

**MID VALLEY METROPOLITAN  
DISTRICT**

**FINANCIAL STATEMENTS  
December 31, 2018**



**Logan and Associates, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Mid Valley Metropolitan District  
Basalt, Colorado

We have audited the accompanying financial statements of the Mid Valley Metropolitan District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic 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 the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 District'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 District'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 opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mid Valley Metropolitan District as of December 31, 2018, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Other Matters*

### Comparative Financial Information

The comparative financial information for the prior year has been presented in the accompanying financial statements in order to provide an analysis of changes in the District's financial position and operations. However, complete comparative financial information has not been presented in accordance with generally accepted accounting principles since its inclusion would make the financial statements cumbersome and difficult to read. The comparative financial information for the year ended December 31, 2017, by which a report dated June 18, 2018, expressed an unmodified opinion.

### Required Supplementary Information

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

### Supplementary Information

Our audit was performed for the purpose of forming opinions on the financial statements and related notes to financial statements that collectively comprise the Mid Valley Metropolitan District's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Logan and Associates, LLC*

Aurora, Colorado  
April 22, 2019

**MID VALLEY METROPOLITAN DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
December 31, 2018**

This management's discussion and analysis of the Mid Valley Metropolitan District's (MVMD) financial statements provide an overview of the District's financial activities for the fiscal year ending December 31, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial and operational performance.

Mid Valley Metropolitan District continued to see growth in 2018 within the service area boundaries. Block 3 within the Willits downtown core is slated for completion in early 2019, bringing on 49 residential units with 3 additional commercial buildings under construction in 2019. The Shadowrock development continues to add more buildings as does the Park Modern project. Infill continues within the Willits single family homesites and in various other development areas.

In 2019, it is expected the mid valley growth trend will continue as work begins on "The Tree Farm" development infrastructure. This project is expected to bring up to 425 additional residential units to the District. New projects on the remaining 4 blocks within the Willits downtown core are under consideration or in the approval process and may begin in 2019. From a budgetary perspective, the District expects system development fees to be soft in 2019 as infrastructure is installed with vertical development expected in late 2019 and 2020.

Operationally, systems are working well. We continue to control expenses and are making progress on water loss and maintenance practices.

The District continues in a healthy position, both operationally and financially.

**Financial Highlights**

The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$16,518,176 (the Statement of Net Position). Of this amount \$8,730,853 was invested in capital assets of the District and may not be used to meet the District's ongoing obligations to citizens and creditors.

In 2018, the District's total net position increased by \$612,178.

**Overview of the Financial Statements**

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*. The basic financial statements include *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the information in the financial statements.

### *Government-wide Statements*

The government-wide statements consist of the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. These statements report information about the District as a whole and include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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. Over time, *increases or decreases* in the District's Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, however, such as changes in the district's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District.

The Statement of Revenues, Expenses, and Changes in Net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods such as 'deferred property taxes'.

The District's activity is reported as a business-type fund, which distinguishes operating revenues and expenses from non-operating items. This one proprietary fund combines the revenues and expenses of the water and wastewater operations as operating revenues and expenses. Not all revenues and expenses are considered operating, including property and specific ownership taxes and interest income are also reported as non-operating revenues. In addition, system development fees are reported as capital contributions, following non-operating revenues and expenses.

### *Statement of Net Position*

By far the largest portion of the District's Net Position (53%) reflects its investment in capital assets (e.g. land, water rights, distribution/ collection systems, water augmentation, vehicles, irrigation systems and furniture and fixtures. The District uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

During the year, the District had increases in revenues while expenses remained below budget.

