

MEADOWBROOK WATER DISTRICT
—
**BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

December 31, 2019 and 2018

L. PAUL GOEDECKE P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Meadowbrook Water District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Meadowbrook Water District for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 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 respective financial position of the Meadowbrook Water District as of December 31, 2019 and 2018, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "L. Paul Goedecke P.C.".

L. Paul Goedecke, P.C.
July 15, 2020

MEADOWBROOK WATER DISTRICT

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Statement of Net Position
December 31, 2019 and 2018

| ASSETS | 2019 | 2018 |
|---|---------------------|---------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 381,589 | \$ 157,916 |
| Investments - unrestricted | 4,100,215 | 3,977,258 |
| Investments - restricted | 922,000 | 922,000 |
| Accounts receivable | 102,169 | 113,502 |
| Receivable - County Treasurer | 1,087 | 1,243 |
| Property taxes receivable | 168,778 | 147,566 |
| Accrued interest | 19,919 | 10,339 |
| Prepaid expenses | 395 | 8,330 |
| Total current assets | <u>5,696,152</u> | <u>5,338,154</u> |
| Capital Assets, Net | <u>2,516,556</u> | <u>2,627,576</u> |
| Total Assets | <u>8,212,708</u> | <u>7,965,730</u> |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| Accounts payable | 111,901 | 124,156 |
| Deposit | <u>(1,700)</u> | <u>-</u> |
| Total current liabilities | <u>110,201</u> | <u>124,156</u> |
| Deferred Inflow of Resources | | |
| Deferred property tax revenue | <u>168,778</u> | <u>147,566</u> |
| Net Position | | |
| Invested in capital assets, net of related debt | 2,516,556 | 2,627,576 |
| Restricted - Capital improvements | 890,000 | 890,000 |
| - Emergency reserves | 32,000 | 32,000 |
| Unrestricted | <u>4,495,173</u> | <u>4,144,432</u> |
| Total net position | <u>7,933,729</u> | <u>7,694,008</u> |
| Total Liabilities and Net Position | <u>\$ 8,212,708</u> | <u>\$ 7,965,730</u> |

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

MEADOWBROOK WATER DISTRICT

**Statements of Revenue, Expenses and Changes in Net Position
For the Year Ended December 31, 2019 and 2018**

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Operating Revenues | | |
| Water revenue | \$ 1,210,624 | \$ 1,198,004 |
| Inspection | 400 | 400 |
| Meter sales | 1,302 | 1,302 |
| Miscellaneous | 3,687 | 2,212 |
| Recovery fees | 11,676 | 1,620 |
| Total operating revenue | 1,227,689 | 1,203,538 |
| Operating Expenses | | |
| Water costs | 737,361 | 699,126 |
| Depreciation | 129,967 | 129,967 |
| Contract maintenance | 145,485 | 164,282 |
| Repair and maintenance | 45,951 | 5,376 |
| Legal | 52,878 | 51,039 |
| Management | 47,841 | 46,404 |
| Engineering | 40,183 | 16,725 |
| Utilities and meter expense | 2,965 | 2,823 |
| Accounting and audit | 40,050 | 41,778 |
| Insurance | 8,330 | 8,097 |
| Director's fees and expenses | 6,459 | 6,459 |
| Bank charges | 23,192 | 22,083 |
| Dues and seminars | 1,073 | 1,009 |
| Miscellaneous | 19,400 | 18,560 |
| Total operating expenses | 1,301,135 | 1,213,728 |
| Net Operating Income (Loss) | (73,446) | (10,190) |
| Non-Operating Revenues (Expenses) | | |
| Tap fees | 22,500 | 21,130 |
| Investment income | 132,761 | 88,375 |
| Property taxes | 147,548 | 144,970 |
| Ownership tax | 12,574 | 13,463 |
| Treasurer's fees | (2,216) | (2,178) |
| Total non-operating revenues (expenses) | 313,167 | 265,760 |
| Change in Net Position: | 239,721 | 255,570 |
| Beginning of Year | 7,694,008 | 7,438,438 |
| End of Year | \$ 7,933,729 | \$ 7,694,008 |

