

**MT. CRESTED BUTTE WATER AND SANITATION DISTRICT
CRESTED BUTTE, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended
December 31, 2019**

Mt. Crested Butte Water & Sanitation District

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MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

2019 Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) is designed to provide an easy-to-read discussion of the District's financial condition and operating results and to disclose to the reader important financial activities and issues related to the District's basic operations and mission.

The District has two financial category referred to as a governmental and business type activities. These activities are primarily funded through charges to users. The District also collects property taxes and specific ownership taxes, accounted for under governmental activities to support its operations and debt obligations.

DESCRIPTION OF FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements (including the accompanying footnotes)*, and *supplementary information*. The *supplementary information* is not a required part of the basic financial statements under generally accepted accounting principles.

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

Basic Financial Statements

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

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

HIGHLIGHTS

- In 2019, total assets were \$24,522,752, an increase from 2018 \$23,430,239, of \$1,092,513.
- In 2019, total liabilities were \$1,584,119, an increase from 2018 \$1,371,709, of \$212,410.
- In 2019, the change in net position was \$858,087 compared to \$350,630 in 2018. (discussed below)

STATEMENTS OF NET POSITION

The perspective of the statement of net position is of the District as a whole. Following is a summary of the District's net position for 2019 compared to 2018:

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and Other Assets	\$ 1,221,935	\$ 1,282,960	\$ 4,688,910	\$ 6,229,198	\$ 5,910,845	\$ 7,512,158
Capital Assets	-	-	18,611,907	15,918,081	18,611,907	15,918,081
Total Assets	1,221,935	1,282,960	23,300,817	22,147,279	24,522,752	23,430,239
LIABILITIES						
Current Liabilities	89,549	221,632	753,586	81,587	843,135	303,219
Noncurrent Liabilities	714,464	1,019,372	26,520	49,118	740,984	1,068,490
Total Liabilities	804,013	1,241,004	780,106	130,705	1,584,119	1,371,709
DEFERRED INFOWS	1,153,684	1,090,737	-	-	1,153,684	1,090,737
NET POSITION						
Net Investment in Capital Assets	(722,453)	(1,048,781)	18,611,907	15,918,081	17,889,454	14,869,300
Restricted	34,000	37,000	130,492	-	164,492	37,000
Unrestricted	(47,309)	(77,931)	3,778,312	6,098,493	3,731,003	6,020,562
Total Net Position	\$ (735,762)	\$ (1,089,712)	\$ 22,520,711	\$ 22,016,574	\$ 21,784,949	\$ 20,926,862

STATEMENTS OF ACTIVITIES

The following table reflects the change in net position for fiscal years 2019 and 2018.

CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
PROGRAM REVENUES						
Operating Revenues	\$ -	\$ -	\$ 3,237,772	\$ 2,452,292	\$ 3,237,772	\$ 2,452,292
Operating Expenses	907,986	1,080,604	2,730,951	2,566,131	3,638,937	3,646,735
Operating Income	(907,986)	(1,080,604)	506,821	(113,839)	(401,165)	(1,194,443)
Other Income (Expense)	1,261,936	1,391,079	(2,684)	(190,894)	1,259,252	1,200,185
Contributed Capital	-	-	-	344,888	-	344,888
Change in Net Position	353,950	310,475	504,137	40,155	858,087	350,630
Net Position - Beginning	(1,089,712)	-	22,016,574	20,576,232	20,926,862	20,576,232
Prior Period Restatement	-	(1,400,187)	-	1,400,187	-	-
Net Position - Beginning (as Restated)	(1,089,712)	(1,400,187)	22,016,574	21,976,419	20,926,862	20,576,232
Net Position - Ending	\$ (735,762)	\$ (1,089,712)	\$ 22,520,711	\$ 22,016,574	\$ 21,784,949	\$ 20,926,862

CAPITAL ASSETS

The District's changes in capital assets for the year ending December 31, 2019 is as follows:

	<u>Balance</u> <u>1/1/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/19</u>
Business - Type Activities:				
Assets not being depreciated				
Land	\$ 32,248	\$ -	\$ -	\$ 32,248
Water Rights	212,405	-	-	212,405
Construction in Progress	<u>2,171,554</u>	<u>3,054,591</u>	<u>543,361</u>	<u>4,682,784</u>
Total assets not being depreciated	<u>2,416,207</u>	<u>3,054,591</u>	<u>543,361</u>	<u>4,927,437</u>
Assets being depreciated				
Buildings and Improvements	1,463,848	-	-	1,463,848
Treatment plants	22,418,564	58,167	-	22,476,731
Collection and distribution systems	5,348,055	628,742	-	5,976,797
Equipment	<u>871,144</u>	<u>300,044</u>	-	<u>1,171,188</u>
Total assets being depreciated	<u>30,101,611</u>	<u>986,953</u>	-	<u>31,088,564</u>
Less: Accumulated depreciation				
Buildings and Improvements	(225,098)	(30,036)	-	(255,134)
Treatment plants	(12,347,440)	(539,333)	-	(12,886,773)
Collection and distribution systems	(3,483,928)	(157,251)	-	(3,641,179)
Equipment	<u>(543,271)</u>	<u>(77,737)</u>	-	<u>(621,008)</u>
Total accumulated depreciation	<u>(16,599,737)</u>	<u>(804,357)</u>	-	<u>(17,404,094)</u>
Net Capital Assets	<u>\$ 15,918,081</u>	<u>\$ 3,237,187</u>	<u>\$ 543,361</u>	<u>\$ 18,611,907</u>

DEBT OUTSTANDING

The District has debt with the Colorado Water Resources and Power Development Authority in the amount of \$714,464. Future debt increases are discussed below.