**Comparative Statements of Net Position as of December 31:**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current and Other Assets	\$ 8,043,775	\$ 7,526,652
Capital Assets, Net	<u>8,730,853</u>	<u>8,638,041</u>
Total Assets	<u>16,774,628</u>	<u>16,164,693</u>
<u>LIABILITIES</u>		
Current Liabilities	<u>220,812</u>	<u>225,498</u>
Total Liabilities	<u>220,812</u>	<u>225,498</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Property Tax Revenue	35,620	33,177
<u>NET POSITION</u>		
Net Investment in Capital Assets	8,730,853	8,638,041
Restricted for Emergencies	51,800	47,600
Restricted for Conservation Trust	51,634	41,383
Unrestricted	<u>7,683,909</u>	<u>7,178,594</u>
Total Net Position	<u>\$ 16,518,196</u>	<u>\$ 15,906,018</u>

**Comparative Statements of Revenues, Expenses, and Changes in Net Position as of December 31:**

	<u>2018</u>	<u>2017</u>
<u>REVENUES</u>		
OPERATING REVENUES		
Charges for Services		
Water system	\$ 525,195	\$ 497,328
Waste Water System	897,930	854,618
Miscellaneous	<u>15,302</u>	<u>15,302</u>
Total Operating Revenues	1,438,427	1,367,384
OPERATING EXPENSES		
Water System	413,822	333,488
Waste Water System	286,526	275,648
Administration	568,685	495,091
Depreciation	<u>455,553</u>	<u>480,881</u>
Total Operating Expenses	<u>1,724,586</u>	<u>1,585,108</u>
Operating Income (Loss)	<u>(286,159)</u>	<u>(217,724)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	33,166	31,337
Specific Ownership Taxes	1,726	1,656
Conservation Trust Fund	10,247	10,026
Investment Income	<u>96,201</u>	<u>75,616</u>
Total Non-Operating Revenues (Expenses)	<u>141,340</u>	<u>118,635</u>
Income (Loss) Before Capital Contributions	<u>(144,819)</u>	<u>(99,089)</u>
CAPITAL CONTRIBUTIONS		
System Development Fees - Water	277,536	460,923
System Development Fees - Waste Water	<u>479,461</u>	<u>1,036,608</u>
Total Capital Contributions	<u>756,997</u>	<u>1,497,531</u>
Change in Net Position	<u>612,178</u>	<u>1,398,442</u>
Net Position, Beginning of Year	<u>15,906,018</u>	<u>14,507,576</u>
NET POSITION, END OF YEAR	<u>\$ 16,518,196</u>	<u>\$ 15,906,018</u>

The District's three primary sources of revenues are from charges for services, system development fees and taxes. These revenues are used to pay the cost of the general government and the cost of the water and waste water systems. The District operated with an increase in Net Position in both 2018 and 2017.

### **Budgetary Highlights**

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note 2* of the financial statements. The budget to actual comparison is presented in the supplemental information on pages 14 to 16 of the financial statements.

### **Resources (Inflows)**

The District's final budgetary revenues and other financing sources in the amount of \$2,336,764 were more than budget expectations of \$2,036,658 by \$300,106, or 15%. The positive variance is the result of increased water system, waste water system development fees and service charges and investment income.

### **Charges to Appropriations (Outflows)**

The District's final budgetary expenditures and other financing uses in the amount of \$1,817,398 were \$1,972,127 less than the appropriated balance of \$3,789,525. Significant savings occurred in budgeted water system, waste water system and administrative capital expenditures.

### **Capital Assets**

During 2018, the District had additions of \$548,365 to its capital assets. The significant additions included construction in progress of a new water tank. Current year depreciation of \$455,553 was a decrease of \$25,328 from the prior year, primarily related to some assets being fully depreciated in the prior year. Total capital assets balance at December 31, 2018 was \$8,730,853. See Note 5.

