MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT

Financial Statements

December 31, 2018

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT

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2155 Resort Drive, Suite 222
P.O. Box 883243
Steamboat Springs, CO 80488
970-870-0563 phone
970-870-6002 fax

CATTERSON
& COMPANY, P.C.
Certified Public Accountants

Independent Auditor's Report

Board of Directors
Morrison Creek Metropolitan Water and Sanitation District
Routt County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the Morrison Creek Metropolitan Water and Sanitation District (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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morrison Creek Metropolitan Water and Sanitation District as of December 31, 2018, and the respective changes in financial position, and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Financial Information

We have previously audited the District's December 31, 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2018. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3-6 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 the 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 U.S. generally accepted auditing standards, 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information consisting of the Enterprise Fund schedule of revenues, expenditures and changes in fund balance – budget and actual on page 16 is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 the basic financial statement themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cattersm + Company, P.C.

Steamboat Springs, Colorado
May 24, 2019

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

The discussion and analysis of the Morrison Creek Metropolitan Water and Sanitation District's (the "District") financial performance provides readers with an overall review of the financial activities of the District for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the District's financial position as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded liabilities by $4,788,324 an increase of $360,510 from 2017.
- Total District's cash and investments increased by $312,556. The new balance is $2,012,204
- The Districts reserve cash increased by $127,848. The new balance is $1,445,438.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the District as a financial whole. The statements then proceed to provide an increasingly detailed look at our specific financial conditions.

OVERVIEW OF THE DISTRICTS FINANCIAL STATEMENTS

Fund Financial Statements

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

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how net position changed during the current 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected service fees and earned but unused vacation leave).

The *Statement of Cash Flows* presents information about the cash receipts and cash payments of the District during the current year. When used with related disclosures and information in the other financial statements, the information provided in this statement should help financial report users assess the District's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the District's financial position of its cash and its non-cash investing, capital and related financing transactions during the year.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 6 to 12 of this report.

Budgetary Comparisons. The District adopts an annual appropriated budget for the Enterprise Fund. A budgetary comparison statement has been provided for the Enterprise Fund on Page 14 of this report.

REPORTING THE DISTRICT AS A WHOLE

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following table presents a summary of the district's net position for 2017 and 2018.

Assets	**2017**	**2018**
Current and other assets	$2,175,063	$2,486,221
Capital assets	2,675,983	2,726,421
Total assets	4,851,046	5,212,642
Liabilities		
Current and other liabilities	100,615	83,048
Deferred Inflow of resources	322,617	341,270
Total Liabilities and Deferred Inflows of Resources	433,232	424,318
Net Position		
Net Investment in Capital Assets	2,675,983	2,726,421
Restricted Tabor	25,982	30,849
Unrestricted	1,725,849	2,031,054
Total Net Position	$ 4,427,814	4,788,324

A significant portion of the District's net position are liquid & designated for capital project funds totaling $1,929,156 which can be used to meet the ongoing obligations to patrons and creditors.

Another significant portion of the District's net position reflects its investment in capital assets. These assets include land, buildings plant, equipment and construction in progress. These capital assets are used to provide services to patrons; consequently, they are not available for future spending.

The following table indicates the changes in net position for 2017 and 2018.

Revenues:	**2017**	**2018**
Program revenues:		
Charge for Services	$428,042	$535,730
Tap Fees	48,050	48,000
General Revenues:		
General property taxes	297,359	312,216
Specific ownership tax	24,501	26,971
Interest	18,863	35,812
Other	40,030	71,580
Total Revenues	**$856,845**	**$1,030,309**

Expenses:	**2017**	**2018**
Payroll and employee benefits	$ 288,589	$327,370
Repairs & Maintenance	78,295	29,646
Professional Services	39,099	32,531
Engineering	44,375	21,854
Electric	30,055	31,954
Supplies & Operation	19,353	36,981
Outside Services	6,143	15,038
Insurance	19,817	21,807
Water Storage	22,273	22,420
Office	19,392	15,018
Directors Fees	5,100	5,100
Other	5,640	7,911
Depreciation	94,391	102,169
Total	672,522	669,799
Increase or decrease in net position	$**184,323**	**$360,510**

The District's net position increased by $360,510 in 2018 as compared with an increase of $184,323 in 2017.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

Information about the District's operations begins on page 6. This fund is accounted for using the accrual basis of accounting.

