

GRAND MESA METROPOLITAN DISTRICT #2

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

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**INDEPENDENT AUDITOR'S REPORT**

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

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of Grand Mesa Metropolitan District #2 (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of Grand Mesa Metropolitan District #2, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial



likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

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

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

August 26, 2022

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

This management's discussion and analysis of the Grand Mesa Metropolitan District #2 financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

Government-wide Statements

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

These two statements report the District's *net position/net assets* and changes in them. The District's net position – the difference between assets and liabilities – are one way to measure the District's financial health. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District.

Fund Financial Statements

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

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

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

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a discussion of portions of the District’s net position for the fiscal years 2021 and 2020.

Years ended December 31,	2021	2020
Current Assets	\$ 882,270	\$ 1,219,738
Capital Assets	1,674,057	1,215,359
Total Assets	2,556,327	2,435,097
Current Liabilities	168,061	96,222
Non-Current Liabilities	344,801	358,323
Total Liabilities	512,862	454,545
Deferred Inflows	185,835	192,440
Total Deferred Inflows	185,835	192,440
Net Position		
Restricted - Tabor	13,950	12,000
Invested in Capital Assets	1,674,057	1,215,359
Unrestricted	169,623	560,753
Total Net Position	\$ 1,857,630	\$ 1,788,112

The District shows an increase of \$69,518 in Net Position primarily due to the completed portion of the wastewater improvement project currently in progress which is reflected as an increase in the Capital Assets. Current Assets decreased by \$337,468 which is the result of a decrease in cash at the end of 2021. The increase in capital assets of \$458,698 is a result of the Construction in Progress for the wastewater improvements. The decrease in Non-Current Liabilities is a result of payments reducing the State Revolving Fund Loan that was secured by the District for the wastewater improvement project.

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2021

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The statement of activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting those services. The following detail reflects the total cost of services supported by program revenues and general property taxes, as well as other general revenues, resulting in the overall change in net assets for the fiscal years 2021 and 2020.

	2021	2020
Expenses	\$ (383,125)	\$ (346,780)
Charges for Services	137,580	148,690
Grants & Contributions	94,211	17,754
Total Governmental Activities	(151,334)	(180,336)
Property Tax	193,040	201,546
Specific Ownership Tax	27,382	28,675
Interest Income	430	666
Total General Revenue	220,852	230,887
Change in Net Position	69,518	50,551
Beginning Net Position	1,788,112	1,737,561
Prior Period Adjustment	-	-
Ending Net Position	\$ 1,857,630	\$ 1,788,112

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

The District’s operations resulted in positive change in Net Position for 2021 and 2020. Total expenses during 2021 were \$36,345 more than the prior year which is a result of increased professional fees for engineering, legal and accounting related to negotiations with CDPHE in relation to the Notice of Violation. Net charges for services decreased \$707 during 2021 as a net result of increased charges for water and sewer and a decrease in tap fees sold.

THE DISTRICT’S FUNDS

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

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

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note A* of the financial statements. No amended budgets were adopted by the District during fiscal year 2021.

General Fund Resources (Inflows)

The District's actual revenues in the amount of \$452,643 were less than the expectations of \$839,951 by \$387,308. This reduction in expected revenues was due to timing of grant and loan funds received by the District. The timing of the construction project has been delayed due to weather issues.

General Fund Charges to Appropriations (Outflows)

The District's final budgetary expenditures of \$855,345 were \$280,187 less than the appropriated balance of \$1,135,532. The decrease in expected expenditures is primarily due to construction delays.

CAPITAL ASSETS

At the end of 2021, the District had a total of \$1,674,057 invested in capital assets. This included capital outlay during 2021 of \$501,441 which included the wastewater improvements in process.

DEBT ADMINISTRATION

At December 31, 2021, the District has debt outstanding in the amount of \$358,323 which is an interest free loan from the Colorado Water Resources & Power Development Authority. See Note E for more information regarding the outstanding debt.