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

MEADOWBROOK WATER DISTRICT

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Statements of Cash Flows
For the Year Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------------|---------------------------|
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 1,239,023 | \$ 1,203,519 |
| Payments to suppliers | <u>(1,177,189)</u> | <u>(1,095,167)</u> |
| Net cash provided by operating activities | <u>61,834</u> | <u>108,352</u> |
| Cash flows from noncapital financing activities: | | |
| Taxes - property and specific ownership | 160,278 | 157,190 |
| Treasurers fees | <u>(2,216)</u> | <u>(2,178)</u> |
| Net cash provided by noncapital financing activities | <u>158,062</u> | <u>155,012</u> |
| Cash flows from capital financing activities: | | |
| Construction in progress | (18,948) | (490,163) |
| Tap fees received | <u>22,500</u> | <u>21,130</u> |
| Net cash provided by capital financing activities | <u>3,552</u> | <u>(469,033)</u> |
| Cash flows from investing activities: | | |
| Interest received | 123,181 | 89,274 |
| Net (purchases) maturity of investments | <u>(122,957)</u> | <u>11,048</u> |
| Net cash provided (required) by investing activities | <u>224</u> | <u>100,322</u> |
| Net increase (decrease) in cash and equivalents | 223,672 | (105,347) |
| Cash and equivalents - beginning of year | <u>157,916</u> | <u>263,263</u> |
| Cash and equivalents - end of year | <u><u>381,588</u></u> | <u><u>157,916</u></u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Income (loss) from operations | (73,446) | (10,190) |
| Adjustments to reconcile loss from operations to net cash provided by operating activities: | | |
| Depreciation | 129,967 | 129,967 |
| (Increase) decrease in assets: | | |
| Prepaid expenses | 7,935 | 775 |
| Accounts receivable | 11,334 | (19) |
| Increase (decrease) in liabilities | | |
| Deposits | - | (1,700) |
| Accounts payable | <u>(13,956)</u> | <u>(10,481)</u> |
| Net cash provided (required) by operating activities | <u><u>\$ 61,834</u></u> | <u><u>\$ 108,352</u></u> |

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

MEADOWBROOK WATER DISTRICT

Notes to Financial Statements December 31, 2019 and 2018

Note 1: Definition of Reporting Entity

The Meadowbrook Water District is a quasi-municipal corporation and political subdivision of the State of Colorado. The purpose of the District is to provide water services to the residents of the District.

The District has no employees and all operation and administrative functions are provided under contract.

The District follows the Governmental Accounting Standards Boards (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Note 2: Summary of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District has elected to follow GASB pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for on the enterprise basis. The following is summary of the more significant policies:

MEADOWBROOK WATER DISTRICT

Notes to Financial Statements December 31, 2019 and 2018

Note 2: Summary of Significant Accounting Policies (Continued)

- a) Basis of Accounting – The District’s records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets. Inclusion fees and tap fees are recorded as contributed capital when received unless the fees result from agreements which are subject to liens on the property and have interest bearing receivables.
- b) Operating Revenues and Expenses – The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District’s purpose of providing water services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.
- c) Property Tax– Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set during October or November by certification to the County Commissioner to put the tax lien on the individual properties as of December of each year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in installments, at the taxpayers election, in February or June. Delinquent taxpayers are notified in August and tax sales are in November. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectable taxes, are recorded initially as deferred inflow in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

MEADOWBROOK WATER DISTRICT

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Notes to Financial Statements
December 31, 2019 and 2018

Note 2: Summary of Significant Accounting Policies (Continued)

- d) Capital Assets – All capital assets are valued at historical costs or estimated historical cost if actual historical cost is not available. Donated assets are valued at the estimated fair value on the date donated. Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over estimated useful lives using the straight line method. The estimated useful lives are as follows:

| | |
|---------------------------|----------|
| Water Distribution System | 30 Years |
|---------------------------|----------|

- e) Budget and Budgetary Accounting - In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget assuming it meets the notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year-end. The District amended its 2019 budget.
- f) Statement of Cash Flows – For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand, certain money market and savings accounts at financial institutions. Repurchase agreements, certificates of deposit, and certain money market and U.S. Treasury Notes, are classified as investments and are not reflected as cash in the statement of cash flows.
- g) Accounts Receivable – Water billings are considered past due if not paid within 45 days. The District posts a 48 hour notice of shut off directly at the site and will charge a turn off fee if not paid within the 48 hours. Additional charges may include turn on fees as necessary.
- h) Restricted Net Position - The restricted balance in Capital Improvements in the amount of \$890,000 is to be used exclusively for the construction of infrastructure assets and related costs. Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$32,000 of Net Position have been reserved in compliance with this requirement.

MEADOWBROOK WATER DISTRICT

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 2: Summary of Significant Accounting Policies (Continued)

- i) Management 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- j) Contributed Capital – Tap fees are recorded as non-operating revenue.

