Net investment in capital assets	6,336,682	6,606,936
Unrestricted	3,900,534	3,607,465
Total net position	<u>10,237,216</u>	<u>10,214,401</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 10,333,598</u></u>	<u><u>\$ 10,302,343</u></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, 2023 and 2022**

	2023	2022
OPERATING REVENUE		
Service fees	\$ 782,482	\$ 589,753
Inspection fees	10,750	12,250
Other fees and fines	13,315	14,226
Total operating revenue	806,547	616,229
OPERATING EXPENSES		
Depreciation and amortization	326,576	314,007
Engineering	38,309	57,147
Repairs and maintenance	344,543	431,672
Major repairs contingency	-	447,139
Inspection and license fees	16,055	14,126
Total operating expenses	725,483	1,264,091
Direct gain (loss) from operations	81,064	(647,862)
GENERAL AND ADMINISTRATIVE EXPENSES		
Audit	5,873	5,500
Insurance	23,661	17,746
Election	280	242
Legal and surety costs	80,497	11,790
Management fees	98,746	120,402
Director's fees	5,598	6,567
Office and administration	28,303	23,030
Total general and administrative expenses	242,958	185,277
Loss from operations	(161,894)	(833,139)
NONOPERATING REVENUE (EXPENSES)		
Net investment income		
Interest	130,445	49,681
Net increase (decrease) in fair value of investments	54,264	(114,288)
Capital reserve fees	-	160,000
Loss on disposal of capital assets	-	(263,404)
Total nonoperating revenue (expenses)	184,709	(168,011)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	22,815	(1,001,150)
CAPITAL CONTRIBUTIONS		
System development fees	-	15,700
	-	15,700
CHANGE IN NET POSITION	22,815	(985,450)
NET POSITION - BEGINNING OF YEAR	10,214,401	11,199,851
NET POSITION - END OF YEAR	\$ 10,237,216	\$ 10,214,401

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, 2023 and 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	2023	2022
Cash received from customers	\$ 812,743	\$ 621,777
Cash paid to vendors	(665,068)	(1,273,234)
Net cash provided (required) by operating activities	<u>147,675</u>	<u>(651,457)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital outlay	(56,322)	(626,485)
Capital reserve fees	-	160,000
System development fees	-	15,700
Net cash required by capital financing activities	<u>(56,322)</u>	<u>(450,785)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(200,000)
Interest received	132,666	43,357
Net cash provided (required) by investing activities	<u>132,666</u>	<u>(156,643)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	224,019	(1,258,885)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,262,241	3,521,126
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,486,260</u>	<u>\$ 2,262,241</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Loss from operations	\$ (161,894)	\$ (833,139)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	326,576	314,007
Effects of changes in operating assets and liabilities:		
Receivables	945	1,405
Prepaid expenses	(26,392)	-
Payables and other liabilities	8,440	(133,730)
Net cash provided (required) by operating activities	<u>\$ 147,675</u>	<u>\$ (651,457)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Loss on disposal of capital assets	\$ -	\$ 263,404
Changes in fair value of investments	<u>\$ 54,264</u>	<u>\$ (114,288)</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, 2023 AND 2022**

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, 2023, 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 an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

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, 2023 AND 2022**

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.

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 acquisition value at the date of contribution.

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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

For comparability, certain 2022 amounts have been reclassified where appropriate to conform to the 2023 financial statement presentation.

NOTE 3 - CASH AND INVESTMENTS

Cash equivalents and investments are reflected for the December 31, 2023 and 2022 statements of net position and statements of cash flows as follows:

	2023	2022
Deposits with financial institutions	\$ 222,140	\$ 216,162
Investments	3,740,897	3,472,383
Total cash and investments	\$ 3,963,037	\$ 3,688,545

	2023	2022
Cash and cash equivalents:		
Deposits with financial institutions	\$ 222,140	\$ 216,162
COLOTRUST - Plus+	983,848	831,719
COLOTRUST - Edge	1,280,272	1,214,360
Total cash and cash equivalents	2,486,260	2,262,241
Investments:		
U.S. Agency Obligations	1,476,777	1,426,304
Total investments	1,476,777	1,426,304
Total cash equivalents and investments	\$ 3,963,037	\$ 3,688,545

Cash Deposits

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

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

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

At December 31, 2023, the District had cash deposits with a bank balance of \$237,391 and a carrying balance of \$222,140. At December 31, 2022, the District had cash deposits with a bank balance of \$310,579 and a carrying balance of \$216,162.

