

**MID VALLEY METROPOLITAN
DISTRICT**

**FINANCIAL STATEMENTS
December 31, 2020**



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

Independent Auditor's Report	a - b
Management's Discussion and Analysis	i - v
Basic Financial Statements	
Statement of Net Position	1
Statement of Revenues, Expenses and Changes in Fund Net Position	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 13
Supplementary Information	
Budgetary Comparison Schedule - (Non-GAAP Basis) with Reconciliation to GAAP Basis	14 - 16



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mid Valley Metropolitan District
Basalt, Colorado

We have audited the accompanying financial statements of the Mid Valley Metropolitan District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mid Valley Metropolitan District as of December 31, 2020, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Comparative Financial Information

The comparative financial information for the prior year has been presented in the accompanying financial statements in order to provide an analysis of changes in the District's financial position and operations. However, complete comparative financial information has not been presented in accordance with generally accepted accounting principles since its inclusion would make the financial statements cumbersome and difficult to read. The comparative financial information for the year ended December 31, 2019, by which a report dated July 15, 2020, expressed an unmodified opinion.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i – v be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Logan and Associates, LLC

Aurora, Colorado
May 19, 2021

**MID VALLEY METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2020**

This management's discussion and analysis of the Mid Valley Metropolitan District's (MVMD) financial statements provide an overview of the District's financial activities for the fiscal year ending December 31, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial and operational performance.

Mid Valley Metropolitan District was able to mitigate the impact of the COVID-19 pandemic and continued operations with minimal disruption. The District experienced minimal stress on income and continued in a growth pattern as developers on four large Block projects continued existing projects underway.

Design and construction of Block 11 North is now complete and 49 new free market apartments and additional commercial space is now online. The Aspen Ski Company Block 9 Apartment Building is nearing completion and should be occupied come this fall. In addition, the Ski Company owned Aspen Basalt Campground and adjoining Aspen Basalt Mobile Home Park have now joined the District's water system adding an additional 130 homes. The new Steadman/Vail Health medical complex is well underway and completion is expected in 2022.

The Tree Farm project has completed installation of utilities in Phase 2 and final roadway work is underway. Vertical development is expected to begin by the end of 2021. Plans include 6 apartment buildings, a senior (55+) housing complex and a hotel with over 400 additional units planned.

Infill continues in both Shadowrock and the Sopris Meadow single family homes with real estate extremely busy throughout the mid-valley area.

This growth and associated tap fees continue to strengthen the District's balance sheet providing financial stability for the future of the District. We continue to plan, adjust and implement capital projects as needed to meet our future infrastructure needs.

The District continues in a healthy position.

Financial Highlights

The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,072,078 (the Statement of Net Position). Of this amount \$10,756,672 was invested in capital assets of the District and may not be used to meet the District's ongoing obligations to citizens and creditors.

In 2020, the District's total net position increased by \$847,937.

Overview of the Financial Statements

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*. The basic financial statements

include *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.

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

Government-wide Statements

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

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, *increases or decreases* in the District's Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, however, such as changes in the district's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District.

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

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

Statement of Net Position

By far the largest portion of the District's Net Position (56%) reflects its investment in capital assets (e.g., land, water rights, distribution/ collection systems. water augmentation. vehicles, irrigation systems and furniture and fixtures). The District uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

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

Comparative Statements of Net Position as of December 31:

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current and Other Assets	\$ 8,614,129	\$ 7,980,545
Capital Assets, Net	<u>10,756,672</u>	<u>10,542,543</u>
Total Assets	<u>19,370,801</u>	<u>18,523,088</u>
<u>LIABILITIES</u>		
Current Liabilities	<u>258,669</u>	<u>261,066</u>
Total Liabilities	<u>258,669</u>	<u>261,066</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Property Tax Revenue	40,054	37,881
<u>NET POSITION</u>		
Net Investment in Capital Assets	10,756,672	10,542,543
Restricted for Emergencies	53,100	47,200
Restricted for Conservation Trust	51,634	51,634
Unrestricted	<u>8,210,672</u>	<u>7,582,764</u>
Total Net Position	<u>\$ 19,072,078</u>	<u>\$ 18,224,141</u>