### **Contacting the District's Financial Management**

This financial report is designed to provide our residents, customers, taxpayers, and creditors with a general overview of the District's financials and to show the District's accountability for the income it receives. If you have any questions regarding this report or need additional financial information, please contact the:

Mid Valley Metropolitan District Manager  
0031 Duroux Lane, Suite A  
Basalt, CO 81621  
Tel: (970) 927-4077  
Fax: (970) 927-1017  
Email: [mvmd@sopris.net](mailto:mvmd@sopris.net)

## **BASIC FINANCIAL STATEMENTS**

MID VALLEY METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2018

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 4,426,919	\$ 3,937,799
Investments - Short-term	2,197,239	2,118,383
Accounts Receivable - Service Charges	176,659	171,755
Accounts Receivable - Other	185	136
Property Taxes Receivable	35,620	33,177
Purchased Tap Fees, Current Portion	58,490	56,200
Prepaid Insurance	29,326	31,375
Security Deposits	175	175
Total Current Assets	<u>6,924,613</u>	<u>6,349,000</u>
Noncurrent Assets		
Purchased Tap Fees Receivable	<u>1,119,162</u>	<u>1,177,652</u>
Capital Assets		
Capital Assets, Not Being Depreciated	1,048,229	578,071
Capital Assets, Net of Accumulated Depreciation	<u>7,682,624</u>	<u>8,059,970</u>
Total Capital Assets	<u>8,730,853</u>	<u>8,638,041</u>
 TOTAL ASSETS	 <u>16,774,628</u>	 <u>16,164,693</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	41,034	42,256
Accrued Salaries, Wages and Related Liabilities	16,172	16,182
Inspection and Line Extension Deposits	153,862	156,993
Compensated Absences Payable - Current Portion	<u>9,744</u>	<u>10,067</u>
 TOTAL LIABILITIES	 <u>220,812</u>	 <u>225,498</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes	<u>35,620</u>	<u>33,177</u>
<b>NET POSITION</b>		
Investment in Capital Assets	8,730,853	8,638,041
Restricted for Emergency Reserve	51,800	47,600
Restricted for Conservation Trust Fund	51,634	41,383
Unrestricted	<u>7,683,909</u>	<u>7,178,994</u>
 TOTAL NET POSITION	 <u>\$ 16,518,196</u>	 <u>\$ 15,906,018</u>

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

MID VALLEY METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
 Year Ended December 31, 2018

	BUSINESS-TYPE ACTIVITIES	
	2018	2017
OPERATING REVENUES		
Charges for Services		
Water System	\$ 525,195	\$ 497,328
Waste Water System	897,930	854,618
Miscellaneous	15,302	15,438
TOTAL OPERATING REVENUES	<u>1,438,427</u>	<u>1,367,384</u>
OPERATING EXPENSES		
Water System	413,822	333,488
Waste Water System	286,526	275,648
Administration	568,685	495,091
Depreciation	455,553	480,881
TOTAL OPERATING EXPENSES	<u>1,724,586</u>	<u>1,585,108</u>
OPERATING INCOME (LOSS)	<u>(286,159)</u>	<u>(217,724)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	33,166	31,337
Specific Ownership Taxes	1,726	1,656
Conservation Trust Fund	10,247	10,026
Investment Income	96,201	75,616
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>141,340</u>	<u>118,635</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>(144,819)</u>	<u>(99,089)</u>
CAPITAL CONTRIBUTIONS		
System Development Fees - Water	277,536	460,923
System Development Fees - Waste Water	479,461	1,036,608
TOTAL CAPITAL CONTRIBUTIONS	<u>756,997</u>	<u>1,497,531</u>
CHANGE IN NET POSITION	612,178	1,398,442
NET POSITION, Beginning	<u>15,906,018</u>	<u>14,507,576</u>
NET POSITION, Ending	<u>\$ 16,518,196</u>	<u>\$ 15,906,018</u>

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

MID VALLEY METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS  
Increase (Decrease) in Cash and Cash Equivalents  
Year Ended December 31, 2018

