

**GREATROCK NORTH WATER AND  
SANITATION DISTRICT**  
Adams County, Colorado

**FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

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### **Independent Auditor's Report**

Board of Directors  
Greatrock North Water and Sanitation District  
Adams County, Colorado

#### **Report for the Financial Statements**

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

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

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

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

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

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

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

## Opinion

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

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental 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. Such 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 financial statements or to the 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.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
May 5, 2020

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2019 and 2018**

Our discussion and analysis of Greatrock North Water and Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2019 and 2018. Please read it in conjunction with the District's basic financial statements which begin on page 1.

**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 plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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**

As noted earlier, net position may serve as a useful indicator of the District's financial position. As noted in the table below, the District's assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources in 2019, 2018 and 2017 by \$5.69 million, \$5.02 million and \$4.35 million respectively. Current assets increased by \$644,299 or 13% from 2018 to 2019. The main increase was cash and cash equivalents, which increased \$507,408 due a positive change in net position. Additionally, property taxes receivable increased by \$142,665 due to a 29.6% increase in the District assessed valuation for taxes levied for 2020 collection.

Current assets increased by \$464,292 or 10% from 2017 to 2018. The main increase was cash and cash equivalents, which increased \$447,072 due a positive change in net position. Additionally, property taxes receivable increased by \$20,475 due to a 2.4% increase in the District assessed valuation for taxes levied for 2019 collection.

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2019 and 2018**

Total liabilities decreased \$122,705 from 2018 to 2019, primarily due to \$140,000 of principal payments made on the outstanding bonds offset by a \$39,318 increase in accounts payable due to overall increases in expenses in 2019. Total liabilities decreased \$166,025 from 2017 to 2018, primarily due to \$120,000 of principal payments made on the outstanding bonds and a \$23,644 decrease in accounts payable due to overall decreases in expenses in 2018.

**NET POSITION**

	December 31,		
	2019	2018	2017
<b>ASSETS</b>			
Current assets	\$5,614,262	\$4,969,963	\$4,505,671
Capital assets, net	7,754,748	7,701,205	7,626,850
Other assets, net	33,576	35,602	37,628
Total assets	<u>13,402,586</u>	<u>12,706,770</u>	<u>12,170,149</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	111,594	120,737	129,881
Total deferred outflows of resources	<u>111,594</u>	<u>120,737</u>	<u>129,881</u>
<b>LIABILITIES</b>			
Current liabilities	98,029	58,711	82,618
Noncurrent liabilities	6,802,572	6,964,595	7,106,713
Total liabilities	<u>6,900,601</u>	<u>7,023,306</u>	<u>7,189,331</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	928,348	785,683	765,208
Total deferred inflows of resources	<u>928,348</u>	<u>785,683</u>	<u>765,208</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,766,871	2,811,925	2,657,327
Restricted	45,208	57,729	26,196
Unrestricted	2,873,152	2,148,864	1,661,968
Total net position	<u>\$5,685,231</u>	<u>\$5,018,518</u>	<u>\$4,345,491</u>

**Changes in Net Position**

As noted in the table below, the District's net position increased from 2018 to 2019 by \$666,713. Charges for services decreased minimally, from 2018 to 2019. This decrease was due to lower water usage revenue as water usage decreased from 44,984,463 gallons in 2018 to 42,398,825 in 2019. The District also collected \$213,000 more in system development fees in 2019 compared to 2018 as development in the Hayesmount Estates area continues. The District had increased interest earnings due to general improvements in the investment markets. The other revenues for the District remained consistent from 2018 to 2019.

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2019 and 2018**

The District's net position increased from 2017 to 2018 by \$673,027. Charges for services increased by \$10,680, or 2%, from 2017 to 2018. This increase was due to higher water usage revenue as water usage increased from 43,236,803 gallons in 2017 to 44,984,463 in 2018. The District also collected \$63,900 in development fees and had \$204,837 in capital contributions in 2018. The District had increased interest earnings due to general improvements in the investment markets.

**CHANGES IN NET POSITION**

	<b>Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 490,466	\$ 492,023	\$ 481,343
Available of service fee	7,240	4,094	8,868
Irrigation lease	7,500	7,500	7,500
Inspection fees	6,889	1,825	15,095
Inclusion fees	-	-	17,000
Miscellaneous	4,776	3,682	7,616
General revenues:			
Property taxes	785,678	765,208	608,257
Specific ownership taxes	63,669	66,597	58,574
Investment earnings	100,769	84,264	18,753
Capital contributions	276,900	268,737	-
Total revenues	<u>1,743,887</u>	<u>1,693,930</u>	<u>1,223,006</u>
<b>EXPENSES</b>			
Water and sewer operations	587,549	549,827	572,721
Interest and related charges	267,281	270,833	425,891
Administration	222,344	200,243	184,433
Total expenses	<u>1,077,174</u>	<u>1,020,903</u>	<u>1,183,045</u>
<b>CHANGE IN NET POSITION</b>	666,713	673,027	39,961
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>5,018,518</u>	<u>4,345,491</u>	<u>4,305,530</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$5,685,231</u></u>	<u><u>\$5,018,518</u></u>	<u><u>\$4,345,491</u></u>

**BUDGETARY HIGHLIGHTS**

The total actual expenditures for 2019 were \$1,391,558 under the budgeted expenditures of \$2,673,129. Capital outlay expenses were \$1,305,858 under budget, accounting for the majority of this difference.

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2019 and 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District's capital assets at December 31, 2019, 2018 and 2017, amounted to \$7.75 million, \$7.70 million and \$7.63 million (net of accumulated depreciation), respectively. This investment in capital assets includes water distribution infrastructure, water rights, easements, land, and on-going capital projects.