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

	<u>2020</u>	<u>2019</u>
<u>REVENUES</u>		
OPERATING REVENUES		
Charges for Services		
Water system	\$ 598,858	\$ 562,257
Waste Water System	940,138	924,263
Miscellaneous	<u>7,992</u>	<u>23,875</u>
Total Operating Revenues	1,546,988	1,510,395
OPERATING EXPENSES		
Water System	276,892	200,563
Waste Water System	286,749	310,611
Administration	649,248	601,448
Depreciation	<u>556,192</u>	<u>457,915</u>
Total Operating Expenses	<u>1,769,081</u>	<u>1,570,537</u>
Operating Income (Loss)	<u>(222,093)</u>	<u>(60,142)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	37,727	35,680
Specific Ownership Taxes	1,909	1,946
Conservation Trust Fund	10,689	11,917
Rental Income	5,950	0
Investment Income	<u>54,929</u>	<u>139,141</u>
Total Non-Operating Revenues (Expenses)	<u>111,204</u>	<u>188,684</u>
Income (Loss) Before Capital Contributions	<u>(110,889)</u>	<u>128,542</u>
CAPITAL CONTRIBUTIONS		
System Development Fees - Water	364,310	133,908
System Development Fees - Waste Water	594,516	293,218
Capital Contribution – Developer	<u>0</u>	<u>1,150,277</u>
Total Capital Contributions	<u>958,826</u>	<u>1,577,403</u>
Change in Net Position	<u>847,937</u>	<u>1,705,945</u>
Net Position, Beginning of Year	<u>18,224,141</u>	<u>16,518,196</u>
NET POSITION, END OF YEAR	<u>\$ 19,072,078</u>	<u>\$ 18,224,141</u>

The District's three primary sources of revenues are from charges for services, system development fees and taxes. These revenues are used to pay the cost of the general government and the cost of the water and waste water systems. The District operated with an increase in Net Position in both 2020 and 2019.

Budgetary Highlights

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

Resources (Inflows)

The District's final budgetary revenues and other financing sources in the amount of \$2,617,018 were more than budget expectations of \$2,368,690 by \$248,328, or 10.5%. The positive variance is the result of increased water system, waste water system development fees and service charges and investment income.

Charges to Appropriations (Outflows)

The District's final budgetary expenditures and other financing uses in the amount of \$1,983,210 were \$2,110,484 less than the appropriated balance of \$4,093,694. Significant savings occurred in budgeted water system, waste water system and administrative capital expenditures.

Capital Assets

During 2020, the District had additions of \$770,321 to its capital assets. The significant additions included construction and improvements to the waste water treatment facility. Current year depreciation of \$556,192 was an increase of \$98,277 from the prior year, primarily related to construction of the new water tank in the prior year. Total capital assets balance at December 31, 2020 was \$10,756,672. See Note 5.

Economic Factors and Next Year's Budget

It is anticipated COVID-19 will have impacts on the economy as a whole which will include financial impacts to the District, however the extent of such impact continues to be unknown at this time.

