

GRAND MESA METROPOLITAN DISTRICT #2

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2018

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INDEPENDENT AUDITOR’S REPORT

July 30, 2019

To the Board of Directors
Grand Mesa Metropolitan District #2
Mesa, Colorado

We have audited the accompanying financial statements of the governmental activities , and the major fund of the Grand Mesa Metropolitan District #2 (the 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 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 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 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.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund, of Grand Mesa Metropolitan District #2, as of December 31, 2018, and the respective changes in financial position thereof for the year 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 and budgetary comparison information on pages 3-6 and 21 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

This management's discussion and analysis of the Grand Mesa Metropolitan District #2 financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* (this section), and the *basic financial statements*. The basic financial statements include two types of information on the same statement that present different views of the District:

- *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- *Fund financial statements* that focus on *individual parts* of the District government, reporting the District's operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements consist of the Statement of Net Position and the Statement of Activities. 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 method 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.

These two statements report the District's *net position/net assets* and changes in them. The District's net position – the difference between assets and liabilities – are one way to measure the District's financial health. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* 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.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant funds – not the District as a whole. The District's major governmental fund is the General Fund. Unlike government-wide financial statements, the focus of the fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental funds – The District's activity is reported as a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2018

for spending in future periods. The fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term view* of the District’s general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is provided in reconciliations following the fund financial statements.

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a discussion of portions of the District’s net position for the fiscal years 2018 and 2017.

Years ended December 31	2018	2017
Current Assets	1,234,720	789,257
Capital Assets	<u>701,927</u>	<u>478,245</u>
Total Assets	1,936,647	1,267,502
Current Liabilities	90,336	55,857
Non-Current Liabilities	<u>398,889</u>	<u>-</u>
Total Liabilities	489,225	55,857
Deferred Inflows	<u>189,550</u>	<u>191,708</u>
Total Deferred Inflows	189,550	191,708
Net Position		
Restricted - Tabor	16,910	14,550
Invested in Capital Assets	303,038	478,245
Unrestricted	<u>937,924</u>	<u>527,142</u>
Total Net Position	<u>1,257,872</u>	<u>1,019,937</u>

The District shows an increase of \$237,935 in Net Position due to the wastewater improvement project currently in progress. Current Assets increased by \$445,463 which is a result of a grant receivable as well as the State Revolving Funds held in escrow at the end of 2018. The increase in capital assets of \$223,682 is a result of the Construction in Progress for the wastewater improvements. The increase in Non-Current Liabilities is a result of the State Revolving Fund Loan that was secured by the District for the wastewater improvement project.

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The statement of activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting those services. The following detail reflects the total cost of

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

services supported by program revenues and general property taxes, as well as other general revenues, resulting in the overall change in net assets for the fiscal years 2018 and 2017.

	2018	2017
Expenses	(325,410)	(256,978)
Charges for Services	122,836	105,278
Grants & Contributions	219,937	62,332
Total Governmental Activities	17,363	(89,368)
Property Tax	191,455	187,432
Specific Ownership Tax	28,175	28,434
Interest Income	942	396
Total General Revenue	220,572	216,262
Change in Net Position	237,935	126,894
Beginning Net Position	1,019,937	893,043
Ending Net Position	1,257,872	1,019,937

The District's primary source of revenues is property taxes revenues. These revenues are used to pay the cost of the general government. The District also receives money from utility fees. The utility revenues are used to cover the cost of utility operations.

The District operations resulted in positive change in Net Position for 2018 and 2017. Total expenses during 2018 were \$68,432 more than the prior year which is a result of loss on disposal of cable infrastructure and increased legal fees. Charges for services increased during 2018 due to an increase of winter traffic at Powderhorn Resort.

THE DISTRICT'S FUNDS

The fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. The fund level financial statements are reported on the modified accrual basis of accounting.

At the fund level, under the modified accrual basis of accounting, depreciable assets and their related depreciation expense are not reflected as they are not a current period financial resource or use. In addition, at the fund level, inflows from operating loans are presented as a revenue item while outflows for capital outlay and debt service payments are presented as an expenditure item, as these items represent current period financial resources and uses.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note A* of the financial statements. No amended budgets were adopted by the District during fiscal year 2018.

General Fund Resources (Inflows)

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

The District's actual revenues in the amount of \$343,408 were less than the budgeted expectations of \$1,460,115 by \$1,116,707. This reduction in revenues was due to timing of grant and loan funds received by the District. The timing of the construction project has been delayed due to weather issues.