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 1,415,090	\$ 1,408,316
Miscellaneous Receipts	15,302	15,438
Cash Payments to Employees	(333,746)	(299,632)
Cash Payments to Suppliers	(934,793)	(776,542)
Net Cash Provided by Operating Activities	<u>161,853</u>	<u>347,580</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Property Taxes Received	33,166	31,337
Specific Ownership Taxes Received	1,677	1,647
Net Cash Provided by Non-Capital Financing Activities	<u>34,843</u>	<u>32,984</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash Received from Purchased Tap Fees Receivable	56,200	73,166
Acquisition of Capital Assets	(548,365)	(258,446)
Cash Received from Conservation Trust Fund	10,247	10,026
System Development Fees Received	756,997	1,912,806
Net Cash Provided by Capital and Related Financing Activities	<u>275,079</u>	<u>1,737,552</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	<u>96,201</u>	<u>75,616</u>
Increase in Cash and Cash Equivalents	567,976	2,193,732
CASH AND CASH EQUIVALENTS, Beginning	<u>6,056,182</u>	<u>3,862,450</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 6,624,158</u>	<u>\$ 6,056,182</u>
<b>SUMMARY OF CASH AND CASH EQUIVALENTS</b>		
Cash and Cash Equivalents	\$ 4,426,919	\$ 3,937,799
Investments - Short-term	<u>2,197,239</u>	<u>2,118,383</u>
Total Cash and Cash Equivalents	<u>\$ 6,624,158</u>	<u>\$ 6,056,182</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (286,159)	\$ (217,724)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	455,553	480,881
Changes in Assets and Liabilities		
Accounts Receivable - Service Charges	(4,904)	(6,500)
Accounts Receivable - Other	-	54,034
Prepaid Insurance	2,049	(2,007)
Accounts Payable	(1,222)	25,918
Accrued Salaries and Benefits	(10)	1,017
Inspection and Line Extension Deposits	(3,131)	8,836
Compensated Absences Payable	(323)	3,125
Net Cash Provided by Operating Activities	<u>\$ 161,853</u>	<u>\$ 347,580</u>

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

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Mid Valley Metropolitan District (the "District"), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in eastern Garfield and western Eagle Counties including portions of western Basalt, Colorado. The District was established to provide water and waste water services to the District residents. The District is governed by an elected five-member Board of Directors.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

**Reporting Entity**

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, the District does not include additional organizations in its reporting entity.

**Fund Accounting**

The District uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The District uses a proprietary fund-type, an enterprise fund, to account for its activities of providing water and waste water collection, transmission and treatment services to District residents. The enterprise fund uses the economic resources measurement focus and the accrual basis of accounting for reporting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The fund distinguishes operating revenues and expenses from non-operating revenues and expenses, and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

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

**Assets, Liabilities and Net Position**

*Cash Equivalents and Investments* - Cash equivalents include cash deposits and highly liquid investments with original maturities of three months or less when purchased. Investments are reported at fair value.

*Accounts Receivables* - All receivables are reported at their gross value. An allowance for uncollectible accounts is not reported because the uncollectible amounts were determined to be immaterial by management.

*Prepaid Expenses* - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

*Capital Assets* - Capital assets, which include land, rights of way, water rights, sewer transmission system, treatment plant, buildings and equipment are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the District as assets with an initial estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. All infrastructure assets owned by the District, which include sewer collection and transmission systems, have been capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Net Position** (Continued)

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

Buildings, Collection and Transmission Systems and Treatment Plants	5 - 40 years
Vehicles	10 years
Furniture and Equipment	5 - 10 years

*Compensated Absences* - Employees of the District are allowed to accumulate unused vacation time and sick leave. Employees will be paid for all accrued vacation time up to a maximum limit upon separation of employment subject to restrictions set forth in the District's policy manual. These compensated absences are recognized as current salary costs when earned. Management has determined that the accrued compensated absences balances are due within one year. A current liability is reported in the financial statements for the accrued compensated absences.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has an item related to pensions that is reported as deferred inflows of resources at December 31, 2018.

*Net Position* - Net position results from the accumulation of net earnings from operating income, non-operating revenues and expenses, and capital contributions and are classified in the financial statements as follows:

- Investment in Capital Assets - The investment in capital assets consists of capital assets, net of accumulated depreciation.
- Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This classification includes the residual net position that does not meet the classification of "net investment in capital assets" or "restricted."

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property Taxes**

Property taxes attach as an enforceable lien on property on January 1 and are levied the following January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis. Since property taxes are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are reported at December 31.