Contacting the District's Financial Management

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

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

BASIC FINANCIAL STATEMENTS

MID VALLEY METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2020

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,650,825	\$ 2,294,521
Investments - Short-term	5,709,036	4,933,682
Accounts Receivable - Service Charges	213,884	161,108
Accounts Receivable - Other	155	172
Property Taxes Receivable	40,054	37,881
Purchased Tap Fees, Current Portion	-	75,227
Prepaid Insurance	-	41,455
Security Deposits	175	175
Total Current Assets	<u>8,614,129</u>	<u>7,544,221</u>
Noncurrent Assets		
Purchased Tap Fees Receivable	-	436,324
Capital Assets		
Capital Assets, Not Being Depreciated	578,071	578,071
Capital Assets, Net of Accumulated Depreciation	<u>10,178,601</u>	<u>9,964,472</u>
Total Capital Assets	<u>10,756,672</u>	<u>10,542,543</u>
 TOTAL ASSETS	 <u>19,370,801</u>	 <u>18,523,088</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	54,344	64,440
Retainage Payable	-	30,162
Accrued Salaries, Wages and Related Liabilities	26,074	18,063
Inspection, Line Extension and Rental Deposits	167,843	137,993
Compensated Absences Payable - Current Portion	<u>10,408</u>	<u>10,408</u>
 TOTAL LIABILITIES	 <u>258,669</u>	 <u>261,066</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes	<u>40,054</u>	<u>37,881</u>
NET POSITION		
Investment in Capital Assets	10,756,672	10,542,543
Restricted for Emergency Reserve	53,100	47,200
Restricted for Conservation Trust Fund	51,634	51,634
Unrestricted	<u>8,210,672</u>	<u>7,582,764</u>
 TOTAL NET POSITION	 <u>\$ 19,072,078</u>	 <u>\$ 18,224,141</u>

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

MID VALLEY METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

Year Ended December 31, 2020

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges for Services		
Water System	\$ 598,858	\$ 562,257
Waste Water System	940,138	924,263
Miscellaneous	7,992	23,875
	<u>1,546,988</u>	<u>1,510,395</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Water System	276,892	200,563
Waste Water System	286,749	310,611
Administration	649,248	601,448
Depreciation	556,192	457,915
	<u>1,769,081</u>	<u>1,570,537</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	<u>(222,093)</u>	<u>(60,142)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	37,727	35,680
Specific Ownership Taxes	1,909	1,946
Conservation Trust Fund	10,689	11,917
Rental Income	5,950	-
Investment Income	54,929	139,141
	<u>111,204</u>	<u>188,684</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)		
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(110,889)	128,542
CAPITAL CONTRIBUTIONS		
System Development Fees - Water	364,310	133,908
System Development Fees - Waste Water	594,516	293,218
Capital Contribution - Developer	-	1,150,277
	<u>958,826</u>	<u>1,577,403</u>
TOTAL CAPITAL CONTRIBUTIONS		
CHANGE IN NET POSITION	847,937	1,705,945
NET POSITION, Beginning	<u>18,224,141</u>	<u>16,518,196</u>
NET POSITION, Ending	<u>\$ 19,072,078</u>	<u>\$ 18,224,141</u>

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

MID VALLEY METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS
 Increase (Decrease) in Cash and Cash Equivalents
 Year Ended December 31, 2020

	<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 1,516,070	\$ 1,486,202
Miscellaneous Receipts	7,992	23,875
Cash Payments to Employees	(349,407)	(334,915)
Cash Payments to Suppliers	(824,112)	(763,875)
Net Cash Provided by Operating Activities	<u>350,543</u>	<u>411,287</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Property Taxes Received	37,727	35,680
Specific Ownership Taxes Received	1,926	1,959
Rental Income Received	5,950	-
Net Cash Provided by Non-Capital Financing Activities	<u>45,603</u>	<u>37,639</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from Purchased Tap Fees Receivable	511,551	666,101
Acquisition of Capital Assets	(800,483)	(1,089,166)
Cash Received from Conservation Trust Fund	10,689	11,917
System Development Fees Received	958,826	427,126
Net Cash Provided by Capital and Related Financing Activities	<u>680,583</u>	<u>15,978</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>54,929</u>	<u>139,141</u>
Increase in Cash and Cash Equivalents	1,131,658	604,045
CASH AND CASH EQUIVALENTS, Beginning	<u>7,228,203</u>	<u>6,624,158</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 8,359,861</u>	<u>\$ 7,228,203</u>
SUMMARY OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 2,650,825	\$ 2,294,521
Investments - Short-term	<u>5,709,036</u>	<u>4,933,682</u>
Total Cash and Cash Equivalents	<u>\$ 8,359,861</u>	<u>\$ 7,228,203</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (222,093)	\$ (60,142)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	556,192	457,915
Changes in Assets and Liabilities		
Accounts Receivable - Service Charges	(52,776)	15,551
Prepaid Insurance	41,455	(12,129)
Accounts Payable	(10,096)	23,406
Accrued Salaries and Benefits	8,011	1,891
Inspection and Line Extension Deposits	29,850	(15,869)
Compensated Absences Payable	-	664
Net Cash Provided by Operating Activities	<u>\$ 350,543</u>	<u>\$ 411,287</u>
NON-CASH CAPITAL ACTIVITIES		
Contributed Water & Sewer Lines - Developer	<u>\$ -</u>	<u>\$ 1,150,277</u>