The analysis of changes in capital assets is as follows:

	<u>December 31, 2017</u>	<u>Change</u>	<u>December 31, 2018</u>	<u>Change</u>	<u>December 31, 2019</u>
Land	\$ 94,243	\$ -	\$ 94,243	\$ -	\$ 94,243
Water rights	980,105	-	980,105	-	980,105
Easements	152,989	-	152,989	-	152,989
Construction in progress	-	107,831	107,831	296,977	404,808
Water distribution system	9,182,627	204,837	9,387,464	-	9,387,464
	<u>10,409,964</u>	<u>312,668</u>	<u>10,722,632</u>	<u>296,977</u>	<u>11,019,609</u>
Accumulated depreciation	<u>(2,783,114)</u>	<u>(238,313)</u>	<u>(3,021,427)</u>	<u>(243,434)</u>	<u>(3,264,861)</u>
Total capital assets, net	<u>\$ 7,626,850</u>	<u>\$ 74,355</u>	<u>\$ 7,701,205</u>	<u>\$ 53,543</u>	<u>\$ 7,754,748</u>

In 2019 the District additions were for construction related to construction of a new concentrate pond and reverse osmosis plant upgrades. In 2018 the District additions were for construction related to construction of new concentrate pond and capital contribution of water lines constructed by the developers of Hayesmount Estates. Additional information regarding the District's capital assets can be found in Note 4.

**Debt Administration**

During 2017, the District issued Series 2017 General Obligation Refunding and Improvement Bonds in the amount of \$4,730,000. The Series 2017 bonds were issued to refund \$2,830,000 of the 2007 General Obligation Refunding and Improvement Bonds and to have proceeds available for additional capital projects. In 2019 and 2018, the District made the required principal payments on the outstanding bonds.



**GREATROCK NORTH WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended December 31, 2019 and 2018**

The analysis of changes in long-term obligations is as follows:

	<u>December 31, 2017</u>	<u>Change</u>	<u>December 31, 2018</u>	<u>Change</u>	<u>December 31, 2019</u>
General Obligation Refunding and					
Improvement Bonds, Series 2010	\$ 2,015,000	\$ (60,000)	\$ 1,955,000	\$ (75,000)	\$ 1,880,000
Improvement Bonds, Series 2017	4,730,000	(60,000)	4,670,000	(65,000)	4,605,000
Less deferred amounts:					
2010 issue premium	64,761	(7,181)	57,580	(7,205)	50,375
2017 issue premium	296,952	(14,937)	282,015	(14,818)	267,197
Total long-term obligations	<u>\$ 7,106,713</u>	<u>\$ (142,118)</u>	<u>\$ 6,964,595</u>	<u>\$ (162,023)</u>	<u>\$ 6,802,572</u>

Additional information regarding the District's long-term debt can be found in Note 5.

**ECONOMIC FACTORS NEXT YEAR'S BUDGET AND RATES**

For 2020, the District's property tax revenue is expected to increase by 18.2% due to higher assessed valuation and a 4.532 decrease in the total mills levied for the District's 2020 tax collections.

Total budgeted revenues for 2020 are \$2,642,710. Total appropriated expenditures for 2020 are \$4,695,725.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of Greatrock North 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, Lisa Johnson at CliftonLarsonAllen, LLP, 370 Interlocken Boulevard, Suite 500, Broomfield, CO 80021.

## **BASIC FINANCIAL STATEMENTS**

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 2,885,214	\$ 2,128,307
Cash and cash equivalents - restricted	1,732,227	1,981,726
Accounts receivable:		
Customers	56,997	50,355
County treasurer	4,895	5,618
Other	6,181	-
Property taxes receivable	928,348	785,683
Prepaid expense	400	18,274
Total current assets	5,614,262	4,969,963
<b>CAPITAL ASSETS</b>		
Capital assets, not being depreciated	1,632,145	1,335,168
Capital assets, being depreciated	9,387,464	9,387,464
	11,019,609	10,722,632
Less accumulated depreciation and amortization	(3,264,861)	(3,021,427)
Total capital assets	7,754,748	7,701,205
<b>OTHER ASSETS</b>		
Prepaid bond insurance, net	33,576	35,602
Total other assets	33,576	35,602
Total assets	13,402,586	12,706,770
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding, net	111,594	120,737
Total deferred outflows of resources	111,594	120,737
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 13,514,180</b>	<b>\$ 12,827,507</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 74,346	\$ 34,670
Interest payable	22,833	23,191
Deposits	850	850
Total current liabilities	98,029	58,711
<b>NONCURRENT LIABILITIES</b>		
Bonds payable		
Due within one year	145,000	140,000
Due in more than one year	6,657,572	6,824,595
Total noncurrent liabilities	6,802,572	6,964,595
Total liabilities	6,900,601	7,023,306
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property tax revenue	928,348	785,683
Total deferred inflows of resources	928,348	785,683
<b>NET POSITION</b>		
Net investment in capital assets	2,766,871	2,811,925
Restricted for emergencies	12,900	12,000
Restricted for debt service	32,308	45,729
Unrestricted	2,873,152	2,148,864
Total net position	5,685,231	5,018,518
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 13,514,180</b>	<b>\$ 12,827,507</b>