**Use of Estimates**

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

**Subsequent Events**

The District has evaluated events subsequent to the year ended December 31, 2018 through April 22, 2019, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- The budget is legally adopted by the District. The budget is adopted on a non-GAAP budgetary basis. Capital outlay and long-term debt principal payments are budgeted as expenditures, and depreciation, and amortization of debt issue costs are not budgeted.
- In September, management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1.
- The operating budget includes proposed expenditures and the means of financing them.
- Prior to December 31, the budget is legally enacted through passage of a resolution.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**Budgets and Budgetary Accounting (Continued)**

- Management is authorized to transfer budgeted amounts between departments within the fund. However, any revisions that alter the total expenditures of the fund must be approved by the Board of Directors.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

**NOTE 3: CASH AND INVESTMENTS**

A summary of cash and investments at December 31, 2018, follows:

Petty Cash	\$	150
Cash Deposits		4,426,769
Investments		<u>2,197,239</u>
Total		<b><u>\$ 6,624,158</u></b>

Cash and Investments are reported in the financial statements as follows:

Cash and Cash Equivalents	\$	4,426,919
Investments – Short-term		<u>2,197,239</u>
Total		<b><u>\$ 6,624,158</u></b>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2018, the District had bank deposits totaling \$4,438,073 of which \$3,938,073, were collateralized with securities held by the financial institutions' agents but not in their name.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 3: CASH AND INVESTMENTS (Continued)**

**Investments**

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments. The District generally limits its concentration of investments to Local Government Investment Pools, obligation of the United States and certain U.S. government agency securities, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following.

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

At December 31, 2018, the District had the following investment:

	<u>Maturity</u>	<u>2018</u>
Colorado Liquid Asset Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 2,197,239</u>

The District invested in the Colorado Government Liquid Asset Trust (COLOTRUST) (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 share in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 3: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as the safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard and Poor's. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**NOTE 4: PURCHASED TAP FEES RECEIVABLE**

The District has one (1) tap fee agreements for purchased sewer taps with a third party. The terms of the agreement are as follows:

Sewer tap fees for 370.26 EQRs for \$1,421,214, with monthly principal and interest payments of \$8,711 through December 2033. Interest accrues at the prime rate, currently at 4.00%, recalculated each January.

Annual purchased tap fees receivable at December 31, 2018 are as follows:

<u>For the year ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 58,490	\$ 46,041	\$ 104,531
2020	60,873	43,658	104,531
2021	63,353	41,178	104,531
2022	65,934	38,597	104,531
2023	68,620	35,911	104,531
2024 - 2028	387,386	135,271	522,657
2029 - 2033	<u>472,996</u>	<u>49,661</u>	<u>522,657</u>
Total	<u>\$ 1,177,652</u>	<u>\$ 390,317</u>	<u>\$ 1,567,969</u>

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE 5: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2018, is summarized below:

	Balances 12/31/2017	Additions	Deletions	Balances 12/31/2018
Capital Assets, not being depreciated				
Land	\$ 303,487	\$ -	\$ -	\$ 303,487
Water Rights	274,584	-	-	274,584
Construction in Progress	7,694	462,464	-	470,158
Total Capital Assets, not being depreciated	<u>585,765</u>	<u>462,464</u>	<u>-</u>	<u>1,048,229</u>
Capital Assets, being depreciated				
Water Treatment Plant	4,746,298	26,550	-	4,772,848
Waste Water Treatment Plant	10,868,068	52,351	-	10,920,419
Water Augmentation	127,980	-	-	127,980
Irrigation System	124,458	-	-	124,458
Vehicles	491,925	7,000	-	498,925
Furniture and Equipment	85,424	-	-	85,424
Total Capital Assets, being depreciated	<u>16,444,153</u>	<u>85,901</u>	<u>-</u>	<u>16,530,054</u>
Less accumulated depreciation				
Water Treatment Plant	(3,240,994)	(121,768)	-	(3,362,762)
Waste Water Treatment Plant	(4,670,434)	(287,997)	-	(4,958,431)
Water Augmentation	(78,520)	(5,665)	-	(84,185)
Irrigation System	(124,458)	-	-	(124,458)
Vehicles	(212,099)	(31,867)	-	(243,966)
Furniture and Equipment	(65,372)	(8,256)	-	(73,628)
Total accumulated depreciation	<u>(8,391,877)</u>	<u>(455,553)</u>	<u>-</u>	<u>(8,847,430)</u>
Total Capital Assets, being depreciated, net	<u>8,052,276</u>	<u>(369,652)</u>	<u>-</u>	<u>7,682,624</u>
Total Capital Assets, net	<u>\$ 8,638,041</u>	<u>\$ 92,812</u>	<u>\$ -</u>	<u>\$ 8,730,853</u>