A summary of debt activity for the year is as follows:

	<u>Balance</u> <u>1/1/19</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/19</u>	<u>Current</u> <u>Portion</u>	<u>Interest</u> <u>Expense</u>	<u>Accrued</u> <u>Interest</u>
Governmental Activities:							
2001 CWRPDA Note Payable	\$ 1,019,372	\$ -	\$ 318,217	\$ 701,155	\$ 339,791	\$ 49,771	\$ 21,298
Compensated Absences	40,931	-	27,622	13,309	-	-	-
Business-type Activities:							
Compensated Absences	<u>49,118</u>	<u>-</u>	<u>22,598</u>	<u>26,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Obligations	<u>\$ 1,109,421</u>	<u>\$ -</u>	<u>\$ 368,437</u>	<u>\$ 740,984</u>	<u>\$ 339,791</u>	<u>\$ 49,771</u>	<u>\$ 21,298</u>

ECONOMIC AND OTHER FACTORS

The financial results of 2019 met with the expectations of the District. The increase in net position was anticipated as the district commenced an internally funded project to add an additional clarifier to wastewater operations. The new clarifier replaces the existing clarifier which has reached the end of its useful life but will be rehabilitated to allow the district a level of redundancy and more efficient springtime operations. The anticipated total project cost will be approximately \$2.6MM. This project is being funded via the use of unrestricted reserves of the District. Other capital costs and repairs and maintenance were not significantly different from expectations.

The 2020 budget reflects the growing needs of the District with the revenue base available. The District is planning a \$23MM expansion to its existing water treatment plant. The project will replace some assets that are reaching the end of their useful lives while simultaneously expanding the plant capacity to meet the anticipated needs of the full build out of the Town of Mt. Crested Butte. The expansion will be financed by a loan from the Colorado Water Resources and Power Development Authority. Increases in revenue rates (for user fees, availability of service fees, and plant investment fees) reflect proactive action by the Board of Directors to address the future debt payments for this project. Principal and interest payments for indebtedness will differ from the schedules previously established and will include additional debt service payments of \$112,832 in 2020, \$367,092 in 2021 and \$1,370,859 in each year thereafter through 2040. The District does not anticipate significant negative financial effects from the COVID19 pandemic.

The District will continue to provide a high level of service to our customers at the water and wastewater facilities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the general public 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:

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FINANCIAL SECTION

Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Directors
Mt. Crested Butte Water & Sanitation District
Crested Butte, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mt. Crested Butte Water & Sanitation District as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the basic financial statements of the District, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mt. Crested Butte Water & Sanitation District, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Mt. Crested Butte Water & Sanitation District's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

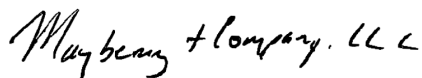
Other Matters

Required Supplementary Information – Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M4 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.

Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 23 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. In addition, the budgetary comparison schedules on pages 24-25 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Englewood, Colorado
July 31, 2020

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Basic Financial Statements

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MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash and Investments	\$ 60,333	\$ 4,202,161	\$ 4,262,494
Restricted Cash and Investments	-	130,492	130,492
Receivables			
Property Tax Receivable	1,153,684	-	1,153,684
Utility Receivable	-	285,072	285,072
Cash with Fiscal Agent	7,918	-	7,918
Prepaid Expenses	-	71,185	71,185
Total Current Assets	<u>1,221,935</u>	<u>4,688,910</u>	<u>5,910,845</u>
Noncurrent Assets			
Capital Assets not being Depreciated	-	4,927,437	4,927,437
Capital Assets being Depreciated	-	31,088,564	31,088,564
Accumulated Depreciation	-	(17,404,094)	(17,404,094)
Total Noncurrent Assets	<u>-</u>	<u>18,611,907</u>	<u>18,611,907</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1,221,935</u>	<u>\$ 23,300,817</u>	<u>\$ 24,522,752</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 13,283	\$ 634,903	\$ 648,186
Accrued Liabilities	44,809	-	44,809
Accrued Salaries and Benefits	10,159	16,562	26,721
Retainage Payable	-	102,121	102,121
Accrued Interest Payable	21,298	-	21,298
Total Current Liabilities	<u>89,549</u>	<u>753,586</u>	<u>843,135</u>
Noncurrent Liabilities			
Due within one year	339,791	-	339,791
Due in more than one year	374,673	26,520	401,193
Total Noncurrent Liabilities	<u>714,464</u>	<u>26,520</u>	<u>740,984</u>
TOTAL LIABILITIES	<u>804,013</u>	<u>780,106</u>	<u>1,584,119</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Property Taxes	1,153,684	-	1,153,684
NET POSITION			
Net Investment in Capital Assets	(722,453)	18,611,907	17,889,454
Restricted Net Position	34,000	130,492	164,492
Unrestricted Net Position	(47,309)	3,778,312	3,731,003
TOTAL NET POSITION	<u>(735,762)</u>	<u>22,520,711</u>	<u>21,784,949</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 1,221,935</u>	<u>\$ 23,300,817</u>	<u>\$ 24,522,752</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>PROGRAM REVENUES</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS</u>
FUNCTIONS/PROGRAMS			
Government Activities			
Current:			
General Government	\$ 858,216	\$ -	\$ -
Interest on Debt	<u>49,770</u>	<u>-</u>	<u>-</u>
TOTAL GOVERNMENT ACTIVITIES	<u>907,986</u>	<u>-</u>	<u>-</u>
Business-type Activities			
Current:			
Water	1,240,145	1,476,848	183,592
Wastewater	<u>1,490,806</u>	<u>1,258,879</u>	<u>318,453</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2,730,951</u>	<u>2,735,727</u>	<u>502,045</u>
TOTAL GOVERNMENT	<u>\$ 3,638,937</u>	<u>\$ 2,735,727</u>	<u>\$ 502,045</u>
GENERAL REVENUES			
Property Taxes			
Specific Ownership Taxes			
Other Taxes			
Interest Income			
Insurance Proceeds			
TRANSFERS			
TOTAL GENERAL REVENUES AND TRANSFERS			
CHANGE IN NET POSITION			
NET POSITION - Beginning			
NET POSITION - Ending			