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, 2023:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity</u>
COLOTRUST - Plus+	\$ 983,848	Weighted avg. under 60 days
COLOTRUST - Edge	1,280,272	Weighted avg. over 60 days
U.S. Agency Obligations	1,476,777	Mature in 2024-2026
Total investments	<u>\$ 3,740,897</u>	

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>	

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022 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, 2023 and 2022, 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, 2023 AND 2022**

The valuation of the District's investments are as follows at December 31, 2023:

	<u>Amount</u>	<u>Level 1 Inputs</u>
Investments measured at fair value:		
U.S. Agency Obligations	\$ 1,476,777	\$ 1,476,777
Total investments at fair value	<u>1,476,777</u>	<u>\$ 1,476,777</u>
Investments measured at NAV:		
COLOTRUST - Plus+	983,848	
COLOTRUST - Edge	<u>1,280,272</u>	
Total investments at NAV	2,264,120	
Total investments	<u>\$ 3,740,897</u>	

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	2,046,079	
Total investments	<u>\$ 3,472,383</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, 2023 AND 2022**

At December 31, 2023, the District had the following investment concentrations:

<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Total Portfolio</u>
COLOTRUST - Plus+	\$ 983,848	Not subject to disclosure
COLOTRUST - Edge	1,280,272	Not subject to disclosure
Freddie Mac	433,844	11.60%
Federal Home Loan Bank	668,284	17.86%
Federal Home Loan Mortgage Corp	374,649	10.01%
	<u>\$ 3,740,897</u>	

At December 31, 2022, the District had the following investment concentrations:

<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 Assn	360,069	10.37%
	<u>\$ 3,472,383</u>	

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**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	<u>Balance at January 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2023</u>
Capital assets, not being depreciated:				
Projects in progress	\$ -	\$ 22,444	\$ -	\$ 22,444
Capital assets, being depreciated/ amortized:				
Master plan and geographic and information system	81,956	-	-	81,956
Sewer system	7,554,485	33,878	-	7,588,363
Underdrain system	2,164,018	-	-	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>12,658,539</u>	<u>33,878</u>	<u>-</u>	<u>12,692,417</u>
Less accumulated depreciation/ amortization for:				
Master plan and geographic and information system	38,536	8,196	-	46,732
Sewer system	3,224,836	192,828	-	3,417,664
Underdrain system	832,404	54,100	-	886,504
Purchased capacity				
Water	1,454,171	44,616	-	1,498,787
Sewer	501,656	26,836	-	528,492
Total accumulated depreciation/ amortization	<u>6,051,603</u>	<u>326,576</u>	<u>-</u>	<u>6,378,179</u>
Total capital assets, net	<u>\$6,606,936</u>	<u>\$ (270,254)</u>	<u>\$ -</u>	<u>\$ 6,336,682</u>

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

	<u>Balance at January 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2022</u>
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>

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, 2023 and 2022, the District had invested in capital assets of \$6,336,682 and \$6,606,936, 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, 2023 AND 2022**

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, 2023 and 2022 is \$816,800 and \$794,267.

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, 2023 and 2022 is \$528,492 and \$501,656.

**GRANT WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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, 2023. 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, 2023

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Service fees	\$ 781,120	\$ 782,482	\$ 1,362
Inspection fees	10,000	10,750	750
Other fees and fines	13,200	13,315	115
Net investment income	50,000	130,445	80,445
Increase in fair value of investments	-	54,264	54,264
System development fees & inspections	3,000	-	(3,000)
Total Revenues	<u>857,320</u>	<u>991,256</u>	<u>133,936</u>
EXPENDITURES			
Engineering	52,300	38,309	13,991
Repairs and maintenance	424,650	344,543	80,107
Inspection and license fees	14,000	16,055	(2,055)
Audit	5,800	5,873	(73)
Insurance	21,020	23,661	(2,641)
Election costs	1,000	280	720
Legal and surety costs	120,000	80,497	39,503
Management fees	133,750	98,746	35,004
Director's fees	6,800	5,598	1,202
Office and administrative	28,000	28,303	(303)
Major repairs contingency	350,000	-	350,000
Capital outlay	-	56,322	(56,322)
Total Expenditures	<u>1,157,320</u>	<u>698,187</u>	<u>459,133</u>
NET CHANGE IN FUNDS AVAILABLE	(300,000)	293,069	593,069
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>3,695,334</u>	<u>3,607,465</u>	<u>(87,869)</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 3,395,334</u>	<u>\$ 3,900,534</u>	<u>\$ 505,200</u>
Funds available is computed as follows:			
Current assets		\$ 3,996,916	
Current liabilities		(96,382)	
		<u>\$ 3,900,534</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, 2023**

Revenue (budgetary basis)	\$ 991,256
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	991,256
 Expenditures (budgetary basis)	 698,187
Depreciation and amortization	326,576
Capital outlay	(56,322)
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	968,441
 Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	 \$ 22,815