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

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Fund Accounting

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Assets, Liabilities and Net Position

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

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

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

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

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

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has an item related to pensions that is reported as deferred inflows of resources at December 31, 2020.

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

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

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

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

Use of Estimates

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

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2020 through May 19, 2021, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

- The budget is legally adopted by the District. The budget is adopted on a non-GAAP budgetary basis. Capital outlay and long-term debt principal payments are budgeted as expenditures, and depreciation, and amortization of debt issue costs are not budgeted.
- In September, management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1.
- The operating budget includes proposed expenditures and the means of financing them.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any revisions that alter the total expenditures of the fund must be approved by the Board of Directors.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2020, follows:

Petty Cash	\$	150
Cash Deposits		2,650,675
Investments		<u>5,709,036</u>
Total		<u>\$ 8,359,861</u>

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

Cash and Cash Equivalents	\$	2,650,825
Investments – Short-term		<u>5,709,036</u>
Total		<u>\$ 8,359,861</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2020, the District had bank deposits totaling \$2,644,268 of which \$2,144,268, were collateralized with securities held by the financial institutions' agents but not in their name.

Investments

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

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

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

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

At December 31, 2020, the District had the following investment:

	<u>Maturity</u>	<u>2020</u>
Colorado Liquid Asset Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 5,709,036</u>

The District invested in the Colorado Government Liquid Asset Trust (COLOTRUST) (the “Trust”), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers share in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as the safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard and Poor’s. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4: PURCHASED TAP FEES RECEIVABLE

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

Sewer tap fees for 370.26 EQRs for \$1,421,214, with monthly principal and interest payments of \$8,711 through December 2033. Interest accrues at the prime rate, currently at 4.00%, recalculated each January. During the year ended December 31, 2020, the District received payment in full for the remaining purchased tap fees receivable.

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020, is summarized below:

	Balances 12/31/2019	Additions	Deletions	Balances 12/31/2020
Capital Assets, not being depreciated				
Land	\$ 303,487	\$ -	\$ -	\$ 303,487
Water Rights	274,584	-	-	274,584
Total Capital Assets, not being depreciated	<u>578,071</u>	<u>-</u>	<u>-</u>	<u>578,071</u>
Capital Assets, being depreciated				
Water Treatment Plant	6,791,046	46,874	-	6,837,920
Waste Water Treatment Plant	11,551,280	591,055	-	12,142,335
Water Augmentation	166,683	-	-	166,683
Irrigation System	124,458	-	-	124,458
Vehicles	544,047	72,246	-	616,293
Furniture and Equipment	92,303	60,146	-	152,449
Total Capital Assets, being depreciated	<u>19,269,817</u>	<u>770,321</u>	<u>-</u>	<u>20,040,138</u>
Less accumulated depreciation				
Water Treatment Plant	(3,489,951)	(174,163)	-	(3,664,114)
Waste Water Treatment Plant	(5,239,732)	(324,236)	-	(5,563,968)
Water Augmentation	(90,817)	(7,600)	-	(98,417)
Irrigation System	(124,458)	-	-	(124,458)
Vehicles	(281,713)	(43,615)	-	(325,328)
Furniture and Equipment	(78,674)	(6,578)	-	(85,252)
Total accumulated depreciation	<u>(9,305,345)</u>	<u>(556,192)</u>	<u>-</u>	<u>(9,861,537)</u>
Total Capital Assets, being depreciated, net	<u>9,964,472</u>	<u>214,129</u>	<u>-</u>	<u>10,178,601</u>
Total Capital Assets, net	<u>\$ 10,542,543</u>	<u>\$ 214,129</u>	<u>\$ -</u>	<u>\$ 10,756,672</u>