Note 3: Cash and Investments

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

| | |
|----------------------------|---------------------|
| Statement of net position: | |
| Cash and equivalents | \$ 381,589 |
| Investments - unrestricted | 4,100,215 |
| - restricted | 922,000 |
| | <u>\$ 5,403,804</u> |

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

| | |
|--------------------------------------|---------------------|
| Petty cash | \$ 3,065 |
| Deposits with financial institutions | 378,524 |
| ColoTrust | 700,368 |
| Investments | 4,321,847 |
| | <u>\$ 5,403,804</u> |

Cash Deposits

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

MEADOWBROOK WATER DISTRICT

Notes to Financial Statements December 31, 2019 and 2018

Note 3: Cash and Investments (Continued)

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

At December 31, 2019, the District's cash deposits had a bank balance of \$ 427,300 and a carrying balance of \$ 378,524.

Custodial Credit Risks – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, none of the District's bank balance of \$ 378,524 was exposed to custodial credit risk.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

Colorado State statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

The local government investment pools include the Colorado Local Government Liquid Assets Trust (ColoTrust) rated AAAM by Standard & Poor's.

MEADOWBROOK WATER DISTRICT

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 3: Cash and Investments (Continued)

Interest Rate Risk

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

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

| <u>Investments</u> | <u>Maturity</u> | <u>Fair Value</u> |
|---|---------------------|---------------------|
| Toyota Motor Credit Corp Notes | Less than two years | \$ 1,199,335 |
| Federal Home Loan Bank Notes | Less than two years | 536,020 |
| Microsoft Corp | Less than two years | 506,069 |
| Wells Fargo Government Money Market Fund | Less than one year | <u>2,080,423</u> |
| | | <u>\$ 4,321,847</u> |

COLOTRUST

The District had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioners administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and 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 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 AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment 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. As of December 31, 2019, the District has \$700,368 invested in COLOTRUST PLUS.

MEADOWBROOK WATER DISTRICT

Notes to Financial Statements December 31, 2019 and 2018

Note 3: Cash and Investments (Continued)

Federal Home Loan Banks (FHLB) - FHLB is a GSE that provides stable, low-cost funding to U.S. financial institutions for home mortgage, small business, rural, and economic development lending. FHLB is the largest collective source of home mortgage and community credit in the U.S. There are twelve banks in the FHLB system, and the FHLB provide loans only to other banks. FHLB is rated AAA by Moody's and AA+ by S&P. The held investments in FHLB mortgages during the year.

Microsoft Corporation Note – at **2.09%** purchased at par to yield 2.09% maturing on November 3, 2020 with interest payable semiannually rated AAA by Fitch's and Aaa by Moodys.

Toyota Motor Credit Corp Note- at **3.05%** maturing January 8 2021 with interest paid semi annually rated AA- by Standard and Poors and Aaa by Moodys.

Money Market Fund

During 2019 money that was included in the trust accounts at Wells Fargo Bank was invested in the SEI Daily Income Treasury Portfolio. These portfolios are money market funds with each share equal in value to \$1.00. The funds are AAA rated and invest exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 90 days or less. As of December 31, 2019, the District had restricted investments of \$ 2,080,423 held in money market funds.

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer, however, the District invests primarily in local government investment pools and/or U.S. securities, which are not subject to concentration of credit risk.

MEADOWBROOK WATER DISTRICT

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 4: Changes in Capital Assets

The following schedules show changes in capital assets for 2019:

| | <u>Land</u> | <u>Plant, Mains, Equipment, & Easements</u> | <u>Study, Water Projects</u> | <u>Construction in Progress</u> | <u>Total</u> |
|-----------------------------|-----------------|---|----------------------------------|-------------------------------------|---------------------|
| Balance, 12/31/18 | \$ 3,416 | \$ 3,899,023 | \$ 133,458 | \$ 978,767 | \$ 5,014,664 |
| Additions | - | 997,715 | - | -978,767 | 18,948 |
| Balance, 12/31/19 | <u>\$ 3,416</u> | <u>\$ 4,898,852</u> | <u>\$ 133,458</u> | <u>\$ 0</u> | <u>\$ 5,033,612</u> |
| Less: | | | | | |
| Accumulated Depreciation | | | | | <u>(2,517,056)</u> |
| Net Capital Assets | | | | | <u>\$ 2,516,556</u> |

Depreciation expense for 2019 was \$ 129,967.

Note 5: Tax, Spending and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer’s Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The District, in accordance with C.R.S. 37-45.1-101 et. Seq., has adopted a policy to treat its operations as an enterprise fund. Because of this, the District does not feel it is subject to many of the requirements of the TABOR amendment.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year’s Fiscal 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.