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

NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION

GOVERNMENT ACTIVITIES	BUSINESS - TYPE ACTIVITES	TOTAL
\$ (858,216)	\$ -	\$ (858,216)
<u>(49,770)</u>	<u>-</u>	<u>(49,770)</u>
<u>(907,986)</u>	<u>-</u>	<u>(907,986)</u>
-	420,295	420,295
-	<u>86,526</u>	<u>86,526</u>
-	<u>506,821</u>	<u>506,821</u>
<u>(907,986)</u>	<u>506,821</u>	<u>(401,165)</u>
1,087,280	-	1,087,280
90,061	-	90,061
2,477	-	2,477
-	75,380	75,380
-	4,054	4,054
<u>82,118</u>	<u>(82,118)</u>	<u>-</u>
<u>1,261,936</u>	<u>(2,684)</u>	<u>1,259,252</u>
353,950	504,137	858,087
<u>(1,089,712)</u>	<u>22,016,574</u>	<u>20,926,862</u>
<u>\$ (735,762)</u>	<u>\$ 22,520,711</u>	<u>\$ 21,784,949</u>

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2019

With Comparative Totals for December 31, 2018

	General	Total	
	Fund	2019	2018
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash and Investments	\$ 60,333	\$ 60,333	\$ 113,091
Receivables			
Property Tax Receivable	1,153,684	1,153,684	1,090,737
Cash with Fiscal Agent	7,918	7,918	6,360
Prepaid Expenses	-	-	72,772
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1,221,935</u>	<u>\$ 1,221,935</u>	<u>\$ 1,282,960</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ 13,283	\$ 13,283	\$ 171,849
Accrued Liabilities	44,809	44,809	1,583
Accrued Salaries and Benefits	10,159	10,159	18,791
Total Current Liabilities	<u>68,251</u>	<u>68,251</u>	<u>192,223</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Property Taxes	<u>1,153,684</u>	<u>1,153,684</u>	<u>1,090,737</u>
FUND BALANCE			
Nonspendable Fund Balance	-	-	72,772
Restricted Fund Balance	34,000	34,000	37,000
Unassigned Fund Balance	<u>(34,000)</u>	<u>(34,000)</u>	<u>(109,772)</u>
TOTAL FUND BALANCE	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 1,221,935</u>	<u>\$ 1,221,935</u>	<u>\$ 1,282,960</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO GOVERNMENTAL ACTIVITIES NET POSITION
DECEMBER 31, 2019**

Fund Balance - Governmental Funds

\$ -

Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.

Notes payable

\$ (701,155)

Accrued interest payable

(21,298)

Accrued compensated absences

(13,309) (735,762)

Total Net Position - Governmental Activities

\$ (735,762)

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	General	TOTAL	
	Fund	2019	2018
REVENUES			
Taxes	\$ 1,179,818	\$ 1,179,818	\$ 1,133,365
EXPENDITURES			
Current:			
General Government	885,838	885,838	1,016,303
Debt Service	376,098	376,098	374,776
TOTAL EXPENDITURES	<u>1,261,936</u>	<u>1,261,936</u>	<u>1,391,079</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(82,118)	(82,118)	(257,714)
OTHER FINANCING SOURCES (USES)			
Transfers In	82,118	82,118	257,714
NET CHANGE IN FUND BALANCE - GAAP BASIS	-	-	-
FUND BALANCE, BEGINNING	-	-	-
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS CHANGE IN FUND BALANCE
TO GOVERNMENTAL ACTIVITIES CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019**

Change in Fund Balance - Governmental Funds	\$	-
 Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level		
Principal payments on bonds payable	\$	318,217
Change in accrued interest payable		8,111
Change in accrued compensated absences		27,622
		<u>353,950</u>
 Change in Net Position - Governmental Activities	 \$	 <u>353,950</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2019

