

**MESA CORTINA
WATER AND SANITATION DISTRICT**

**FINANCIAL STATEMENTS
December 31, 2021**



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

Independent Auditor's Report	a - c
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 Financial Statements	4 - 13
Supplementary Information	
Budgetary Comparison Schedule – (Non-GAAP Basis) with Reconciliation to GAAP Basis	14



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mesa Cortina Water and Sanitation District
Summit County, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Mesa Cortina Water and Sanitation District, which comprise the statement of net position as of December 31, 2021, and the related statement of revenues, expenses and changes in fund net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Mesa Cortina Water and Sanitation District as of December 31, 2021, and the respective changes in financial position and its cash flows 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 (GAAS). 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 Mesa Cortina Water and Sanitation District, and to meet our 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 the 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 GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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

Management has omitted the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying budgetary comparison schedule – (non-GAAP basis) with reconciliation to GAAP basis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 – (non-GAAP basis) with reconciliation to GAAP basis is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Logan and Associates, LLC

Aurora, Colorado
June 28, 2022

BASIC FINANCIAL STATEMENTS

MESA CORTINA WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 860,493
Cash and Cash Equivalents - Restricted	78,083
Accounts Receivable - Service Charges	99,928
Total Current Assets	<u>1,038,504</u>

Noncurrent Assets

Investment in Silverthorne/Dillon Joint Sewer Authority	130,424
Total Noncurrent Assets	<u>130,424</u>

Capital Assets

Capital Assets, Net of Accumulated Depreciation	<u>1,101,941</u>
---	------------------

TOTAL ASSETS

2,270,869

LIABILITIES

Current Liabilities

Accounts Payable	188,158
Retainage Payable	48,914
Accrued Liabilities	216
Note Payable, Current Portion	32,876
Total Current Liabilities	<u>270,164</u>

Noncurrent Liabilities

Note Payable	556,555
Total Noncurrent Liabilities	<u>556,555</u>

TOTAL LIABILITIES

826,719

NET POSITION

Net Investment in Capital Assets	512,510
Restricted for Capital Improvements	78,083
Unrestricted	853,557
	<u>853,557</u>

TOTAL NET POSITION

\$ 1,444,150

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

MESA CORTINA WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
 Years Ended December 31, 2021

OPERATING REVENUES	
Charges for Services	
Water System	\$ 204,769
Wastewater System	192,068
Meter Sales	400
Miscellaneous	22,431
	<hr/>
TOTAL OPERATING REVENUES	419,668
	<hr/>
OPERATING EXPENSES	
Water Operations	124,904
Sewer Operations	100,122
Administration	66,433
Inspection	321
Depreciation - Water	37,277
Depreciation - Sewer	11,820
	<hr/>
TOTAL OPERATING EXPENSES	340,877
	<hr/>
OPERATING INCOME (LOSS)	78,791
	<hr/>
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	179
Net Income from Joint Sewer Authority	2,796
Alpine Bank Loan - Interest and Fiscal Charges	(6,336)
Loan Origination Costs	(14,350)
	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(17,711)
	<hr/>
INCOME BEFORE CAPITAL CONTRIBUTIONS	61,080
	<hr/>
CAPITAL CONTRIBUTIONS	
Tap Fees - Water	5,994
Tap Fees - Sewer	10,744
	<hr/>
TOTAL CAPITAL CONTRIBUTIONS	16,738
	<hr/>
CHANGE IN NET POSITION	77,818
NET POSITION, Beginning	1,366,332
	<hr/>
NET POSITION, Ending	\$ 1,444,150
	<hr/> <hr/>