As of December 31, 2018, the total net position of the District's proprietary fund was $4,788,324. Total cash & cash equivalents equal $2,012,204. Approximately 20% of this or $566,766 consists of unreserved fund equity, which is available as working capital and for current spending in accordance with the purposes of the District. The remainder of the fund equity is reserved to indicate it is not available for new spending because it is committed for the following purpose: 1) a state-constitution mandated emergency reserve of $30,849 and 2) capital project and replacement fund of $1,445,438 The District had total revenue of $1,030,309 and total expense including capital investment of $720,237 and $102,169 in depreciation.

BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado Statutes.

2018 Water & Sanitation Fund Budget

	Budget	**Actual**
Beginning Fund Balance	$4,427,814	$4,427,814
Revenue & Other Sources	868,499	1,030,309
Expenditures & Depreciation	(1,396,621)	669,799
Ending Fund balance		$4,788,324

$161,810 more revenue was collected than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its business-type activities as of December 31, 2018 totaled $2,726,421 after accumulated depreciation. This investment includes all land, buildings, plant, equipment and construction in progress. The total increase in investment in capital assets for the current year was $50,438.

The District uses the straight line depreciation method under GASB for its capital assets, except for land which is not depreciated.

Long Term Debt. During the year ended December 31, 2018 the District had no long term debt.

ECONOMIC FACTORS AND OTHER MATTERS

Other Matters. The following factors are expected to have a significant effect on the District's financial position and results of operation and will have a significant effect on the District's future financial position and budget:

- A permanent reduction in property tax revenue due to the severe drop in the total assessed valuation in the District and the rejection by the electorate to allow an increase in the mill-levy.
- The rapidly accelerating need for capital replacement of the District's infrastructure -the majority of which is now 47 years old.
- Interest in development in Stagecoach appears to be on the rise which may result in an increase in tap and vault impact fee revenue. Tap fee revenue can be limited by the many pre-paid tap fees which exist.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, 24490 Uncompahgre Road, Oak Creek, CO 80467.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Statement of Net Position
December 31, 2018
(with summarized financial information as of December 31, 2017)

	2018	2017
Assets:		
Current assets:		
Cash and cash equivalents	$ 566,766	$ 382,058
Accounts receivable	97,319	92,628
Due from other government	2,533	2,064
Property taxes receivable	341,270	322,617
Prepaid expenses	18,993	42,279
Inventory	13,902	15,827
Total current assets	1,040,783	857,473
Noncurrent assets:		
Capital assets, net of accumulated depreciation	2,726,421	2,675,983
Reserve cash	1,445,438	1,317,590
Total assets	5,212,642	4,851,046
Liabilities:		
Current liabilities:		
Accounts payable	5,941	25,346
Retainage payable	7,405	7,405
Prebilled charges for services	65,214	63,609
Other liabilties	4,488	4,255
Total current liabilities	83,048	100,615
Total liabilities	83,048	100,615
Deferred Inflows of Resources:		
Deferred property tax revenues	341,270	322,617
Total deferred inflows of resources	341,270	322,617
Net Position:		
Net investment in capital assets	2,726,421	2,675,983
Restricted for:		
Emergencies	30,849	25,982
Unrestricted	2,031,054	1,725,849
Total net position	$ 4,788,324	$ 4,427,814

See accompanying notes to financial statements.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2018
(with summarized financial information for the year ended December 31, 2017)