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

Water System	\$ 174,163
Waste Water System	324,236
Administration	<u>57,793</u>
Total	<u>\$ 556,192</u>

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 6: RETIREMENT COMMITMENTS

Defined Contribution Pension Plan

The District has a 403(b) single employer defined contribution pension plan available to its employees. The Plan is administered by Primerica Shareholder Services. The District is not required to match employee contributions to the Plan. Employees become 100% vested in the District's contributions and earnings immediately. For the year ended December 31, 2020, employee contributions were \$26,315 and the District recognized pension expense of \$2,825.

NOTE 7: RISK MANAGEMENT

Public Entity Risk Pool

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

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

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

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

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 8: COMMITMENTS AND CONTINGENCIES

Operating Lease

The District leases office space on a month-to-month basis for its administrative operations. The original lease, dated September 17, 2002, was extended for two years on April 1, 2013 and extended again on April 1, 2015, maturing March 31, 2019. On January 7, 2020, the lease was renewed to include additional office space and for a period of two years through December 31, 2021. Monthly lease payments of \$3,052 (\$1,362 for Suite A and \$1,690 for Suite B) are due the 1st day of each month. Total lease expense paid for the year ended December 31, 2020 was \$36,881. Following is the required future lease payments as of December 31, 2020:

2021	<u>\$ 36,624</u>
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During 2020, the District sub-leased a portion of the additional office space. The lease term coincides with the master lease agreement, through December 31, 2021. The District receives monthly lease payments of \$850. The District reported rental income of \$5,950 for the year ended December 31, 2020.

Tabor Amendment

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

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District has made certain interpretations of the Amendment's language in order to determine compliance. The District's management believes a significant portion of its operations qualifies for the "enterprise" exclusion allowed by the Amendment. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending, as required by the Amendment. At December 31, 2020, the emergency reserve of \$53,100, was reported as a restriction of net position in the statement of net position.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Uncertainty – Coronavirus Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken by government and public health officials to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets in many countries, including the geographical area in which the District is located. It is unknown how long these conditions will last and what the complete financial impact will be to the District.

SUPPLEMENTARY INFORMATION

MID VALLEY METROPOLITAN DISTRICT

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

Year Ended December 31, 2020

(With Comparative Actual Totals for the Year Ended December 31, 2019)

	2020			2019
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
REVENUES				
Water System				
Water Service Charges	\$ 542,500	\$ 598,858	\$ 56,358	\$ 562,257
System Development Fees	338,624	364,310	25,686	133,908
Waste Water System				
Sewer Service Charges	898,000	940,138	42,138	924,263
System Development Fees	369,408	594,516	225,108	293,218
Taxes				
Property Taxes	37,981	37,727	(254)	35,680
Specific Ownership Taxes	1,705	1,909	204	1,946
Conservation Trust Fund	10,000	10,689	689	11,917
Investment Income	160,472	54,929	(105,543)	139,141
Rental Income	-	5,950	5,950	-
Miscellaneous	10,000	7,992	(2,008)	23,875
TOTAL REVENUES	2,368,690	2,617,018	248,328	2,126,205
EXPENDITURES				
Water System				
Source of Supply	38,500	22,777	15,723	20,583
Treatment	154,450	166,119	(11,669)	126,133
Transmission and Distribution	86,500	40,826	45,674	44,982
Non-capital expenditures	-	11,926	(11,926)	8,865
Special Projects	45,000	35,244	9,756	-
Capital Outlay	709,000	46,874	662,126	944,107
Contingency	60,000	-	60,000	-
Total Water System	1,093,450	323,766	769,684	1,144,670
Waste Water System				
Collection and Transmission	24,450	21,280	3,170	21,050
Treatment	202,800	213,876	(11,076)	200,691
Sludge	79,000	42,173	36,827	75,613
Non-capital expenditures	30,000	6,542	23,458	11,480
Special Projects	10,000	2,878	7,122	1,777
Capital Outlay	1,105,000	591,055	513,945	123,220
Contingency	50,000	-	50,000	-
Total Waste Water System	1,501,250	877,804	623,446	433,831