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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUE</b>		
Service charges - Greatrock	\$ 156,720	\$ 166,414
Service charges - Rockinghorse Farms	118,195	126,257
Service charges - Box Elder	188,247	199,352
Service charges - Hayesmout	12,489	-
Available of service fees	7,240	4,094
Transfer fees	5,425	-
Penalties	9,390	-
Irrigation lease revenue	7,500	7,500
Inspection fees	6,889	1,825
Miscellaneous	4,776	3,682
Total operating revenue	516,871	509,124
<b>OPERATING EXPENSES</b>		
General and administration		
Accounting	29,516	27,318
District management	65,456	61,789
Audit	11,180	6,931
Director fees	5,544	5,600
Payroll taxes	497	398
Utility billing	16,431	19,093
Insurance	16,799	18,689
Legal	52,211	35,929
Website development	510	409
Elections	206	1,074
Miscellaneous	12,199	11,525
Operations		
Depreciation	243,434	238,313
Engineering	58,851	45,960
Utilities	43,498	42,147
Testing and reporting	6,593	6,695
Plant supplies	4,131	7,631
Meter reading	9,084	6,418
Rules and regulations	978	-
GIS	5,802	5,670
Maintenance and repair	134,084	123,673
Operator services	49,715	37,680
Inclusions	123	2,197
Water rights development	31,256	33,443
Total operating expenses	798,098	738,582
<b>OPERATING LOSS</b>	<b>(281,227)</b>	<b>(229,458)</b>
<b>NONOPERATING REVENUE AND (EXPENSES)</b>		
Property taxes	785,678	765,208
Specific ownership taxes	63,669	66,597
Net investment income	100,769	84,264
County treasurer's fees	(11,795)	(11,488)
Bond interest expense	(265,055)	(268,207)
Bond insurance cost amortization	(2,026)	(2,026)
Paying agent fees	(200)	(600)
Total nonoperating revenue (expense)	671,040	633,748
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>389,813</b>	<b>404,290</b>
<b>CAPITAL CONTRIBUTIONS</b>		
Capital assets contributed	-	204,837
System development fees	276,900	63,900
Total capital contributions	276,900	268,737
<b>CHANGE IN NET POSITION</b>	<b>666,713</b>	<b>673,027</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>5,018,518</b>	<b>4,345,491</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 5,685,231</b>	<b>\$ 5,018,518</b>

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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 504,048	\$ 513,999
Payments to vendors	(497,114)	(524,689)
Net cash provided by operating activities	6,934	(10,690)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital asset purchases	(296,977)	(107,831)
System development fees	276,900	63,900
Bond interest paid	(278,493)	(282,044)
Bond principal paid	(140,000)	(120,000)
Net cash required by capital financing activities	(438,570)	(445,975)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property and specific ownership taxes received	850,070	830,961
County treasurer's fees paid	(11,795)	(11,488)
Net cash provided by noncapital financing activities	838,275	819,473
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	100,769	84,264
Net cash provided by investing activities	100,769	84,264
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	507,408	447,072
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	4,110,033	3,662,961
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,617,441	\$ 4,110,033
<b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (281,227)	\$ (229,458)
Adjustments to reconcile operating loss to net cash required by operating activities:		
Depreciation	243,434	238,313
Effects of changes in operating assets and liabilities:		
Accounts receivable	(12,823)	4,875
Prepaid expenses	17,874	(776)
Accounts payable	39,676	(23,644)
Net cash provided (required) by operating activities	\$ 6,934	\$ (10,690)

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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Greatrock North Water and Sanitation District (District), was organized on May 27, 1998, as a quasi-municipal corporation and political subdivision of the State of Colorado, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Adams County, Colorado. The District's purpose is to provide public water services and stormwater drainage and detention to the property owners and residents of the District. The District is governed by an elected Board of Directors.

The District has no employees and all operations and administration 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.

**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 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.

**Budgets**

In accordance with the Local Government Budget Law of Colorado, 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

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

For financial statement presentation purposes, the District is reported as a single enterprise fund. For budgetary purposes, the District separately budgets for specific components of this enterprise fund. These separate budgetary components of the District are the general fund, debt service fund and capital projects fund. For budgetary reporting purposes these components are combined into a single budgetary schedule.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is 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 30 or if 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 or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources 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.

**Accounts Receivable**

Accounts receivable consist of uncollected water service revenue. Due to the District's broad powers of collection, no allowance for uncollectible water service revenue receivables has been reported.

**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. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

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 capital assets, as applicable.

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

Water distribution system	20 - 40 years
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**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**Tap Fees and Contributed Lines**

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

**Bond Issue Costs, Original Issue Discount, Deferred Loss on Bond Refunding**

Bond issuance costs are treated as a period cost and expensed in the year incurred. The deferred loss on bond refunding and bond insurance obtained at issuance of the bonds are being amortized over the life of the refunded bonds using the straight line method. The original issue discount and premium are being amortized over the life of the bonds using the effective interest method.

**Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the Statements of Net Position. Deferred inflows of resources reported are property taxes levied for the ensuing year.

**Reclassifications**

For comparability, certain 2018 amounts have been reclassified where appropriate to conform with the 2019 financial statement presentation.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2019 and 2018 are classified in the accompanying financial statements as follows:



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	<u>2019</u>	<u>2018</u>
Cash and cash equivalents - unrestricted	\$ 2,885,214	\$ 2,128,307
Cash and cash equivalents - restricted	1,732,227	1,981,726
	<u>\$ 4,617,441</u>	<u>\$ 4,110,033</u>

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

	<u>2019</u>	<u>2018</u>
Cash deposits	\$ 394,277	\$ 404,666
Investments	4,223,164	3,705,367
	<u>\$ 4,617,441</u>	<u>\$ 4,110,033</u>

**Cash Deposits**

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

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

At December 31, 2019, the District had cash deposits with a bank balance and a carrying balance of \$394,277. At December 31, 2018, the District had cash deposits with a bank balance of \$404,868 and a carrying balance of \$404,666.

**Investments**

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which 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

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The local government investment pool, Colorado Local Government Liquid Asset Trust (COLOTRUST), is rated AAAM by Standard and Poor's. Information related to Standard & Poor's ratings can be obtained from Standard & Poor's.