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

MESA CORTINA WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
Years Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 389,323
Miscellaneous Receipts	22,431
Cash Payments to Suppliers	(336,804)
Net Cash Provided by Operating Activities	<u>74,950</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash Received from Tap Fees	16,738
Acquisition of Capital Assets	(315,361)
Alpine Bank Loan Proceeds	600,000
Alpine Bank Loan - Principal Paid	(79,632)
Alpine Bank Loan - Interest and Fiscal Charges	(6,336)
Alpine Bank Loan - Loan Origination Costs	(14,350)
Net Cash Provided by Capital and Related Financing Activities	<u>201,059</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Investment Activity	179
Net Cash Provided by Investing Activities	<u>179</u>
Increase in Cash and Cash Equivalents	276,188
CASH AND CASH EQUIVALENTS, Beginning	<u>662,388</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 938,576</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 78,791
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities	
Depreciation	49,097
Net Income from Sewer Operation in Joint Sewer Authority	(77)
Changes in Assets and Liabilities	
Accounts Receivable	(7,914)
Accounts Payable	(45,134)
Accrued Liabilities	187
Net Cash Provided by Operating Activities	<u>\$ 74,950</u>

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

MESA CORTINA WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mesa Cortina Water and Sanitation 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 Summit County, Colorado. The District was established to provide water and sewer services to the District residents.

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. A summary of the District's more significant policies follows.

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 this criteria, the District does not include additional organizations in its reporting entity.

Fund Accounting

The District uses a proprietary 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 wastewater 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.

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.

MESA CORTINA WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 and Cash Equivalents – For purposes of reporting in the statement of cash flows, cash equivalents include investments with original maturities of three months or less. Investments are reported at fair value.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets - Capital assets, which include water and sewer transmission systems, are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an 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 water and sewer 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.

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

Water and Sewer Systems

7 - 30 years

MESA CORTINA WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Long-Term Debt – Long-term debt and other long-term obligations are reported at face value, net of unamortized debt premiums and discounts, as liabilities in the financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

Capital Contributions – Tap fees collected, and water and sewer lines contributed to the District by developers are recorded as capital contributions when received.

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:

- Net Investment in Capital Assets – This classification reflects the portion of net position that is associated with non-liquid, capital assets less outstanding capital asset related debt.
- Restricted – This classification includes amounts for which constraints have been placed on net position 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. The District has reported an amount related to unspent loan proceeds for future water system improvements.
- Unrestricted – This classification includes the remaining net position that is not restricted or part of the net investment in capital assets.

Use of Estimates

The preparation of the basic 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, 2021 through June 28, 2022, the date of these financial statements were issued, and has incorporated any required recognition into these financial statements.

MESA CORTINA WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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:

- In October, 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.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons presented for the Enterprise Fund are presented on a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and depreciation is not budgeted.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

Legal Compliance

For the year ended December 31, 2021, the Fund's actual expenditures exceeded budgeted expenditures by \$534,773. This may be a violation of State statutes.

NOTE 3: CASH AND CASH EQUIVALENTS

A summary of cash and cash equivalents at December 31, 2021, follows:

Deposits	\$ 626,311
Investments	<u>312,265</u>
Total	<u>\$ 938,576</u>

Cash and cash equivalents are reported in the financial statements as follows:

Cash and Cash Equivalents	\$ 860,493
Cash and Cash Equivalents – Restricted	<u>78,083</u>
Total	<u>\$ 938,576</u>

MESA CORTINA WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3: CASH AND INVESTMENTS (Continued)

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, 2021, the District had bank deposits totaling \$628,426, of which \$250,000 were FDIC insured and \$378,426 were collateralized with securities held by the financial institutions' agent 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.

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

MESA CORTINA WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

At December 31, 2021, the District had the following investments:

	<u>Maturity</u>	<u>2021</u>
Colorado Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 312,265</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.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of unspent loan proceeds for the water line replacement project.