(Continued)

See the accompanying Independent Auditor's Report.

MID VALLEY METROPOLITAN DISTRICT

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

Year Ended December 31, 2020

(With Comparative Actual Totals for the Year Ended December 31, 2019)

	2020			2019
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
EXPENDITURES (Continued)				
Administration				
Salaries and Benefits	\$ 405,245	\$ 357,418	\$ 47,827	\$ 337,470
Advertising	5,000	3,287	1,713	3,398
Accounting and Auditing	25,000	18,428	6,572	19,873
Bank and Credit Card Fees	10,000	11,050	(1,050)	12,855
Communications	6,500	4,801	1,699	7,829
County Treasurers Fees	1,137	1,111	26	1,051
Directors Fees	6,500	5,400	1,100	5,700
Dues and Subscriptions	9,000	9,640	(640)	11,662
Engineering and Consulting	30,000	57,198	(27,198)	44,618
Health Insurance	49,500	33,530	15,970	43,697
Insurance and Bonds	39,000	42,647	(3,647)	35,091
Legal Fees	20,000	30,066	(10,066)	27,586
Miscellaneous	18,700	4,157	14,543	5,797
Office Expenses	13,500	10,327	3,173	9,023
Rent	24,912	36,881	(11,969)	15,276
Utilities	2,000	378	1,622	1,832
Vehicle Expenses	13,000	6,251	6,749	7,062
Non-capital expenditures	35,000	1,678	33,322	4,966
Conservation Trust Fund	10,000	15,000	(5,000)	6,662
Capital Outlay	675,000	132,392	542,608	52,001
Contingency	100,000	-	100,000	-
Total Administration	1,498,994	781,640	717,354	653,449
TOTAL EXPENDITURES	4,093,694	1,983,210	2,110,484	2,231,950
CHANGE IN NET POSITION, Budgetary Basis	\$ (1,725,004)	\$ 633,808	\$ 2,358,812	\$ (105,745)

(Continued)

See the accompanying Independent Auditor's Report.

MID VALLEY METROPOLITAN DISTRICT

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

Year Ended December 31, 2020

(With Comparative Actual Totals for the Year Ended December 31, 2019)

	2020		VARIANCE Positive (Negative)	2019
	ORIGINAL AND FINAL BUDGET	ACTUAL		ACTUAL
CHANGE IN NET POSITION, Budgetary Basis	<u>\$ (1,725,004)</u>	\$ 633,808	<u>\$ 2,358,812</u>	\$ (105,745)
ADJUSTMENTS TO GAAP BASIS				
Capital Contributions - Developer		-		1,150,277
Capital Outlay				
Water System		46,874		944,107
Waste Water System		591,055		123,220
Administration		132,392		52,001
Depreciation				
Water System		(174,163)		(127,190)
Waste Water System		(324,236)		(281,301)
Administration		(57,793)		(49,424)
CHANGE IN NET POSITION, GAAP Basis		847,937		1,705,945
NET POSITION, Beginning		<u>18,224,141</u>		<u>16,518,196</u>
NET POSITION, Ending		<u>\$ 19,072,078</u>		<u>\$ 18,224,141</u>

See the accompanying Independent Auditor's Report.