Depreciation expense was charged to the programs of the District as follows:

Water System	\$ 121,768
Waste Water System	287,997
Administration	<u>45,788</u>
Total	<u>\$ 455,553</u>

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 6: RETIREMENT COMMITMENTS**

**Defined Contribution Pension Plan**

The District has a 403(b) single employer defined contribution pension plan available to its employees. The Plan is administered by Primerica Shareholder Services. The District is not required to match employee contributions to the Plan. Employees become 100% vested in the District's contributions and earnings immediately. For the year ended December 31, 2018, employee contributions were \$15,793 and the District recognized pension expense of \$1,800.

**NOTE 7: RISK MANAGEMENT**

**Public Entity Risk Pool**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The District plans to provide for or restore the economic damages of those losses through risk transfer. The District participates in the Colorado Special Districts Property and Liability Pool and Workmen's Compensation Pool (the "Pool").

The purposes of the Pool are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, their employees and officers.

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs.

All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Operating Lease**

The District leases office space on a month-to-month basis for its administrative operations. The original lease, dated September 17, 2002, was extended for two years on April 1, 2013 and extended again on April 1, 2015, maturing March 31, 2018. On June 1, 2017 the lease was extended for two more years through May 31, 2019. Monthly lease payments of \$1,273 are due the 1<sup>st</sup> day of each month. Total lease expense paid for the year ended December 31, 2018 was \$15,276. Following is the remaining required lease payments through May 31, 2019:

Total	<u>\$ 6,365</u>
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**Tabor Amendment**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation.

Enterprises, defined as government-owned business 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 has made certain interpretations of the Amendment's language in order to determine compliance. The District's management believes a significant portion of its operations qualifies for the "enterprise" exclusion allowed by the Amendment. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending, as required by the Amendment. At December 31, 2018, the emergency reserve of \$51,800, was reported as a restriction of net position in the statement of net position.

**SUPPLEMENTARY INFORMATION**

MID VALLEY METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)  
WITH RECONCILIATION TO GAAP BASIS

Year Ended December 31, 2018

(With Comparative Actual Totals for the Year Ended December 31, 2017)

	2018			2017
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
<b>REVENUES</b>				
Water System				
Water Service Charges	\$ 483,500	\$ 525,195	\$ 41,695	\$ 497,328
System Development Fees	203,944	277,536	73,592	460,923
Waste Water System				
Sewer Service Charges	836,000	897,930	61,930	854,618
System Development Fees	407,888	479,461	71,573	1,036,608
Taxes				
Property Taxes	33,277	33,166	(111)	31,337
Specific Ownership Taxes	1,625	1,726	101	1,656
Conservation Trust Fund	10,000	10,247	247	10,026
Investment Income	50,424	96,201	45,777	75,616
Miscellaneous	10,000	15,302	5,302	15,438
<b>TOTAL REVENUES</b>	<b>2,036,658</b>	<b>2,336,764</b>	<b>300,106</b>	<b>2,983,550</b>
<b>EXPENDITURES</b>				
<b>Water System</b>				
Source of Supply	36,500	33,196	3,304	33,611
Treatment	133,850	128,735	5,115	136,485
Transmission and Distribution	70,500	112,770	(42,270)	51,298
Non-routine	-	-	-	-
Non-capital expenditures	-	6,619	(6,619)	6,241
Special Projects	45,000	132,502	(87,502)	105,853
Capital Outlay	1,405,000	489,014	915,986	75,592
<b>Total Water System</b>	<b>1,690,850</b>	<b>902,836</b>	<b>788,014</b>	<b>409,080</b>
<b>Waste Water System</b>				
Collection and Transmission	21,750	11,895	9,855	20,062
Treatment	185,500	179,724	5,776	182,533
Sludge	68,000	90,051	(22,051)	61,917
Non-capital expenditures	-	4,856	(4,856)	2,348
Special Projects	-	-	-	8,788
Capital Outlay	785,000	59,351	725,649	30,889
Contingency	-	-	-	-
<b>Total Waste Water System</b>	<b>1,060,250</b>	<b>345,877</b>	<b>714,373</b>	<b>306,537</b>