	Business-type Activities			
	Water	Wastewater	Total	
	Fund	Fund	2019	2018
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Current Assets				
Cash and Investments				
Cash and Investments	\$ 3,187,905	\$ 1,014,256	\$ 4,202,161	\$ 5,701,410
Restricted Cash and Investments	-	130,492	130,492	251,250
Receivables				
Utility Receivable	148,082	136,990	285,072	276,538
Prepaid Expenses	2,500	68,685	71,185	-
Total Current Assets	<u>3,338,487</u>	<u>1,350,423</u>	<u>4,688,910</u>	<u>6,229,198</u>
Noncurrent Assets				
Capital Assets not being depreciated	2,611,248	2,316,189	4,927,437	2,416,207
Capital Assets being depreciated	11,757,997	19,330,567	31,088,564	30,101,611
Accumulated Depreciation	<u>(6,893,707)</u>	<u>(10,510,387)</u>	<u>(17,404,094)</u>	<u>(16,599,737)</u>
Total Noncurrent Assets	<u>7,475,538</u>	<u>11,136,369</u>	<u>18,611,907</u>	<u>15,918,081</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 10,814,025</u>	<u>\$ 12,486,792</u>	<u>\$ 23,300,817</u>	<u>\$ 22,147,279</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 134,832	\$ 500,071	\$ 634,903	\$ 41,558
Accrued Salaries and Benefits	8,495	8,067	16,562	40,029
Retainage Payable	-	<u>102,121</u>	<u>102,121</u>	-
Total Current Liabilities	<u>143,327</u>	<u>610,259</u>	<u>753,586</u>	<u>81,587</u>
Noncurrent Liabilities				
Due in more than one year	<u>17,706</u>	<u>8,814</u>	<u>26,520</u>	<u>49,118</u>
TOTAL LIABILITIES	<u>161,033</u>	<u>619,073</u>	<u>780,106</u>	<u>130,705</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES				
NET POSITION				
Net Investment in Capital Assets	7,475,538	11,136,369	18,611,907	15,918,081
Restricted Net Position	-	130,492	130,492	251,250
Unrestricted Net Position	<u>3,177,454</u>	<u>600,858</u>	<u>3,778,312</u>	<u>5,847,243</u>
TOTAL NET POSITION	<u>10,652,992</u>	<u>11,867,719</u>	<u>22,520,711</u>	<u>22,016,574</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 10,814,025</u>	<u>\$ 12,486,792</u>	<u>\$ 23,300,817</u>	<u>\$ 22,147,279</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	<u>Business-type Activities</u>		<u>Total</u>	
	<u>Water</u>	<u>Wastewater</u>		
	<u>Fund</u>	<u>Fund</u>	<u>2019</u>	<u>2018</u>
Operating Revenues				
Utility Charges	\$ 1,476,848	\$ 1,258,879	\$ 2,735,727	\$ 2,452,292
Operating Expenses				
Personnel Services	371,333	398,765	770,098	786,173
Administrative/Office Expenses	-	-	-	542
Operating Supplies	171,615	248,674	420,289	324,539
Professional Fees	55,562	83,664	139,226	-
Repairs and Maintenance	186,462	149,549	336,011	406,076
Engineering	27,268	6,645	33,913	-
Telephone and Utilities	104,574	122,408	226,982	246,978
Other Operating Expenses	75	-	75	75
Depreciation Expense	323,256	481,101	804,357	785,095
Other Capital Outlay	-	-	-	16,653
Total Expenditures	<u>1,240,145</u>	<u>1,490,806</u>	<u>2,730,951</u>	<u>2,566,131</u>
Operating Income (Loss)	<u>236,703</u>	<u>(231,927)</u>	<u>4,776</u>	<u>(113,839)</u>
Other Income (Expense)				
Investment Earnings	37,690	37,690	75,380	57,493
Other Revenue	<u>3,097</u>	<u>957</u>	<u>4,054</u>	<u>9,327</u>
Total Other Income (Expense)	<u>40,787</u>	<u>38,647</u>	<u>79,434</u>	<u>66,820</u>
Net Income (Loss) before Transfers	277,490	(193,280)	84,210	(47,019)
Transfers				
Transfers In/(Out)	<u>63,946</u>	<u>(146,064)</u>	<u>(82,118)</u>	<u>(257,714)</u>
Net Income (Loss)	341,436	(339,344)	2,092	(304,733)
Contributed Capital				
Plant Investment Fees	<u>183,592</u>	<u>318,453</u>	<u>502,045</u>	<u>344,888</u>
Change in Net Position	525,028	(20,891)	504,137	40,155
Net Position, Beginning	<u>10,127,964</u>	<u>11,888,610</u>	<u>22,016,574</u>	<u>21,976,419</u>
Net Position, Ending	<u>\$ 10,652,992</u>	<u>\$ 11,867,719</u>	<u>\$ 22,520,711</u>	<u>\$ 22,016,574</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	<u>Business-type Activities</u>			
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>	
	<u>Fund</u>	<u>Fund</u>	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 1,467,721	\$ 1,259,472	\$ 2,727,193	\$ 2,420,025
Cash Paid to Suppliers	(421,377)	(212,960)	(634,337)	(1,061,227)
Cash Paid to and for the Benefit of Employees	(390,362)	(425,800)	(816,162)	(791,229)
Net Cash Provided by Operating Activities	<u>655,982</u>	<u>620,712</u>	<u>1,276,694</u>	<u>567,569</u>
Cash Flows From Capital and Related Financing Activities:				
Tap Fees Received	183,592	318,453	502,045	344,888
Acquisition of Capital Assets	(1,015,122)	(2,380,940)	(3,396,062)	(1,384,352)
Cash Flows Used by Capital and Related Financing Activities	<u>(831,530)</u>	<u>(2,062,487)</u>	<u>(2,894,017)</u>	<u>(1,039,464)</u>
Cash Flows (Uses) From Noncapital Financing Activities:				
Cash from Other Funds	63,946	(146,064)	(82,118)	(251,228)
Other Revenues (Expense)	3,097	957	4,054	9,327
Net Cash Provided (Used) by Noncapital Financing Activities	<u>67,043</u>	<u>(145,107)</u>	<u>(78,064)</u>	<u>(241,901)</u>
Cash Flows (Uses) From Investing Activities:				
Interest Received	<u>37,690</u>	<u>37,690</u>	<u>75,380</u>	<u>57,493</u>
Net Increase (Decrease) in Cash	(70,815)	(1,549,192)	(1,620,007)	(656,303)
Cash - Beginning	<u>3,258,720</u>	<u>2,693,940</u>	<u>5,952,660</u>	<u>6,608,963</u>
Cash - Ending	<u>\$ 3,187,905</u>	<u>\$ 1,144,748</u>	<u>\$ 4,332,653</u>	<u>\$ 5,952,660</u>
Cash and Investments				
Cash and Investments	\$ 3,187,905	\$ 1,014,256	\$ 4,202,161	\$ 5,701,410
Restricted Cash and Investments	-	130,492	130,492	251,250
Total	<u>\$ 3,187,905</u>	<u>\$ 1,144,748</u>	<u>\$ 4,332,653</u>	<u>\$ 5,952,660</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:				
Operating Income (Loss)	\$ 236,703	\$ (231,927)	\$ 4,776	\$ (113,839)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	323,256	481,101	804,357	785,095
Changes in Assets and Liabilities Related to Operations:				
(Increase) Decrease in:				
Utility Receivable	(9,127)	593	(8,534)	(32,267)
Prepaid Expenses	(2,500)	(68,685)	(71,185)	2,554
(Increase) Decrease in:				
Accounts Payable	126,679	466,665	593,344	(67,146)
Accrued Liabilities	-	-	-	(1,772)
Accrued Salaries and Benefits	(9,244)	(14,223)	(23,467)	(8,682)
Accrued Compensated Absences	(9,785)	(12,812)	(22,597)	3,626
Total Adjustments	<u>419,279</u>	<u>852,639</u>	<u>1,271,918</u>	<u>681,408</u>
Net Cash Used for Operating Activities	<u>\$ 655,982</u>	<u>\$ 620,712</u>	<u>\$ 1,276,694</u>	<u>\$ 567,569</u>