MEADOWBROOK WATER DISTRICT

Notes to Financial Statements December 31, 2019 and 2018

Note 5: Tax, Spending and Debt Limitations (continued)

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. 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 \$32,000 to comply with this requirement.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Note 6: Risk Management Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

MEADOWBROOK WATER DISTRICT

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Notes to Financial Statements
December 31, 2019 and 2018

Note 7: Reconciliation of Revenues and Expenditures – GAAP Basis to Budgetary Basis

The District prepares its budget on an annual basis. The budget is legally enacted through passage of a resolution. The budgetary comparison in this report is on a non-GAAP budgetary basis. The following reconciliation is presented to reconcile to the GAAP basis financial statements:

| | |
|---|---------------------|
| Revenues | |
| Operating Revenues | \$ 1,227,689 |
| Non-Operating Revenues | 315,383 |
| Total Revenues – GAAP Basis and Budgetary Basis | <u>\$ 1,543,072</u> |
| Expenditures | |
| Operating Expenses | \$ 1,301,135 |
| Non-Operating Expenses | 2,216 |
| Total Expenditures – GAAP Basis | <u>1,303,351</u> |
| Add (Less): | |
| Capital Improvements | 18,948 |
| Depreciation | <u>(129,967)</u> |
| Total Expenditures – Budgetary Basis | <u>\$ 1,192,332</u> |

Note 8: Commitments and Contingencies

Metropolitan Denver Water Authority

In 1985 the District joined the Metropolitan Denver Water Authority which was formed to enable the individual participants in the Platte and Colorado River Storage Projects Participation and Metropolitan Water Development Agreements to act together as a legal entity and accomplish mutual goals at the least possible cost. The District's primary developer initially agreed to pay all costs of the District's participation in the Authority. During 1990 the primary developer defaulted on his agreement and the District assumed responsibility for future cost which the Board determined would benefit the taxpayers in the District as a whole.

During 1990, the District entered into a Project Agreement organized by the Authority to pursue a lawsuit against the Denver Water Department. The suit seeks to force Denver to refund overcharges from previous years. The District is capitalizing costs incurred under this Agreement.

SUPPLEMENTAL INFORMATION

MEADOWBROOK WATER DISTRICT

Schedule of Revenue and Expenditures and Changes in Funds Available Budget and Actual - Year Ended December 31, 2019

| | Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------|---------------------|------------------------------------|
| REVENUES | | | |
| Investment income | \$ 100,775 | \$ 132,761 | \$ 31,986 |
| Water revenue | 1,231,800 | 1,210,624 | (21,176) |
| Meter sales | 651 | 1,302 | 651 |
| Tap sales | 11,000 | 22,500 | 11,500 |
| Inspection revenue | 200 | 400 | 200 |
| Property tax | 144,951 | 147,548 | 2,597 |
| Ownership taxes | 13,000 | 12,574 | (426) |
| Recovery fees | - | 11,676 | 11,676 |
| Miscellaneous income | 1,250 | 3,687 | 2,437 |
| Total revenues | \$ 1,503,627 | \$ 1,543,072 | \$ 39,445 |
| EXPENSES | | | |
| Repairs and maintenance | 44,700 | 45,951 | (1,251) |
| Contract maintenance | 187,718 | 145,485 | 42,233 |
| Utilities | 3,000 | 2,965 | 35 |
| Water purchases | 741,196 | 737,361 | 3,835 |
| Bank charges | 23,750 | 23,192 | 558 |
| Engineering | 43,300 | 40,183 | 3,117 |
| Director fees/expenses | 7,536 | 6,459 | 1,077 |
| Legal fees | 53,608 | 52,878 | 730 |
| Audit and accounting | 40,500 | 40,050 | 450 |
| Office expense | 49,631 | 18,544 | 31,087 |
| Management | 47,871 | 47,841 | 30 |
| Insurance | 8,502 | 8,330 | 172 |
| Dues and seminars | 2,100 | 1,073 | 1,027 |
| Miscellaneous expense | 1,900 | 855 | 1,045 |
| County treasurer fees | 2,174 | 2,216 | (42) |
| Capital improvements | 50,000 | 18,948 | 31,052 |
| Total Expenditures | \$ 1,307,486 | \$ 1,192,331 | \$ 115,155 |
| Excess revenues over (under) expenditures | | \$ 350,741 | |
| Beginning Funds available | | 5,066,432 | |
| Ending Funds available | | \$ 5,417,173 | |
| Funds available are defined as follows: | | | |
| Current assets | | 5,696,152 | |
| Less current liabilities | | (278,979) | |
| Funds available | | \$ 5,417,173 | |

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