**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 requirement.

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

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>	
		<u>2019</u>	<u>2018</u>
Colostrust Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$4,223,164</u>	<u>\$3,705,367</u>

**COLOTRUST**

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 and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreement collateralized by certain obligations of the U.S. government agencies. COLOTRUST is rated AAAM by Standard and Poor's.

**Investment Valuation**

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is 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's investments are not required to be 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. The District held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily.

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The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

**RESTRICTED CASH AND INVESTMENTS**

At December 31, 2019 and 2018, cash and investments in the amount of \$1,732,227 and \$1,981,726, respectively are restricted for debt service related to the Series 2017 Improvement Bonds and Series 2010 Improvement Bonds (Note 5) and capital projects.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	<u>Balance at December 31, 2018</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2019</u>
Capital assets, not being depreciated:				
Land	\$ 94,243	\$ -	\$ -	\$ 94,243
Water rights	980,105	-	-	980,105
Easements	152,989	-	-	152,989
Construction in progress	107,831	296,977	-	404,808
Total capital assets, not being depreciated	<u>1,335,168</u>	<u>296,977</u>	<u>-</u>	<u>1,632,145</u>
Capital assets, being depreciated:				
Water distribution system	9,387,464	-	-	9,387,464
Total capital assets being depreciated	<u>9,387,464</u>	<u>-</u>	<u>-</u>	<u>9,387,464</u>
Less accumulated depreciation for:				
Water distribution system	<u>(3,021,427)</u>	<u>(243,434)</u>	<u>-</u>	<u>(3,264,861)</u>
Total accumulated depreciation	<u>(3,021,427)</u>	<u>(243,434)</u>	<u>-</u>	<u>(3,264,861)</u>
Total capital assets being depreciated, net	<u>6,366,037</u>	<u>(243,434)</u>	<u>-</u>	<u>6,122,603</u>
Total capital assets, net	<u>\$ 7,701,205</u>	<u>\$ 53,543</u>	<u>\$ -</u>	<u>\$ 7,754,748</u>

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An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	<b>Balance at December 31, 2017</b>	<b>Additions</b>	<b>Disposals/ Retirements</b>	<b>Balance at December 31, 2018</b>
Capital assets, not being depreciated:				
Land	\$ 94,243	\$ -	\$ -	\$ 94,243
Water rights	980,105	-	-	980,105
Easements	152,989	-	-	152,989
Construction in progress	-	107,831	-	107,831
Total capital assets, not being depreciated	<u>1,227,337</u>	<u>107,831</u>	<u>-</u>	<u>1,335,168</u>
Capital assets, being depreciated:				
Water distribution system	9,182,627	204,837	-	9,387,464
Total capital assets being depreciated	<u>9,182,627</u>	<u>204,837</u>	<u>-</u>	<u>9,387,464</u>
Less accumulated depreciation for:				
Water distribution system	(2,783,114)	(238,313)	-	(3,021,427)
Total accumulated depreciation	<u>(2,783,114)</u>	<u>(238,313)</u>	<u>-</u>	<u>(3,021,427)</u>
Total capital assets being depreciated, net	<u>6,399,513</u>	<u>(33,476)</u>	<u>-</u>	<u>6,366,037</u>
Total capital assets, net	<u>\$ 7,626,850</u>	<u>\$ 74,355</u>	<u>\$ -</u>	<u>\$ 7,701,205</u>

**NOTE 5 – LONG-TERM OBLIGATIONS**

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

	<b>Balance at December 31, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2019</b>	<b>Due Within One Year</b>
General Obligation Refunding and					
Improvement Bonds, Series 2010	\$ 1,955,000	\$ -	\$ 75,000	\$ 1,880,000	\$ 75,000
Improvement Bonds, Series 2017	4,670,000	-	65,000	4,605,000	70,000
Less deferred amounts:					
2010 issue premium	57,580	-	7,205	50,375	-
2017 issue premium	282,015	-	14,818	267,197	-
Total long-term obligations	<u>\$ 6,964,595</u>	<u>\$ -</u>	<u>\$ 162,023</u>	<u>\$ 6,802,572</u>	<u>\$ 145,000</u>

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

	<b>Balance at December 31, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2018</b>	<b>Due Within One Year</b>
General Obligation Refunding and					
Improvement Bonds, Series 2010	\$ 2,015,000	\$ -	\$ 60,000	\$ 1,955,000	\$ 75,000
Improvement Bonds, Series 2017	4,730,000	-	60,000	4,670,000	65,000
Less deferred amounts:					
2010 issue premium	64,761	-	7,181	57,580	-
2017 issue premium	296,952	-	14,937	282,015	-
Total long-term obligations	<u>\$ 7,106,713</u>	<u>\$ -</u>	<u>\$ 142,118</u>	<u>\$ 6,964,595</u>	<u>\$ 140,000</u>

**General Obligation Refunding and Improvement Bonds, Series 2010**

On October 5, 2010, the District authorized the issuance of General Obligation Refunding Bonds dated December 1, 2010. The bonds partially refunded the General Obligation Refunding and Improvement Bonds Series 2007 and provided additional funding to construct and install certain improvements to the District's water system. The bonds bear interest at rates between 2.25% and 5.00%, payable semiannually on each June 1 and December 1, commencing on June 1, 2013. The bonds on and before December 1, 2020 are not subject to redemption prior to their respective maturity dates. The bonds maturing December 1, 2025 are subject to mandatory sinking fund redemption commencing on December 1, 2021 and each December thereafter. The Bonds maturing on and after December 1, 2025 are subject to redemption prior to maturity as a whole or in integral multiples of \$5,000, at the option of the District, on December 1, 2020 upon payment of par and accrued interest, without redemption premium.