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

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mt. Crested Butte Water & Sanitation District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Reporting Entity

Mt. Crested Butte Water & Sanitation District is a political subdivision of the State of Colorado governed by a board of directors. As required by generally accepted accounting principles, these financial statements present the Mt. Crested Butte Water & Sanitation District (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the foregoing criteria, there are no component units included in the accompanying financial statements.

Nature of Operations

The District provides water and sanitation services to the residents of the District.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues. Internal activity has been eliminated within the function for the statement of activities presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes and specific ownership taxes are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

In the fund financial statements, the District reports the following major governmental fund:

General Fund

The General Fund uses the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal sources of revenues are property and specific ownership taxes. Principal expenditures are for District administration and general obligation debt service.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues include the District's charges to customers for sales and service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise funds are used to account for operations financed and operated similar to businesses using the accrual method of accounting. Enterprise fund revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

The District reports the following major proprietary funds:

Water and Wastewater Funds

These funds account for the activities related to the offering of the respective services to the District's residents.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The District adopts an annual budget for all funds which are all prepared on the modified accrual basis of accounting. The District may authorize supplemental appropriations during the budget year. All budgetary appropriations lapse at year-end.

Colorado statutes provide the following timetable which is followed in the adoption of budgets:

- (1) Submission of the proposed budget to the local governing body by October 15 of each year.
- (2) Certification of mill levies to the Board of County Commissioners by December 15.
- (3) Final adoption of budget and appropriations by December 31 of each year.
- (4) Property taxes are due by April 30 of each year if paid in full, or in two installments due February 28 and June 15 of each year.

Encumbrances

The District does not utilize encumbrance accounting.

Cash and Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which is equal to fair value.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

Governmental funds report deferred inflows of resources, as further described below in connection with receivables for revenues that are deferred for use during the next fiscal year. At the end of the current year, these receivables consisted of property taxes levied in 2019 and due in 2020.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include land, buildings, vehicles and equipment, are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$25,000 and a useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

Plant and lines	15-33 years
Building and improvements	10-50 years
Equipment	5-15 years

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflows of financial resources and deferred inflows of financial resources, represent a usage or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until a future period. Deferred property taxes are reported as a deferred inflow for both the governmental activities presentation and governmental funds balance sheet.

The unavailable property taxes are deferred and will be recognized as an outflow or inflow of resources in the period that the amounts become recognizable as an expense or available, respectively. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

Long-Term Obligation

Long-term debt is reported at face value, net of applicable discounts and deferred charge on refunding. Costs related to the issuance of debt are expensed when incurred. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statements of net position or as part of the proprietary fund presentation.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance - In the government-wide financial statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Amounts are reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors, reported and at their highest level of action are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as “assigned” fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining governmental balances or deficits in the other governmental funds are presented as unassigned.