(Continued)

See the accompanying Independent Auditor's Report.

MID VALLEY METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)  
WITH RECONCILIATION TO GAAP BASIS

Year Ended December 31, 2018

(With Comparative Actual Totals for the Year Ended December 31, 2017)

	2018			2017
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
EXPENDITURES (Continued)				
<b>Administration</b>				
Salaries and Benefits	\$ 354,230	\$ 333,413	\$ 20,817	\$ 303,774
Advertising	1,000	418	582	499
Accounting and Auditing	24,000	22,399	1,601	21,183
Bank and Credit Card Fees	10,000	12,180	(2,180)	10,251
Communications	6,500	5,116	1,384	5,292
County Treasurers Fees	995	976	19	920
Directors Fees	6,500	6,100	400	5,600
Dues and Subscriptions	9,000	9,957	(957)	12,027
Engineering and Consulting	30,000	27,462	2,538	18,930
Health Insurance	30,000	25,867	4,133	18,892
Insurance and Bonds	34,000	33,747	253	30,787
Legal Fees	15,000	27,463	(12,463)	11,090
Miscellaneous	13,700	6,947	6,753	3,998
Office Expenses	13,500	11,721	1,779	13,490
Rent	15,000	15,276	(276)	14,988
Utilities	2,000	1,865	135	1,808
Vehicle Expenses	10,000	12,261	(2,261)	10,361
Non-capital expenditures	38,000	15,517	22,483	626
Conservation Trust Fund	10,000	-	10,000	10,575
Capital Outlay	315,000	-	315,000	151,965
Contingency	100,000	-	100,000	-
Total Administration	1,038,425	568,685	469,740	647,056
TOTAL EXPENDITURES	3,789,525	1,817,398	1,972,127	1,362,673
CHANGE IN NET POSITION, Budgetary Basis	\$ (1,752,867)	\$ 519,366	\$ 2,272,233	\$ 1,620,877

(Continued)

See the accompanying Independent Auditor's Report.

MID VALLEY METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)  
WITH RECONCILIATION TO GAAP BASIS

Year Ended December 31, 2018

(With Comparative Actual Totals for the Year Ended December 31, 2017)

	2018		VARIANCE Positive (Negative)	2017
	ORIGINAL AND FINAL BUDGET	ACTUAL		ACTUAL
CHANGE IN NET POSITION, Budgetary Basis	<u>\$ (1,752,867)</u>	\$ 519,366	<u>\$ 2,272,233</u>	\$ 1,620,877
ADJUSTMENTS TO GAAP BASIS				
Capital Outlay				
Water System		489,014		75,592
Waste Water System		59,351		30,889
Administration		-		151,965
Depreciation				
Water System		(121,767)		(138,678)
Waste Water System		(287,998)		(296,993)
Administration		(45,788)		(45,210)
CHANGE IN NET POSITION, GAAP Basis		612,178		1,398,442
NET POSITION, Beginning		<u>15,906,018</u>		<u>14,507,576</u>
NET POSITION, Ending		<u>\$ 16,518,196</u>		<u>\$ 15,906,018</u>

See the accompanying Independent Auditor's Report.