	2018	2017
Operating revenues:		
Charges for services	$ 535,730	$ 428,042
Other	71,580	40,030
Total operating revenues	607,310	468,072
Operating expenses:		
Wages and benefits	327,370	288,589
Repairs and maintenance	29,646	78,295
Professional fees	32,531	39,099
Engineering	21,854	44,375
Electric	31,954	30,055
Supplies and operations	36,981	19,353
Outside services	15,038	6,143
Insurance	21,807	19,817
Water storage	22,420	22,273
Office	15,018	19,392
Directors fees	5,100	5,100
Other	7,911	5,640
Depreciation	102,169	94,391
Total operating expenses	669,799	672,522
Operating income (loss)	(62,489)	(204,450)
Non-operating revenues:		
Property taxes, net of treasurer fees	312,216	297,359
Specific ownership taxes	26,971	24,501
Interest income	35,812	18,863
Total non-operating revenues	374,999	340,723
Income before other revenues, expenses, gains and losses	312,510	136,273
Other revenues, expenses, gains and losses:		
Tap fees	48,000	48,050
Other revenues, expenses, gains and losses	48,000	48,050
Change in net position	360,510	184,323
Net position, beginning of year	4,427,814	4,243,491
Net position, end of year	$ 4,788,324	$ 4,427,814

See accompanying notes to financial statements.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2018
(with summarized financial information for the year ended December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from customers	$ 604,224	$ 465,748
Cash payments to employees for services	(236,785)	(215,086)
Cash payments to other suppliers of goods or services	(324,806)	(375,476)
Net cash provided (used) by operating activities	42,633	(124,814)
Cash flows from noncapital financing activities:		
Taxes collected, net of treasurer fees	338,718	321,650
Net cash provided by noncapital financing activities	338,718	321,650
Cash flows from capital and related financing activities:		
Payments to acquire, construct, or improve capital assets	(152,607)	(36,691)
Tap fees collected	48,000	48,050
Net cash provided (used) by capital and related financing activities	(104,607)	11,359
Cash flows from investing activities:		
Interest received	35,812	20,676
Net cash provided by investing activities	35,812	20,676
Net change in cash and cash equivalents	312,556	228,871
Cash and cash equivalents, beginning of year	1,699,648	1,470,777
Cash and cash equivalents, end of year	$ 2,012,204	$ 1,699,648
Composition of cash and cash equivalents at year end:		
Cash and cash equivalents	$ 566,766	$ 382,058
Reserve cash	1,445,438	1,317,590
	$ 2,012,204	$ 1,699,648
Reconciliation of operating income (loss) to net cash provided by activities:		
Operating income (loss)	$ (62,489)	$ (204,450)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	102,169	94,391
(Increase) decrease in:		
Accounts receivable	(4,691)	(12,437)
Prepaid expenses	23,286	(14,082)
Inventory	1,925	(145)
(Decrease) increase in:		
Accounts payable, net of capital items	(19,405)	1,564
Prebilled charges for services	1,605	10,113
Other liabilities	233	232
Net cash provided (used) by operating activities	$ 42,633	$ (124,814)

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

The Morrison Creek Metropolitan Water and Sanitation District (the District) was formed in 1972 to provide water and sanitation services for the Stagecoach Development located in Routt County, Colorado. Stagecoach is a rural community of approximately 500 residents located between the Town of Oak Creek and the City of Steamboat Springs. The District was formed as a special district pursuant to Title 32 of Colorado Revised Statutes (CRS).

The District's financial statements were prepared in accordance with U.S. generally accepted accounting principles (US GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of US GAAP in governmental entities. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

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 does not have any component units for which it is financially accountable.

Measurement Focus and Basis of Accounting

The District operates as an enterprise and the accompanying proprietary fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and this fund is maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

Assets, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments, including reserve balance, with a maturity of three months or less when purchased to be cash equivalents. The District's investment in the Colorado Local Government Liquid Asset Trust (COLOTRUST) PLUS+ fund is measured at net asset value, equal to $1.00 per share.