Contacting the District's Financial Management

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

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

Grand Mesa Metropolitan District #2

STATEMENT OF NET POSITION

For the year ended December 31, 2021

	<u>Governmental Activities</u>
Assets	
Cash	\$ 182,611
Restricted cash, held in escrow	400,000
Accounts receivable	36,824
Property taxes receivable	185,835
Inventory, taps	77,000
Capital assets, net of accumulated depreciation	1,674,057
Total assets	<u>2,556,327</u>
Liabilities	
Current liabilities	
Accounts payable	154,539
Total current liabilities	<u>154,539</u>
Long-term liabilities	
Due within one year	13,522
Due in more than one year	344,801
Total liabilities	<u>512,862</u>
Deferred inflows of resources	
Property taxes	185,835
Net position	
Net investment in capital assets	1,674,057
Restricted for TABOR	13,950
Unrestricted	169,623
Total net position	<u>\$ 1,857,630</u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

Function/Programs	Expenses	Program revenues		Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 383,125	\$ 137,580	\$ -	\$ 94,211
	<u>\$ 383,125</u>	<u>\$ 137,580</u>	<u>\$ -</u>	<u>\$ 94,211</u>
			Property tax	193,040
			Specific ownership tax	27,382
			Interest income	430
			Total general revenues	<u>220,852</u>
			Change in net position	69,518
			Net position, beginning	<u>1,788,112</u>
			Net position, ending	<u>\$ 1,857,630</u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

BALANCE SHEET - GOVERNMENTAL FUND

For the year ended December 31, 2021

Assets			
Cash and cash equivalents		\$	182,611
Cash held in escrow			400,000
Accounts receivable			36,824
Property taxes receivable			185,835
Inventory, taps			77,000
	Total assets		<u>882,270</u>
Liabilities			
Accounts payable			154,539
	Total liabilities		<u>154,539</u>
Deferred inflows of resources			
Property taxes			185,835
	Total deferred inflows		<u>185,835</u>
Fund balance			
Nonspendable			
Inventory			77,000
Restricted for			
TABOR			13,950
Committed for:			
Capital expenditures			298,922
Future road repairs			12,000
Unassigned			140,024
	Total fund balance	\$	<u><u>541,896</u></u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

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

For the year ended December 31, 2021

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

Total fund balance - governmental funds	\$	541,896
Long term capital assets are expensed as capital outlay in the funds but are capitalized in the government wide statements and amortized as depreciation expense over their expected useful lives.		1,674,057
Long-term liabilities are not due and payable in the current period and therefore are not recognized in the funds.		<u>(358,323)</u>
Net position of governmental activities	\$	<u><u>1,857,630</u></u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

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

For the year ended December 31, 2021

	General Fund
Revenues	
Taxes	\$ 220,422
Intergovernmental revenues	94,211
Utility revenue	116,892
Emergency medical services	9,875
Taps sold	10,000
Interest earnings	430
Miscellaneous income	813
Total revenues	<u>452,643</u>
Expenditures	
General government	
Administrative	80,226
Sewer system	124,602
Water system	64,511
Trash removal	19,294
Snow removal	25,000
Emergency medical services	19,749
Principal payments on debt	13,522
Capital outlay	501,441
Cost of tap fees sold	7,000
Total expenditures	<u>855,345</u>
Excess of revenues over expenditures	(402,702)
Fund balance - beginning of year	944,598
Fund balance - end of year	<u>\$ 541,896</u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

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

For the year ended December 31, 2021

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

Net Change in Fund Balances - Governmental Fund \$ (402,702)

Long term capital assets are expensed as capital outlay in the
funds but are capitalized in the government wide statements and
amortized over their useful lives as depreciation expense. This
is the amount by which capital outlays exceeded
depreciation expense in the current year: 458,698

Payment on long term debt are expenditures in the funds but decrease long-term
debt in the government-wide statements. 13,522

Change in net position of governmental activities \$ 69,518

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

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

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

2. Reporting Entity

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

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

3. Government-wide and Fund Financial Statements

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

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

4. Fund Accounting

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

Governmental Fund

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

The District reports the following major governmental fund:

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

5. Measurement Focus and Basis of Accounting

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

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-term Economic Focus and Accrual Basis

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

Current Financial Focus and Modified Accrual Basis

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

6. Budgets

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

The annual budget is prepared and approved by the Board of Directors. The budget is submitted to the County Commissioners by December 15, after the District’s Board approves and appropriates the budget. The Board may amend the appropriation at any time during the year if conditions so warrant. No supplemental appropriations were made for 2021.