Net Position/Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied on November 1 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 County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Accumulated Unused Leave/Compensated Absences

The District permits an employee to carry over unused sick leave to the next calendar year. The District will compensate an employee for any unused vacation and compensatory time at their current rate of pay upon termination or resignation. The District does not payout unused sick leave upon termination.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

NOTE 2: CASH AND INVESTMENTS

The District's cash and investment balances as of the year ended December 31, 2019 are as follows:

Cash	\$ 3,056,568
Investments	<u>1,336,418</u>
Total Cash and Investments	<u><u>\$ 4,392,986</u></u>

These balances are allocated in the financial statements as follows:

Restricted Cash and Investments	\$ 130,492
Unrestricted Cash and Investments	<u>4,262,494</u>
Total Cash and Investments	<u><u>\$ 4,392,986</u></u>

DEPOSITS

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

DEPOSITS

Custodial Credit Risk - Deposits

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and December 31, 2019, all of the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

At December 31, 2019 the District's deposits are categorized as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Collateralized (not in District's name)	365,057	2,806,568
Total	<u>\$ 615,057</u>	<u>\$ 3,056,568</u>

INVESTMENTS

During the year ended December 31, 2019, the District invested funds in the Colotrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner. It invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a 2a-7-like money market fund with a share value equal to \$1.00, approximating market value, and a maximum weighted average maturity of 60 days. These funds are rated AAAM by the Standard and Poor's Corporation. The balance of this investment at December 31, 2019 was \$3,938,664.

Credit Risk

Colorado statutes specify which instruments units of local government 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 the U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2019, the District did not have any investments requiring safekeeping.

NOTE 3: CAPITAL ASSETS

Changes in business-type activities capital assets for the year ended December 31, 2019 was as follows:

	<u>Balance</u> <u>1/1/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/19</u>
Business - Type Activities:				
Assets not being depreciated				
Land	\$ 32,248	\$ -	\$ -	\$ 32,248
Water Rights	212,405	-	-	212,405
Construction in Progress	<u>2,171,554</u>	<u>3,054,591</u>	<u>543,361</u>	<u>4,682,784</u>
Total assets not being depreciated	<u>2,416,207</u>	<u>3,054,591</u>	<u>543,361</u>	<u>4,927,437</u>
Assets being depreciated				
Buildings and Improvements	1,463,848	-	-	1,463,848
Treatment plants	22,418,564	58,167	-	22,476,731
Collection and distribution systems	5,348,055	628,742	-	5,976,797
Equipment	<u>871,144</u>	<u>300,044</u>	-	<u>1,171,188</u>
Total assets being depreciated	<u>30,101,611</u>	<u>986,953</u>	-	<u>31,088,564</u>
Less: Accumulated depreciation				
Buildings and Improvements	(225,098)	(30,036)	-	(255,134)
Treatment plants	(12,347,440)	(539,333)	-	(12,886,773)
Collection and distribution systems	(3,483,928)	(157,251)	-	(3,641,179)
Equipment	<u>(543,271)</u>	<u>(77,737)</u>	-	<u>(621,008)</u>
Total accumulated depreciation	<u>(16,599,737)</u>	<u>(804,357)</u>	-	<u>(17,404,094)</u>
Net Capital Assets	<u>\$ 15,918,081</u>	<u>\$ 3,237,187</u>	<u>\$ 543,361</u>	<u>\$ 18,611,907</u>

Depreciation is allocated to the District's operations as follows:

Water Fund	\$ 323,256
Sanitation Fund	<u>481,101</u>
Total	<u>\$ 804,357</u>

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4: LONG-TERM OBLIGATIONS

The following is a schedule of changes in debt for the year ended December 31, 2019:

	<u>Balance</u> <u>1/1/19</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/19</u>	<u>Current</u> <u>Portion</u>	<u>Interest</u> <u>Expense</u>	<u>Accrued</u> <u>Interest</u>
<u>Governmental Activities:</u>							
2001 CWRPDA Note Payable	\$ 1,019,372	\$ -	\$ 318,217	\$ 701,155	\$ 339,791	\$ 49,771	\$ 21,298
Compensated Absences	40,931	-	27,622	13,309	-	-	-
<u>Business-type Activities:</u>							
Compensated Absences	49,118	-	22,598	26,520	-	-	-
Total Obligations	<u>\$ 1,109,421</u>	<u>\$ -</u>	<u>\$ 368,437</u>	<u>\$ 740,984</u>	<u>\$ 339,791</u>	<u>\$ 49,771</u>	<u>\$ 21,298</u>

In May 2001, the District took out a loan for \$5,161,580 for sanitation capital improvements through the Colorado Water Resource and Power Development Authority, "(CWRDPA)". Although proceeds of the CWRPDA loan were used for improvements to the District's sanitation functions, the Loan Agreement provides that repayment of the Loan is a general obligation of the District, payable from all legally available sources of the District, including property taxes and is therefore reported as a noncurrent obligation of the governmental activities.

Loan payments are due semi-annually on February 1 and August 1. Semi-annual principal payments started at \$90,000 beginning in 2001 and increase to \$167,500 by 2021. The net effective interest rate is 4%. Debt service payments are made by the General Fund. The loan requires a three month operations and maintenance reserve based on budgeted sanitation operating expenses. The District has restricted cash in the General Fund in the amount of \$251,250 for this purpose.

Scheduled payments on the loan is follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 339,791	\$ 51,116	\$ 390,907
2021	<u>361,364</u>	<u>25,868</u>	<u>387,232</u>
Total	<u>\$ 701,155</u>	<u>\$ 76,984</u>	<u>\$ 778,139</u>

NOTE 5: PENSION PLANS

The District is a member of the Colorado Retirement Association (CRA) formerly known as (CCOERA) which offers a defined contribution plan. Required contributions are established by the governing board of the Association.

Under a defined contribution plan the benefits a participant will receive depend solely on the amount contributed to the participant's account plus the investment returns of those contributions.

Participation is mandatory for all employees after one year of employment. Eligible employees contribute five percent (5%) of their base pay, which is matched by the District. The plan has a five year vesting period and is distributed upon the employee's termination or retirement.