Accounts Receivable

Amounts due to the District from charges for services provided are reported as accounts receivable. The District's management reviews accounts receivable periodically to consider the collectability of the balances. District management believes all accounts receivable to be fully collectible as of December 31, 2018 and 2017. Therefore, no allowance for uncollectible accounts has been established.

Prepaid Expenses

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

Inventories

Inventories consist of meters, chemicals, liquids and supplies used in District operations and are reported at cost.

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows of Resources and Net Position (continued)

Capital Assets

Capital assets include sewage treatment plant and distribution systems, water systems, and furniture, fixtures and equipment. Capital assets are defined by the District as assets with an initial cost of $500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or fair value if contributed to the District. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Sewage treatment plant and distribution systems	30-40
Water tank	30
Furniture, fixtures and equipment	5-7

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources consist solely of unavailable revenues from property taxes.

Operating and Non-Operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the District. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer's office collects property taxes and remits collections to the District on a monthly basis.

Use of Estimates

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

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative financial information in total. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2017 from which the summarized financial information was derived.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures are budgeted and recorded as expenditures.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

The District did not adopt any supplemental appropriations for the year ended December 31, 2018.

Compliance

The District did not have expenditures in excess of appropriations for the year ended December 31, 2018.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, excluding enterprises. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future 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.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of current fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved $30,849 of the December 31, 2018 fund net position for this purpose.

The District's voters passed a ballot question on November 4, 2003, authorizing the District to collect, retain and spend for any lawful purpose the full revenues generated from all sources in fiscal year 2003 and in each fiscal year thereafter.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

Note 3: Detailed Notes on the Fund

Deposits

The carrying amount of the District's deposits as of December 31, 2018 and 2017 was $245,934 and $356,152, respectively, and bank balances were $250,292 and $403,419, respectively. Of the bank balances, $237,189 and $286,793 as of December 31, 2018 and 2017, respectively, was covered by federal deposit insurance and $13,103 and $116,626, respectively, was uninsured but collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (PDPA).

The 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 collateral 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 equal or exceed 102% of the aggregate uninsured deposits.

Investments

As of December 31, 2018 and 2017, the District had $1,766,171 and $1,342,222, respectively, invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) PLUS+ fund. COLOTRUST PLUS+ is a short-term money market fund organized in conformity with Part 7 of Article 75 of Title 24, CRS. The portfolio offers Colorado governmental entities a convenient and efficient means to pool their funds to take advantage of short-term investments and maximize net interest earnings. COLOTRUST PLUS+'s investment objective is to obtain as high a level of current income as is consistent with the preservation of capital and liquidity. The investment adviser for COLOTRUST PLUS+ is Public Trust Advisors LLC, a Colorado-based investment adviser, registered with the SEC. The portfolio manager is responsible for making all of the investment decisions for the portfolio. Wells Fargo Bank, N.A. is custodian of the portfolio's securities and cash. COLOTRUST PLUS+ portfolio invests in U.S. Treasury securities, federal instrumentality securities, agency securities, repurchase agreements, tri-party repurchase agreements, collateralized bank deposits, the highest rated commercial paper, and highly-rated corporate bonds. The portfolio's weighted average maturity to reset is kept under 60 days, which helps to enhance liquidity and limits market price exposure. The COLOTRUST PLUS+ fund holds a 'AAAm' rating by Standard and Poor's.

The District's investments are subject to interest rate risk, credit risk, and concentration of credit risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District currently invests only in investment pools which may be redeemed at any time.

Reserve Cash

The District's board of directors has designated a reserve cash balance for future capital improvements. The reserve cash balance as of December 31, 2018 is $1,445,438.