7. Capital Assets

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

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

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Long-Term Obligations

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

9. Property Taxes Receivable

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

10. Use of Estimates

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

11. Inventory

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

12. Fund Balances

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

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

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

NOTE B – CASH

Cash consists of the following:

Cash in checking	\$ 126,240
Cash in savings	56,371
Total cash	<u>\$ 182,611</u>

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

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

All of the District’s deposits are covered by FDIC and PDPA at December 31, 2021.

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 follows:

	Balance at January 1, <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2021</u>
Governmental Activities				
Capital assets not being depreciated				
Construction in progress	\$ 616,089	\$ 501,695	\$ –	\$ 1,117,784
Capital assets being depreciated				
Equipment	24,530	–	–	24,530
Land Improvements	11,730	–	–	11,730
Waste Management Equipment	669,679	–	–	669,679
Water Distribution System	<u>145,971</u>	<u>–</u>	<u>–</u>	<u>145,971</u>
Total capital assets being depreciated	851,910	–	–	851,910
Less accumulated depreciation	(252,639)	(42,998)	–	(295,637)
Total capital assets, being depreciated, net	<u>599,270</u>	<u>(42,998)</u>	<u>–</u>	<u>556,273</u>
Government-type capital assets, net	<u>\$ 1,215,359</u>	<u>\$ 458,697</u>	<u>\$ –</u>	<u>\$ 1,674,057</u>

Depreciation expense is allocated 100% to public works.

NOTE D – PROPERTY TAX

Revenue Recognized in 2021

Local property taxes levied in 2020 and collected in 2021 are recognized as revenue in these financial statements as shown below:

	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Amount of Taxes</u>		<u>Percent Collected</u>
			<u>Levied</u>	<u>Collected</u>	
General Fund	\$ 3,820,750	50.367	\$192,440	\$191,360	99.44%

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE E – LONG-TERM DEBT

Changes in long-term debt for the year ended December 31, 2021 were as follows:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021
CWRPDA Loan	<u>\$ 371,845</u>	<u>-</u>	<u>\$ (13,522)</u>	<u>\$ 358,323</u>

Water Pollution Control Revolving Fund – Direct Loan

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

	Principal	Interest	Total
2022	\$ 13,522	\$ -	\$ 13,522
2023	13,522	-	13,522
2024	13,522	-	13,522
2025	13,522	-	13,522
2026	13,522	-	13,522
2027-2031	67,608	-	67,608
2032-2036	67,608	-	67,608
2037-2041	67,608	-	67,608
2042-2046	67,608	-	67,608
2047-2048	20,282	-	20,282
Total	<u>\$ 358,324</u>	<u>\$ -</u>	<u>\$ 358,324</u>

NOTE F– TAX, SPENDING AND DEBT LIMITATION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

NOTE G – DEFERRED INFLOWS OF RESOURCES

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

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – DEFERRED INFLOWS OF RESOURCES – CONTINUED

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

NOTE H – CONTINGENCIES

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

NOTE I – RISK MANAGEMENT

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

Grand Mesa Metropolitan District #2

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

For the year ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 220,940	\$ 220,422	\$ (518)
Utility revenue	105,820	116,892	11,072
Emergency medical services	9,875	9,875	-
Intergovernmental revenue	500,000	94,211	(405,789)
Tap fees sold	-	10,000	10,000
Interest earnings	700	430	(270)
Miscellaneous income	2,616	813	(1,803)
Total revenue	<u>839,951</u>	<u>452,643</u>	<u>(387,308)</u>
Expenditures			
General government			
Administrative	77,661	80,226	(2,565)
Sewer system	61,250	124,602	(63,352)
Water system	58,350	64,511	(6,161)
Trash removal	13,000	19,294	(6,294)
Snow removal	25,000	25,000	-
Emergency medical services	19,749	19,749	-
Road repair and maintenance	12,000	-	12,000
Debt principal	13,522	13,522	-
Capital outlay	855,000	501,441	353,559
Cost of tap fees sold	-	7,000	(7,000)
Total expenditures	<u>1,135,532</u>	<u>855,345</u>	<u>280,187</u>
Excess of revenues over (under) expenditures	(295,581)	(402,702)	(107,121)
Fund balance - beginning of year	<u>562,830</u>	<u>944,598</u>	<u>381,768</u>
Fund balance - end of year	<u>\$ 267,249</u>	<u>\$ 541,896</u>	<u>\$ 274,647</u>