General Fund Charges to Appropriations (Outflows)

The District's final budgetary expenditures of \$550,203 were \$929,040 less than the final appropriated balance of \$1,479,243. The decrease in expected expenditures is due to the construction delays.

CAPITAL ASSETS

At the end of 2018, the District had a total of \$701,927 invested in capital assets. This included capital outlay during 2018 of \$313,710 which included the wastewater improvements in process.

DEBT ADMINISTRATION

At December 31, 2018, the District has debt outstanding in the amount of \$398,889 which is an interest free loan from the Colorado Water Resources & Power Development Authority. See Note E for more information regarding the outstanding debt.

Contacting the District's Financial Management

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

Grand Mesa Metropolitan District #2
Sheila Dole, President
PO Box 485
Mesa, CO 81643
Tel: (970) 268-5040

Grand Mesa Metropolitan District #2

STATEMENT OF NET POSITION

For the year ended December 31, 2018

	<u>Governmental Activities</u>
Assets	
Cash	\$ 273,060
Restricted cash, held in escrow	400,000
Accounts receivable	26,173
Property taxes receivable	189,550
Intergovernmental receivables	219,937
Inventory, taps	126,000
Capital assets, net of accumulated depreciation	701,927
Total assets	<u>1,936,647</u>
Liabilities	
Current liabilities	
Accounts payable	90,336
Total current liabilities	<u>90,336</u>
Long-term liabilities	
Note payable	398,889
Total liabilities	<u>489,225</u>
Deferred inflows of resources	
Property taxes	189,550
Net position	
Net investment in capital assets	303,038
Restricted for TABOR	16,910
Unrestricted	937,924
Total net position	<u><u>\$ 1,257,872</u></u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

Function/Programs	Expenses	Program revenues		Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 325,410	\$ 122,836	\$ -	\$ 219,937
	<u>\$ 325,410</u>	<u>\$ 122,836</u>	<u>\$ -</u>	<u>\$ 219,937</u>
			Property tax	191,455
			Specific ownership tax	28,175
			Interest income	942
			Total general revenues	<u>220,572</u>
			Change in net position	237,935
			Net position, beginning	<u>1,019,937</u>
			Net position, ending	<u>\$ 1,257,872</u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

BALANCE SHEET - GOVERNMENTAL FUND

For the year ended December 31, 2018

Assets		
Cash and cash equivalents	\$	273,060
Cash held in escrow		400,000
Accounts receivable		26,173
Property taxes receivable		189,550
Intergovernmental receivables		219,937
Inventory, taps		126,000
	Total assets	<u>1,234,720</u>
Liabilities		
Accounts payable		90,336
	Total liabilities	<u>90,336</u>
Deferred inflows of resources		
Receivables outside the period of availability		219,937
Property taxes		189,550
	Total deferred inflows	<u>409,487</u>
Fund balance		
Nonspendable		
Inventory		126,000
Restricted for		
TABOR		16,910
Committed for:		
Capital expenditures		232,857
Unassigned		359,130
	Total fund balance	<u>\$ 734,897</u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

For the year ended December 31, 2018

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$	734,897
Long term capital assets are expensed as capital outlay in the funds but are capitalized in the government wide statements and amortized as depreciation expense over their expected useful lives.		701,927
Revenues are recognized if they fall within the period of availability in the funds but are recognized as revenues in the government-wide statements.		219,937
Long-term liabilities are not due and payable in the current period and therefore are not recognized in the funds.		<u>(398,889)</u>
Net position of governmental activities	\$	<u><u>1,257,872</u></u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the year ended December 31, 2018

	General Fund
Revenues	
Taxes	\$ 219,630
Utility revenue	102,435
Emergency medical services	9,837
Taps sold	10,000
Interest earnings	942
Miscellaneous income	564
	<hr/>
Total revenues	343,408
Expenditures	
General government	
Administrative	55,974
Sewer system	71,962
Water system	41,242
Trash removal	13,330
Snow removal	25,000
Emergency medical services	19,674
Road repair and maintenance	1,200
Debt principal	1,111
Capital outlay	313,710
Cost of tap fees sold	7,000
	<hr/>
Total expenditures	550,203
Excess of revenues over expenditures before other financing sources (uses)	(206,795)
Other financing sources (uses)	
Proceeds from debt issuance	400,000
	<hr/>
Total other financing sources (uses)	400,000
Excess of revenues and other financing sources and (uses) over expenditures	193,205
Fund balance - beginning of year	541,692
Fund balance - end of year	<hr/> <hr/> \$ 734,897