**General Obligation Refunding and Improvement Bonds, Series 2017**

On November 7, 2017, the District authorized the issuance of General Obligation Refunding Bonds dated December 1, 2017. The bonds refunded the General Obligation Refunding and Improvement Bonds Series 2007 and provided additional funding to construct and install certain improvements to the District's water system. The bonds bear interest at rates between 2.00% and 5.00%, payable semiannually on each June 1 and December 1, commencing on June 1, 2018. The bonds maturing on and before December 1, 2022 are not subject to redemption prior to their respective maturity dates. The bonds maturing December 1, 2032 are subject to mandatory sinking fund redemption commencing on December 1, 2031 and each December thereafter. The Bonds maturing on and after December 1, 2032 are subject to redemption prior to maturity as a whole or in integral multiples of \$5,000, at the option of the District, on December 1, 2020 upon payment of par and accrued interest, without redemption premium.

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The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 145,000	\$ 273,994	\$ 418,994
2021	145,000	268,893	413,893
2022	155,000	262,394	417,394
2023	155,000	255,494	410,494
2024	180,000	247,744	427,744
2025-2029	1,075,000	1,092,470	2,167,470
2030-2034	1,275,000	814,769	2,089,769
2035-2039	1,505,000	541,018	2,046,018
2040-2044	1,850,000	196,800	2,046,800
	<u>\$ 6,485,000</u>	<u>\$ 3,953,576</u>	<u>\$ 10,438,576</u>

**Authorized Debt**

At December 31, 2019 and 2018, the District had no authorized but unissued debt.

**NOTE 6 – INCLUSION AGREEMENTS**

**Homestead Heights, LLC**

On November 21, 2006, the District entered into an inclusion agreement with Homestead Heights, LLC (Homestead) associated with property known as Homestead Heights, II. The agreement calls for Homestead to pay a system development fee in the amount of \$16,000 for the first fifteen units and the remaining system development fees will be due prior to the issuance of building permits. The agreement for inclusion is for approximately 56 residential lots. Homestead also agreed to post fees deposits in increments of \$10,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to Homestead. On January 24, 2008, the District amended the inclusion fee incremental refundable deposits to \$5,000 from \$10,000. On December 5, 2007, the District filed a statement of lien on the property owned by Homestead Heights, LLC in the amount of \$240,000 for the 15 system development fees that were to be prepaid by Homestead within 30 days of the execution of the agreement. On August 20, 2008, the District and Homestead entered into the first amendment to the inclusion agreement. In the amended agreement, the District agreed to remove the \$240,000 lien placed on the property. Additionally the payment terms for the system development fees were modified such that Homestead is to remit the system development fees, at the District's then current system development fee rate, within certain periods following the issuance of building permits by the county. During 2019 and 2018 the District received \$0- system development fees related to this inclusion agreement.

**Hayesmount Properties, LLC**

On August 23, 2007, the District entered into an inclusion agreement with Hayesmount Properties, LLC (Hayesmount) associated with property known as Hayesmount Estates. Under the

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agreement, Hayesmount must pay system development fees for the first five units either within 120 days of recordation of a final plat for the Hayesmount Estates development or prior to the start of construction, whichever occurs first. The system development fees on all remaining lots shall be due and owing prior to the issuance of building permits by the County. The agreement for inclusion is for approximately 21 single-family detached lots. Hayesmount also agreed to post fees deposits in increments of \$10,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to the Hayesmount. On January 24, 2008, the District amended the inclusion fee incremental refundable deposits to \$5,000 from \$10,000. During 2019 and 2018 the District received \$276,900 and \$63,900, respectively in system development fees related to this inclusion agreement.

**Ridgeview Estates LLC**

On July 24, 2008, the District entered into an inclusion agreement with Ridgeview Estates LLC (Ridgeview) associated with property known as the Ridgeview Estates Subdivision. Under the agreement, Ridgeview must provide adjudicated water rights associated with the 62.3 acre Ridgeview Estates Subdivision to the District through a Special Warranty Deed. Upon inclusion into the District, the District will provide water for 21 approximately 2.5 acre lots in the Ridgeview Estates Subdivision. Ridgeview is responsible for the construction of a single 8 inch looped water line (Water Improvements) in accordance with District specifications. Upon completion of the Water Improvements, Ridgeview shall convey the Water Improvements to the District. System development fees are to be collected on an equivalent residential unit basis on the properties within the Ridgeview Estates Subdivision. Ridgeview also agreed to post a fees deposit in increments of \$5,000 as requested by the District to satisfy all District incurred costs from the start of the inclusion process to the completion of a final conveyance and acceptance agreement. Upon completion of the inclusion process, any remaining funds on deposit with the District shall be refunded to the Ridgeview. During 2019 and 2018 the District received no system development fees related to this inclusion agreement.

**NOTE 7 – WATER LEASE OPTION AGREEMENT**

On January 23, 2007, the District entered into a water lease option agreement with Box Elder Creek Ranch Water Company (Box Elder). The agreement grants Box Elder an option to lease a portion of its Laramie-Fox Hills aquifer ground water available for specific uses. Each year this agreement is in effect, Box Elder shall pay to the District a reservation/lease fee of \$7,500 per year, regardless of use, on or before January 10. The reservation/lease fee shall increase by the Denver-Boulder Consumer Price Index plus 1% compounded, annually. Box Elder shall also reimburse the District for a proportional amount of the energy and administrative costs incurred by the District to pump the Laramie Water to the Box Elder stream bed for Box Elder's benefit. The District waived the CPI adjustments and collected lease revenue of \$7,500 in 2019 and \$7,500 in 2018 under this agreement.