Note 3: Detailed Notes on the Fund (continued)

Capital Assets

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

	December 31, 2017 Balance	Additions	Deletions	December 31, 2018 Balance
Non-depreciable capital assets:				
Land easement	$ 5,538	$ -	$ -	$ 5,538
Engineering plans	190,000	-	-	190,000
Total non-depreciable capital assets	195,538	-	-	195,538
Depreciable capital assets:				
Sew age treatment plant and distribution systems; w ater sytems	6,640,082	26,697	-	6,666,779
Furniture, fixtures and equipment	487,083	125,910	(23,172)	589,821
Total depreciable capital assets	7,127,165	152,607	(23,172)	7,256,600
Less: accumulated depreciation	(4,646,720)	(102,169)	23,172	(4,725,717)
Net depreciable capital assets	2,480,445	50,438	-	2,530,883
Total capital assets, net	$ 2,675,983	$ 50,438	$ -	$ 2,726,421

Note 4: Other Information

Intergovernmental Agreements

Stagecoach Reservoir Storage Agreement

The District entered into an agreement with the Upper Yampa Water Conservancy District (UYWCD) on December 5, 1986 to purchase annually on a “take or pay basis” 500 acre feet of storage water in Stagecoach Reservoir at a price of $35.00 per acre foot for a term of thirty years. At the end of the thirty year period the District has five successive 10-year options to renew the right of purchase at the same price.

Yamcolo Reservoir Storage Agreement

The District entered into an extension and amendment agreement with the UYWCD effective July 15, 2011 for 60 acre feet of storage water in the Yamcolo Reservoir for thirty years terminating July 15, 2041. The initial purchase price for the storage water was $68.38 per acre foot and is subject to an annual CPI increase thereafter. The District paid 82.00 per acre foot of storage water for the year ended December 31, 2018.

Note 4: Other Information (continued)

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains commercial insurance for these risks by participation in an insurance pool.

The District is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. The District has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Retirement Plan

District employees may voluntarily contribute to a deferred compensation plan, an Internal Revenue Code Section 457 defined contribution plan administered by Lincoln Financial Group. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Plan assets are held in trust for the exclusive benefit of participating employees and are not accessible by the District or its creditors. Plan provisions and contribution requirements are established and may be amended by the District.

The District's contribution for each employee and investment earnings allocated to the employee's account are fully vested. The District contributes up to 6% of full-time employees' wages. The District's contributions to the plan were $14,207 and $12,905 during the years ended December 31, 2018 and 2017, respectively.

Subsequent Events

The District evaluated subsequent events through May 24, 2019, the date these financial statements were available to be issued.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Enterprise Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance
Revenues:			
Taxes:			
General property	$ 322,616	$ 321,795	$ (821)
Specific ownership	18,000	26,971	8,971
Treasury collection fees	(9,679)	(9,579)	100
Charges for services:			
Water	191,476	224,621	33,145
Sewer	278,286	280,730	2,444
Dumping fees	25,000	30,379	5,379
Tap fees	16,000	48,000	32,000
Interest	15,000	35,812	20,812
Other	11,800	71,580	59,780
Total revenues	868,499	1,030,309	161,810
Expenditures:			
Wages and benefits	401,121	327,370	73,751
Professional fees	107,000	32,531	74,469
Repairs and maintenance	75,000	29,646	45,354
Engineering	75,000	21,854	53,146
Electric	40,000	31,954	8,046
Supplies and operations	35,500	36,981	(1,481)
Outside services	20,000	15,038	4,962
Insurance	25,000	21,807	3,193
Water storage	22,500	22,420	80
Office	16,500	15,018	1,482
Directors fees	7,000	5,100	1,900
Other	22,000	7,911	14,089
Capital outlay	550,000	152,607	397,393
Total expenditures	1,396,621	720,237	676,384
Net income (loss) - budgetary basis	$ (528,122)	310,072	$ 838,194
Adjustments to US GAAP basis:			
Capitalized expenditures		152,607	
Depreciation		(102,169)	
Change in net position - US GAAP basis		360,510	
Fund balance, beginning of year		4,427,814	
Fund balance, end of year		$ 4,788,324	