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Governmental Fund	\$ 193,205
Long term capital assets are expensed as capital outlay in the funds but are capitalized in the government wide statements and amortized over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year:	253,443
Gains and losses on capital assets are not recognized in the funds, but are recognized in the government wide statements.	(29,761)
Receivables that fall out of the period of availability are recognized as deferred inflows in the fund financial statements, but recognized as revenue in the statement of activities.	219,937
In the funds, proceeds from the issuance of long term debt is recognized as a financing source, but in the government wide statements these issuances are recognized as long-term debt. This is the amount of issuances of new debt in the current year.	(400,000)
Payment on long term debt are expenditures in the funds but decrease long-term debt in the government-wide statements.	1,111
Change in net position of governmental activities	<u>\$ 237,935</u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Grand Mesa Metropolitan District #2 (District), Mesa County, Colorado was organized November 5, 1986, under provision of Title 32, Article 1, Part 3, Colorado Revised Statutes, as amended. The District operates under an elected five-member Board of Directors. The name of the District was changed in 2008 from Powderhorn Metropolitan District II to Grand Mesa Metropolitan District #2.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below. On December 31, 2010, Grand Mesa Metropolitan District I granted all assets and liabilities to Grand Mesa Metropolitan District #2, and merged the operations of the two Districts. Grand Mesa Metropolitan District #2 took over the duties of maintaining and operating the utility systems around the Powderhorn Ski Area as part of that merger.

2. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if 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. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

3. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize the primary activities as governmental. Currently, the District has only governmental activities.

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

4. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. At this time the District uses one governmental fund.

Governmental Fund

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund equity.

The District reports the following major governmental fund:

General Fund – The General Fund is the District's general operating fund and is used to account for all financial transactions except those that are required to be accounted for in another fund. The major revenue sources are property taxes and tap sales. Expenditures include all costs associated with daily operations.

5. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this rule is that principal and interest on general long-term debt, if any, is recognized when due.

6. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. All annual appropriations lapse at fiscal year end.

The annual budget is prepared and approved by the Board of Directors. The budget is submitted to the County Commissioners by December 15, after the District’s Board approves and appropriates the budget. The Board may amend the appropriation at any time during the year if conditions so warrant. No supplemental appropriations were made for 2018.

7. Capital Assets

Capital assets are reported in the governmental column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$500. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Depreciation of capital assets are computed using the straight-line method over the following estimated useful lives:

Cable system	8 – 40 years
Distribution and sewer system	5 – 25 years
Transportation equipment	8 years
Equipment	3 – 8 years

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the governmental activities Statement of Net Assets.

9. Property Taxes Receivable

Property taxes for the current year are levied and attach as a lien on property on January 1 of the succeeding year. Therefore, they are reported as receivable at December 31, net of an estimated uncollectible portion. However, since the taxes are not available to pay current liabilities, the net receivables are recorded as deferred revenues. Property taxes are payable in full by April 30 or in two equal installments due February 28 and June 15.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Inventory

Inventory is valued at cost for tap fees previously purchased from Grand Mesa Metropolitan District No. I.

12. Fund Balances

The District previously implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is District policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

NOTE B – CASH

Cash consists of the following:

Cash in checking	\$ 14,986
Cash in savings	<u>258,074</u>
Total cash	<u>\$ 273,060</u>

There is an additional \$400,000 of cash held in an escrow account from the Colorado Water Resources and Power Development Authority for loan proceeds that were unspent by the District as of December 31. This is reported as restricted cash on the statement of net position.

Of the total above, \$23,060 is uninsured by the FDIC, but is collateralized under PDPA.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to at least 102% of the aggregate uninsured deposits.

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 follows:

	Balance at January 1, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2018</u>
Governmental Activities				
Capital assets not being depreciated				
Construction in progress	\$ 206,590	\$ 285,856	\$ –	\$ 492,446
Capital assets being depreciated				
Equipment	62,616	–	(45,786)	16,830
Land Improvements	11,730	–	–	11,730
Waste Management Equipment	237,406	–	–	237,406
Water Distribution System	<u>129,125</u>	<u>–</u>	<u>–</u>	<u>129,125</u>
Total capital assets being depreciated	440,877	–	(45,786)	395,091
Less accumulated depreciation	(169,222)	(32,412)	16,025	(185,609)
Total capital assets, being depreciated, net	<u>271,655</u>	<u>(32,412)</u>	<u>(29,761)</u>	<u>209,482</u>
Government-type capital assets, net	<u>\$ 478,245</u>	<u>\$ 253,444</u>	<u>\$ (29,761)</u>	<u>\$ 701,928</u>

Depreciation expense is allocated 100% to public works.