On November 4, 2010 the agreement was amended to provide for the delivery of Laramie Water to Box Elder on a rolling three year schedule and provisions related to the District's SCADA system. Box Elder may install and connect to the District's SCADA System in the future at its option. If Box Elder chooses this option, it shall be responsible for any hard and soft costs associated with the installation of the system at its pond and recharge pond.

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Effective July 8, 2016, the District and Box Elder entered into an Amended and Restated Water Lease Option Agreement (Restated Agreement) which amended and restated the original agreement in its entirety. The District is entitled to withdraw an average annual amount of up to 105.2 acre-feet per year of Laramie-Fox Hills aquifer ground water. Pursuant to the Restated Agreement, the District granted to Box Elder an option to lease from the District up to 65 acre-feet of Laramie Water per year for augmentation purposes, as more particularly described in the Restated Agreement, subject to availability as determined solely by the District.

On an annual basis, Box Elder shall notify the District of the total amount of its anticipated need for the Reserved Laramie Water over a three (3) year period and the District will notify Box Elder if the amount of Reserved Laramie Water available for lease. If Box Elder chooses not to exercise its option to lease the Reserved Laramie Water, in whole or in part, then the District may lease such Reserved Laramie Water not otherwise leased to Box Elder to a third party. Any lease entered into by the District with a third party shall expire on or before March 31 of the following year. If the District determines that it does not have at least thirty (30) acre-feet of Laramie Water available to lease to Box Elder during any year for the term of the Restated Agreement, the District shall notify Box Elder of that fact and shall not be required to lease or deliver any Laramie Water to Box Elder for that year and the fee paid for that year by Box Elder shall be refunded. However, Box Elder may, at its option, accept such lesser amount of Laramie Water in which case the fee paid will not be refunded.

On or before January 10 of each year the Restated Agreement is in effect, Box Elder shall pay to the District a reservation/lease fee in the amount of \$7,500 per year, regardless of use. To account for inflation, the fee shall increase by the Denver-Boulder Consumer Price Index, plus 1% annually. In the event that Box Elder doesn't pay the fee by dates specified in the Restated Agreement, the District shall be entitled to terminate the Restated Agreement.

If Box Elder exercises its option to lease the Reserved Laramie Water, Box Elder shall also reimburse the District for a proportional amount of the operation, maintenance, administration and energy costs, including, but not limited to, labor and mileage of District employees or independent contractors, all incurred by the District to pump the Laramie Water to Box Elder.

The Restated Agreement shall be in effect until May 16, 2032; provided, however, that the Restated Agreement shall automatically renew for an additional five (5) year term unless otherwise terminated by either Party in writing at least thirty (30) days prior to the renewal date.

**NOTE 8 - NET POSITION**

The District's net position consists 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, 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, 2019 and 2018, the District had \$2,766,871 and \$2,811,925, respectively, net investment in capital assets.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position



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consists of \$12,900 and \$12,000 as of December 31, 2019 and 2018, respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 10). The District's restricted net position for debt service includes \$32,308 and \$45,729 as of December 31, 2019 and 2018, respectively, which represent unspent taxes levied for debt service (see Note 5).

**NOTE 9 - RISK MANAGEMENT**

Except as provided by the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., as may be amended from time to time, the District may be 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, 2019. 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 four fiscal years.

The District pays annual premiums to the Pool for property, liability, public officials' liability, boiler and machinery, 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 10 - 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.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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.

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 is of the opinion that its water activity enterprise, and all activities related thereto are carried on as an Enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45.1-01, et seq. The District's annual budget and financial statements are deemed by the District to be the annual budget and financial statements of the Enterprise.

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**December 31, 2019 and 2018**

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

On May 5, 1998, a majority of the District's voters approved the following ballot question: Shall Greatrock North Water and Sanitation District taxes be increased \$200,000 annually in the first full fiscal year by the imposition of a mill levy on all taxable property within the boundaries of the District, which mill levy shall generate not more than said annual amount in ad valorem property tax revenues for the District in the first full fiscal year for the purposes of the operation and maintenance of the District's services and facilities; and shall the revenues generated by such taxes in each year thereafter be approved as an increased levy without regard to the tax increase limitation contained in Section 29-1-301, Colorado Revised Statutes, or any other tax increase limitation under any other law; and shall the revenue changes caused by the collection and spending of such tax revenues in every year be approved, permitting such tax revenues and any investment earnings thereon be collected and spent by the District without limitation or condition, and without limiting the collection or spending of any other revenues or funds by the District under Article X, Section 20 of the Colorado Constitution or any other law?

On May 6, 2008, a majority of the District's voters approved the following ballot question: Shall Greatrock North Water and Sanitation District be authorized to retain all revenues generated by or from rates, fees, tolls, charges, specific ownership taxes, agreements with other local governments, grants from the state or from any local government, lottery distributions, and any other revenues generated or received by the District, including reduction in debt service, in 1998 and in all subsequent years (which amounts does not include revenues generated from ad valorem property taxes); and shall the District be authorized to spend such revenues and investment income thereon as a voter-approved revenue change and an exception to and spending limitations which might otherwise apply?