During the fiscal years 2019, 2018 and 2017, the District's and employees' required contributions were \$41,108, \$33,671, and \$22,453 each, which was 5%, 5% and 4% of covered payroll totaling \$822,161, \$673,424, and \$561,325, respectively. Total payroll for the years ending December 31, 2019, 2018 and 2017 was \$887,224, \$809,440, and \$718,292 on the cash basis, respectively.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 6: FUND BALANCE RESERVATIONS/APPROPRIATIONS

Emergency Reserve

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, 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, all local governments, and special districts.

The District's financial activity for the year ended December 31, 2019 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 2019, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retention of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

At a November 4, 1997 election, the electors of the District authorized the District to collect, retain and expend the full amount of the revenues from all sources during 1997, as well as the full amount of all revenues generated by all sources for each subsequent year. This election authorized the spending of such revenues in each year without limitation under Article X, Section 20 of the Colorado Constitution.

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

The Article requires an emergency reserve be set aside for 2019 in the amount of 3% or more of its fiscal year spending. At December 31, 2019, the District has restricted the following for emergencies based on the General Fund activity that is subject to the amendment:

General Fund	<u>\$34,000</u>
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The District believes it is in compliance with the provisions of the TABOR Amendment.

NOTE 7: RISK MANAGEMENT

The District carries insurance coverage for all foreseeable risks of loss. These include, but are not necessarily limited to, worker's compensation, property and liability, bond, and errors and omissions.

The District carries liability, property and bond coverage through commercial insurance carriers. Risk of loss is transferred to these carriers.

The District has not materially changed its coverage from previous years. Based on the lack of previous loss occurrences, the District has not recorded any liability for unpaid claims at December 31, 2019.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 8: INTERNAL TRANSFERS

The District reports administrative activities in the General Fund, funded through a general operating mill levy with supplemental transfers from the Water and Wastewater Funds to cover operating expenses, or to those funds if taxes exceed administrative expenses. The operating mill levy is allocated equally against Water and Wastewater Fund administrative costs with the District tracking administrative costs separately for both activities. For the fiscal year, the District transferred excess taxes of \$63,946 and \$72,933 from the General Fund to the Water and Wastewater Funds, respectively.

To fully fund the CWRPDA loan payment not covered by the debt service mill levy, the Wastewater Fund transferred \$219,057 to the General Fund.

NOTE 9: DEFICIT NET POSITION AND FUND BALANCE

As of December 31, 2019, the District had a deficit unassigned fund balance of \$(34,000) in the General Fund due to the requirement to the restricted equity related to the emergency reserve requirements of TABOR as described in Note 6. As the District intends to balance administrative costs reported in the General Fund through transfers to and from the Water and Wastewater Funds, this deficit is anticipated to continue. Should the District be required to utilize the emergency reserve required by TABOR, additional transfers can be made from the remaining funds.

The District has a deficit net position of \$(735,762) in the Governmental Activities specifically related to the inclusion of accrued compensated absences related to administrative employees as well as the outstanding CWRPDA loan balance and related accrued interest payable. While the deficit related to the accrued compensated absences, presently \$13,309, is expected to continue with minor adjustment, the deficit net position related to the CWRPDA loan should decrease until the loan is repaid in 2021. Included in the deficit net position is a \$(722,453) deficit Net Investment in Capital Assets related to the CWRPDA debt used to finance Wastewater Fund capital improvements. This deficit will similarly be reduced as the underlying debt is repaid.

NOTE 10: SUBSEQUENT EVENT

Subsequent to December 31, 2019, the District entered into a loan agreement with the Colorado Water Resource and Power Development Authority to provide financing for major capital projects. The loan is for \$22,474,748 and is due in semi-annual payments commencing in August 2020 over a period of twenty years. Payments will range from \$112,833 in August 2020 and will be approximately \$686,000 semi-annually beginning in February 2022.

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Required Supplementary Information

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE

General Fund

FOR THE YEAR ENDED DECEMBER 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	2019		Variance With Final Budget	2018 Actual
	Original & Final Budget	Actual		
REVENUES				
Taxes				
Property Taxes	\$ 1,090,736	\$ 1,087,280	\$ (3,456)	\$ 1,053,872
Specific Ownership Taxes	-	90,061	90,061	79,493
Other Taxes	-	2,477	2,477	-
TOTAL REVENUES	<u>1,090,736</u>	<u>1,179,818</u>	<u>89,082</u>	<u>1,133,365</u>
EXPENDITURES				
General Government				
Personnel Services	511,000	529,104	18,104	376,332
Fuel and Automotive	50,000	41,523	8,477	47,572
Insurance	60,000	67,508	(7,508)	53,871
Professional Fees	45,000	65,228	(20,228)	353,963
Supplies	120,000	50,985	69,015	50,702
Telephone and Utilities	-	19,005	(19,005)	15,116
Travel and Training	23,000	16,563	6,437	24,560
Other Expenses	83,505	95,922	(12,417)	94,187
Total General Government	<u>892,505</u>	<u>885,838</u>	<u>42,875</u>	<u>1,016,303</u>
Debt Service				
Principal	376,098	318,217	57,881	307,430
Interest	-	57,881	(57,881)	67,346
Total Debt Service	<u>376,098</u>	<u>376,098</u>	<u>-</u>	<u>374,776</u>
TOTAL EXPENDITURES	<u>1,268,603</u>	<u>1,261,936</u>	<u>42,875</u>	<u>1,391,079</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(177,867)	(82,118)	131,957	(257,714)
OTHER FINANCING SOURCES (USES)				
Transfers In (net)	-	82,118	(82,118)	257,714
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ (177,867)</u>	-	<u>\$ 49,839</u>	-
FUND BALANCE, BEGINNING	-	-	-	-
FUND BALANCE, ENDING	-	<u>\$ -</u>	-	<u>\$ -</u>

See accompanying Independent Auditors' Report.