NOTE D – PROPERTY TAX

Revenue Recognized in 2018

Local property taxes levied in 2017 and collected in 2018 are recognized as revenue in these financial statements as shown below:

	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Amount of Taxes</u>		<u>Percent Collected</u>
			<u>Levied</u>	<u>Collected</u>	
General Fund	\$ 3,806,220	50.367	\$191,708	\$191,455	99.86%

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE E – LONG-TERM DEBT

Changes in long-term debt for the year ended December 31, 2018 were as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
CWRPDA Loan	\$ -	\$ 400,000	\$ (1,111)	\$ 398,889

Water Pollution Control Revolving Fund – Direct Loan

The District received an interest-free loan from the Colorado Water Resources & Power Development Authority (CWRPDA) direct loan, in the amount of \$400,000 with no interest, dated December 14, 2017. This is a 30 year loan with payments due on November 1 and May 1 each year. Total principal and interest payments each year are as follows:

	Principal	Interest	Total
2019	\$ 13,522		
2020	13,522	-	13,522
2021	13,522	-	13,522
2022	13,522	-	13,522
2023	13,522	-	13,522
2024 - 2028	67,608	-	67,608
2029 - 2033	67,608	-	67,608
2034 - 2038	67,608	-	67,608
2039 - 2043	67,608	-	67,608
2044 - 2048	60,847	-	60,847
Total	\$ 398,889	\$ -	\$ 385,367

NOTE F– TAX, SPENDING AND DEBT LIMITATION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, 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. The District believes it is in compliance with the requirements of the amendment.

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represents an acquisition of net position that applies to future reporting periods that will be recognized as revenue at that time.

Under the modified accrual basis of accounting, revenues and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources. In addition, property tax receivables are reported as a deferred inflow of resources when levied. Unavailable fund resources are recognized as revenue in the government wide statement of net position.

NOTE H – CONTINGENCIES

The District is in the process of working on a settlement with the Colorado Department of Public Health and Environment, Water Quality Control Division for an environmental violation associated with the District's wastewater treatment facility. The District is hopeful that a settlement can be reached but at the date of the audit report, there is no certainty that a settlement can be reached, or the amount of any penalty that the Division will seek if there is a settlement.

NOTE I – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omission; injuries to employees, or acts of God. The District purchases commercial liability insurance to protect itself against potential losses. There have been no claims or payments exceeding coverage over the last three years.

Grand Mesa Metropolitan District #2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND

For the year ended December 31, 2018

	Original Budget	Actual	Variance Over (Under)
Revenues			
Taxes	\$ 218,708	\$ 219,630	\$ 922
Utility revenue	100,770	102,435	1,665
Emergency medical services	9,837	9,837	-
Intergovernmental revenue	1,130,500	-	(1,130,500)
Tap fees sold	-	10,000	10,000
Interest earnings	300	942	642
Miscellaneous income	-	564	564
Total revenue	<u>1,460,115</u>	<u>343,408</u>	<u>(1,116,707)</u>
Expenditures			
General government			
Administrative	58,105	55,974	(2,131)
Sewer system	93,264	71,962	(21,302)
Water system	57,200	41,242	(15,958)
Trash removal	16,000	13,330	(2,670)
Snow removal	25,000	25,000	-
Emergency medical services	19,674	19,674	-
Road repair and maintenance	10,000	1,200	(8,800)
Debt principal	-	1,111	1,111
Capital outlay	1,200,000	313,710	(886,290)
Cost of tap fees sold	-	7,000	7,000
Total expenditures	<u>1,479,243</u>	<u>550,203</u>	<u>(929,040)</u>
Excess of revenues over (under) expenditures	(19,128)	(206,795)	(187,667)
Other financing sources (uses)			
Proceeds from debt issuance	-	400,000	400,000
	<u>-</u>	<u>400,000</u>	<u>400,000</u>
Excess of revenues and other financing sources and (uses) over expenditures	(19,128)	193,205	212,333
Fund balance - beginning of year	<u>541,692</u>	<u>541,692</u>	<u>-</u>
Fund balance - end of year	<u>\$ 522,564</u>	<u>\$ 734,897</u>	<u>\$ 212,333</u>