On May 6, 2008, a majority of the District's voters approved the following ballot question: Shall Greatrock North Water and Sanitation District taxes be increased \$300,000 annually (for collection in calendar year 2008) and by the additional amounts that are raised annually thereafter by the imposition of an ad valorem property tax levy of 35 mills for the purpose of paying the District's administration, operations and maintenance and other similar expenses, and shall the revenue from such taxes and any investment income thereon together with all revenue received prior to calendar year 2008 from imposition of the District's operations mill levy and any investment income thereon be collected, retained and spent by the District in each fiscal year prior to, through and including 2008 and thereafter as a voter-approved revenue changes without regard to any spending, revenue-raising, or other limitation contained within Articles X, Section 20 of the Colorado Constitution, the limits imposed on increased in property taxation by Section 29-1-301, C.R.S in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

**NOTE 11 - ESTIMATED CLOSURE COSTS**

The District utilizes two evaporation ponds (impoundments) as part of its water treatment waste management. The impoundments are classified as Type B and subject to the requirements of the Hazardous Material and Waste Management Division's (Division) *Regulations Pertaining to Solid Waste Sites and Facilities* (the Regulations). Section 9.3.4 (F) and Section 1.8 of the Regulations

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

requires the District to estimate the closure costs if the impoundments owned and used by the District were to be closed.

The District's engineer has provided an estimate of the closure costs based on the closure plan presented in the *Engineering, Design, and Operation Plan dated May 2013, Revision 2* submitted to the Division in May 2013. The closure plan follows a clean-in-place closure thereby eliminating the need for environmental covenant and post-closure care and costs. The closure costs were gathered from suppliers, contractors, and an internal database of historical project costs for the area. The estimates include the cost of engineering oversight, soil disposal, testing, liner removal and disposal, site grading, seeding, piping abandonment, erosion control as well as a contingency. As of December 31, 2019, the estimated closure costs for the impoundments are \$370,967. As of the date of the audit report, the District has no plans or intentions nor has it been ordered to close the impoundments, therefore, no liability has been recorded on the financial statements of the District in connection with the estimated costs.

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

**SUPPLEMENTAL INFORMATION**

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended December 31, 2019**

	<b>Budgeted Amounts Original and Final</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive  (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 785,683	\$ 785,678	\$ (5)
Specific ownership taxes	63,286	63,669	383
Service charges - Greatrock	165,662	156,720	(8,942)
Service charges - Rocking Horse	121,646	118,195	(3,451)
Service charges - Box Elder	193,555	188,247	(5,308)
Service charges - Hayesmount	-	12,489	12,489
Available of service fees	2,500	7,240	4,740
Transfer fees	-	5,425	5,425
Penalties	-	9,390	9,390
Irrigation lease revenue	7,500	7,500	-
Net investment income	58,000	100,769	42,769
Inspection fees	-	6,889	6,889
Development fees	426,000	276,900	(149,100)
Miscellaneous	-	4,776	4,776
Total Revenues	<u>1,823,832</u>	<u>1,743,887</u>	<u>(79,945)</u>
<b>EXPENDITURES</b>			
Administration and operations:			
Accounting	21,000	29,516	(8,516)
District management	56,200	61,777	(5,577)
Project management	2,000	3,679	(1,679)
Water rights development	76,500	31,256	45,244
Audit	7,500	11,180	(3,680)
Director fees	6,000	5,544	456
Utility billing	26,000	16,431	9,569
Insurance	22,000	16,799	5,201
Legal	57,450	51,571	5,879
Website development	2,000	510	1,490
Elections	-	206	(206)
Miscellaneous	15,000	12,199	2,801
Engineering	65,395	58,851	6,544
Utilities	48,500	43,498	5,002
Testing and reporting	9,800	6,593	3,207
Plant supplies	9,000	4,131	4,869
Meter reading	10,285	9,084	1,201
Rules and regulations	1,500	978	522
GIS	7,000	5,802	1,198
Maintenance and repair	99,868	134,084	(34,216)
Concentrate disposal	5,000	-	5,000
Operator services	59,668	49,715	9,953
Inclusions	-	123	(123)
Payroll taxes	450	497	(47)
County treasurer's fees	5,919	5,924	(5)
Water meters	5,400	-	5,400
Emergency reserve	25,000	-	25,000

(Continued)

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
Year Ended December 31, 2019**

	(Continued)		
	<b>Budgeted Amounts</b>		<b>Variance with Final Budget -</b>
	<b>Original and Final</b>	<b>Actual</b>	<b>Positive (Negative)</b>
Debt Service:			
Paying agent fees	500	200	300
Legal	500	640	(140)
2017 GO Bonds principal	65,000	65,000	-
2017 GO Bonds interest	182,044	181,685	359
2010 GO Bonds principal	75,000	75,000	-
2010 GO Bonds interest	96,250	96,250	-
County treasurer's fees	5,866	5,871	(5)
Contingency	699	-	699
Capital Outlay:			
Capital repairs and replacements	1,602,835	296,977	1,305,858
Total expenditures	<u>2,673,129</u>	<u>1,281,571</u>	<u>1,391,558</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(849,297)	462,316	1,311,613
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>3,697,961</u>	<u>4,125,569</u>	<u>427,608</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u><u>\$ 2,848,664</u></u>	<u><u>\$ 4,587,885</u></u>	<u><u>\$ 1,739,221</u></u>

Funds available are computed as follows:

Current assets	\$ 5,614,262
Current liabilities	(98,029)
Deferred inflows of resources	(928,348)
	<u><u>\$ 4,587,885</u></u>

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
Year Ended December 31, 2019**

Revenue (budgetary basis)	<u>\$ 1,743,887</u>
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>1,743,887</u>
 Expenditures (budgetary basis)	 1,281,571
Depreciation	243,434
Capital outlay	(296,977)
Bond principal payment	(140,000)
Bond insurance cost amortization	2,026
Original issue discount/premium amortization	(22,023)
Deferred loss on refunding amortization	9,143
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>1,077,174</u>
 Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	 <u><u>\$ 666,713</u></u>

## **OTHER INFORMATION**



**GREATROCK NORTH WATER AND SANITATION DISTRICT  
HISTORY OF DISTRICT'S ASSESSED VALUATION AND MILL LEVIES  
Year Ended December 31, 2019  
(UNAUDITED)**