Other Supplementary Information

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL

Water Fund

FOR THE YEAR ENDED DECEMBER 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	2019		Variance with Final Budget	2018 Actual
	Final Budget	Actual		
Operating Revenues				
Utility Charges	\$ 1,473,128	\$ 1,476,848	\$ 3,720	\$ 1,247,571
Operating Expenses				
Personnel Services	377,000	371,333	5,667	417,023
Administrative/Office Expenses	-	-	-	542
Operating Supplies	184,000	171,615	12,385	125,398
Professional Fees	93,500	55,562	37,938	-
Repairs and Maintenance	320,000	186,462	133,538	173,679
Engineering	835,000	27,268	807,732	-
Telephone and Utilities	131,000	104,574	26,426	111,648
Other Operating Expenses	-	75	(75)	75
Other Capital Outlay	38,000	1,015,121	(977,121)	164,519
Total Expenditures	<u>1,978,500</u>	<u>1,932,010</u>	<u>46,490</u>	<u>992,884</u>
Operating Income (Loss)	<u>(505,372)</u>	<u>(455,162)</u>	<u>50,210</u>	<u>254,687</u>
Other Income (Expense)				
Investment Earnings	15,000	37,690	22,690	28,757
Other Revenue	<u>5,000</u>	<u>3,097</u>	<u>(1,903)</u>	<u>6,266</u>
Total Other Income (Expense)	<u>20,000</u>	<u>40,787</u>	<u>20,787</u>	<u>35,023</u>
Net Income (Loss) before Transfers	(485,372)	(414,375)	70,997	289,710
Transfers				
Transfers In/(Out)	-	63,946	63,946	(56,675)
Net Income (Loss), Budget Basis	(485,372)	(350,429)	134,943	233,035
Contributed Capital				
Plant Investment Fees	<u>100,000</u>	<u>183,592</u>	<u>83,592</u>	<u>104,899</u>
Change in Net Position (Budget Basis)	<u>\$ (385,372)</u>	<u>(166,837)</u>	<u>\$ 218,535</u>	<u>337,934</u>
Budget to GAAP Reconciliation				
Depreciation Expense		(323,256)		(320,871)
Capital Outlay		<u>1,015,121</u>		<u>154,058</u>
Change in Net Position - GAAP Basis		525,028		171,121
Net Position, Beginning		<u>10,127,964</u>		<u>9,956,843</u>
Net Position, Ending		<u>\$ 10,652,992</u>		<u>\$ 10,127,964</u>

See accompanying Independent Auditors' Report.

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL

Wastewater Fund

FOR THE YEAR ENDED DECEMBER 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	2019		Variance with Final Budget	2018 Actual
	Final Budget	Actual		
Operating Revenues				
Utility Charges	\$ 1,269,085	\$ 1,258,879	\$ (10,206)	\$ 1,204,721
Operating Expenses				
Personnel Services	437,000	398,765	38,235	369,150
Operating Supplies	253,000	248,674	4,326	199,141
Professional Fees	94,500	83,664	10,836	-
Repairs and Maintenance	301,000	149,549	151,451	232,397
Engineering	137,900	6,645	131,255	-
Telephone and Utilities	143,000	122,408	20,592	135,330
Other Capital Outlay	2,596,256	2,483,061	113,195	1,206,937
Total Expenditures	<u>3,962,656</u>	<u>3,492,766</u>	<u>469,890</u>	<u>2,142,955</u>
Operating Income (Loss)	<u>(2,693,571)</u>	<u>(2,233,887)</u>	<u>459,684</u>	<u>(938,234)</u>
Other Income (Expense)				
Investment Earnings	15,000	37,690	22,690	28,736
Other Revenue	5,000	957	(4,043)	3,061
Debt Service	-	-	-	(1,326,801)
Total Other Income (Expense)	<u>20,000</u>	<u>38,647</u>	<u>18,647</u>	<u>(1,295,004)</u>
Net Income (Loss) before Transfers & Contributions	<u>(2,673,571)</u>	<u>(2,195,240)</u>	<u>478,331</u>	<u>(2,233,238)</u>
Transfers				
Transfers In/(Out)	-	(146,064)	(146,064)	(201,039)
Net Income (Loss), Budget Basis	<u>(2,673,571)</u>	<u>(2,341,304)</u>	<u>332,267</u>	<u>(2,434,277)</u>
Contributed Capital				
Plant Investment Fees	<u>150,000</u>	<u>318,453</u>	<u>168,453</u>	<u>239,989</u>
Change in Net Position (Budget Basis)	<u>\$ (2,523,571)</u>	<u>(2,022,851)</u>	<u>\$ 500,720</u>	<u>(2,194,288)</u>
Budget to GAAP Reconciliation				
Principal Paid		-		1,326,801
Depreciation Expense		(481,101)		(464,224)
Capital Outlay		<u>2,483,061</u>		<u>1,200,745</u>
Change in Net Position - GAAP Basis		(20,891)		(130,966)
Net Position, Beginning		<u>11,888,610</u>		<u>12,019,576</u>
Net Position, Ending		<u>\$ 11,867,719</u>		<u>\$ 11,888,610</u>

See accompanying Independent Auditors' Report.