<b>Levy/Collection Year</b>	<b>Assessed Valuation</b>	<b>Percent Increase</b>	<b>Mill Levy</b>		
			<b>General</b>	<b>Debt</b>	<b>Total</b>
2012/2013	\$ 11,217,880	-	27.000	18.500	45.500
2013/2014	\$ 10,900,660	-2.83%	28.340	18.500	46.840
2014/2015	\$ 10,921,110	0.19%	28.340	18.500	46.840
2015/2016	\$ 12,615,550	15.51%	28.340	18.500	46.840
2016/2017	\$ 12,985,840	2.93%	28.340	18.500	46.840
2017/2018	\$ 14,882,390	14.60%	24.167	27.250	51.417
2018/2019	\$ 15,246,500	2.45%	25.882	25.650	51.532
2019/2020	\$ 19,752,080	29.55%	26.750	20.250	47.000

Sources: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, 2012-2019 State of Colorado Property Tax Annual Reports and the Adams County Assessor's Office

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
HISTORY OF PROPERTY TAX COLLECTIONS  
Year Ended December 31, 2019  
(UNAUDITED)**

<b>Levy/Collection Year</b>	<b>Taxes Levied</b>	<b>Taxes Collected (1)</b>	<b>Tax Collections as Percent of Tax Levied</b>
2011/2012	\$ 511,025	\$ 511,539	100.10%
2012/2013	\$ 510,414	\$ 509,506	99.82%
2013/2014	\$ 510,587	\$ 511,135	100.11%
2014/2015	\$ 511,545	\$ 511,545	100.00%
2015/2016	\$ 590,913	\$ 590,549	99.94%
2016/2017	\$ 608,257	\$ 608,257	100.00%
2017/2018	\$ 765,208	\$ 765,208	100.00%
2018/2019	\$ 785,683	\$ 785,678	100.00%
2019/2020	\$ 928,348	\$ 398,730 (2)	42.95%

(1) Figures do not include treasurer's fees, abatements or interest payable on abatements.

(2) Collections through March 31, 2020

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
2019 ASSESSED AND ACTUAL VALUATION OF CLASSES OF  
PROPERTY IN THE DISTRICT  
Year Ended December 31, 2019  
(UNAUDITED)**

<u>Class</u>	<u>Assessed Valuation</u>	<u>Percent of Assessed Valuation</u>	<u>"Actual" Valuation</u>	<u>Percent of "Actual" Valuation</u>
Residential	\$ 18,380,620	93.06%	\$ 257,071,608	98.24%
Vacant Land	744,010	3.77%	2,565,552	0.98%
Personal Property	550,570	2.79%	1,898,517	0.73%
Oil and Gas	51,540	0.26%	58,903	0.02%
Agricultural	16,290	0.08%	56,172	0.02%
State Assessed	9,050	0.05%	31,207	0.01%
Total	<u>\$ 19,752,080</u>	<u>100.00%</u>	<u>\$ 261,681,959</u>	<u>100.00%</u>

Source: Adam's County Assessor's Office

**GREATROCK NORTH WATER AND SANITATION DISTRICT  
LARGEST TAXPAYERS WITHIN THE DISTRICT  
Year Ended December 31, 2019  
(UNAUDITED)**

<u>Name</u>	<u>2019 Assessed Valuation (1)</u>	<u>Percent of Total Assessed Valuation (1)</u>
Front Range Pipeline Company LLC	191,300	0.97%
United Power Inc	173,490	0.88%
Public Service Co of Colorado	105,190	0.53%
Country Club Rancehettes LLLC	85,350	0.43%
KP Kauffman Company Inc.	70,010	0.35%
Individual homeowner	69,810	0.35%
Diana E Christensen et al	58,740	0.30%
Jeffrey Homes Inc	53,360	0.27%
Kerr McGee Gathering LLC	52,100	0.26%
Individual homeowner	51,850	0.26%
Total	<u>\$ 911,200</u>	<u>4.61%</u>

(1) Based on District 2019 assessed valuation of \$19,752,080.

Source: Adam's County Assessor's Office

**GREATROCK NORTH WATER AND SANITATION DISTRICT**  
**DISTRICT HISTORICAL DEBT RATIOS**  
**Year Ended December 31, 2019**  
**(UNAUDITED)**

	Fiscal Year Ended December 31,							
	2012	2013	2014	2015	2016	2017	2018	2019
General Obligation Debt Outstanding	\$ 5,460,000	\$ 5,435,000	\$ 5,410,000	\$ 5,230,000	\$ 5,040,000	\$ 6,745,000	\$ 6,625,000	\$ 6,485,000
Estimated Population	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050
Debt Per Capita	\$ 5,200	\$ 5,176	\$ 5,152	\$ 4,981	\$ 4,800	\$ 6,424	\$ 6,310	\$ 6,176
District Assessed Value	\$ 11,217,880	\$ 10,900,660	\$ 10,921,110	\$ 12,615,550	\$ 12,985,840	\$ 14,882,390	\$ 15,246,500	\$ 19,752,080
Ratio of Debt to Assessed Value	48.67%	49.86%	49.54%	41.46%	38.81%	45.32%	43.45%	32.83%
Personal Income Per Capita (Adams County)	\$ 33,558	\$ 33,850	\$ 35,704	\$ 36,962	\$ 38,378	unavailable	unavailable	unavailable
Ratio of Debt Per Capita to Personal Income Per Capita (Adams County)	15.50%	15.29%	14.43%	13.48%	12.51%	unavailable	unavailable	unavailable

Sources: Adams County Assessor's Office, State of Colorado, Division of Property Taxation, Regional Economics Information System Bureau of Economic Analysis; the State Division of Local Governments and the District