NOTE 4: INVESTMENT IN SILVERTHORNE/DILLON JOINT SEWER AUTHORITY

The District is a participant in the Silverthorne/Dillon Joint Sewer Authority (the "Authority"). The Authority was organized to construct and operate a sewage treatment plant in Summit County. The other participants are the towns of Silverthorne and Dillon, Dillon Valley Metropolitan District, Buffalo Mountain Metropolitan District (all of which are political subdivisions of the State of Colorado) and Yale Investments, Inc. (a Colorado corporation). Oversight responsibilities and control of the Authority is vested in an eight-member committee with two members appointed by each town and one member appointed by each of the other participants. The costs of construction are paid by the participants based on their proportional share of the available capacity in each phase of the project.

MESA CORTINA WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 4: INVESTMENT IN SILVERTHORNE/DILLON JOINT SEWER AUTHORITY
(Continued)

The District currently owns 242.4 equivalent residential units or 2.7% of the reserved capacity in the plant. The District's equity ownership in the Authority, based on the Authority's most recent completed audit, December 31, 2020, was 0.82% or \$130,424, which is reported in the financial statements as Investment in Silverthorne/Dillon Joint Sewer Authority.

The Authority bills the participants for their proportionate share of operations on a quarterly basis based upon the number of taps connected to the system at a rate to cover operating costs. The District shares in the operating results of the joint venture.

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021, is summarized below:

	Balances 12/31/2020	Additions	Deletions	Balances 12/31/2021
Capital Assets, being depreciated				
Water System	\$ 1,374,020	\$ 521,917		\$ 1,895,937
Sewer System	1,302,946	-	-	1,302,946
Total Capital Assets, being depreciated	2,676,966	521,917	-	3,198,883
Less accumulated depreciation				
Water System	(905,161)	(37,277)	-	(942,438)
Sewer System	(1,142,684)	(11,820)	-	(1,154,504)
Total accumulated depreciation	(2,047,845)	(49,097)	-	(2,096,942)
Total Capital Assets, net	<u>\$ 629,121</u>	<u>\$ 472,820</u>	<u>\$ -</u>	<u>\$ 1,101,941</u>

NOTE 6: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2021:

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021	Due Within One Year
2016 Water Loan	\$ 69,063	\$ -	\$ 69,063	\$ -	\$ -
2021 Water Loan	-	600,000	10,569	589,431	32,876
Total	<u>\$ 69,063</u>	<u>\$ 600,000</u>	<u>\$ 79,632</u>	<u>\$ 589,431</u>	<u>\$ 32,876</u>

MESA CORTINA WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 6: LONG-TERM DEBT (Continued)

Water Loans

2021 Water Loan - On August 4, 2021, the District entered into a \$600,000 loan agreement with Alpine Bank for the replacement of water lines. Principal and interest payments of \$4,156 are due monthly, commencing on September 4, 2021 through August 4, 2031. Interest accrued at 3% per annum for the first sixty (60) months, then adjust to a variable rate based on changes in an independent index which is the JP Morgan Chase Bank prime rate as posted at jpmorganchase.com. In no event with the rate be less than 4% per annum. As defined in the Payment section of the loan, the final payment will be for all principal and accrued interest, which includes a balloon payment, to be determined.

2016 Water Loan - In 2016, the District entered into a \$150,000 loan agreement with Alpine Bank for the replacement of water lines. Principal and interest payments of \$1,120 were due monthly, commencing on September 30, 2016 through September 30, 2021. Interest accrued at 3% per annum. This loan was paid-in-full during the year ended December 31, 2021.

The water loans are payable solely from revenues of the District's water and sewer utility system, after deducting operation and maintenance costs. During the year ended December 31, 2021, net revenues of \$144,805 were available to pay annual debt service of \$85,968. Remaining debt service at December 31, 2021 was \$727,307.

Future Debt Service Requirements

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 32,876	\$ 16,997	\$ 49,873
2023	33,862	16,011	49,873
2024	34,878	14,995	49,873
2025	35,924	13,949	49,873
2026	35,605	14,268	49,873
2027 – 2031	<u>416,286</u>	<u>61,656</u>	<u>477,942</u>
Total	<u>\$ 589,431</u>	<u>\$ 137,876</u>	<u>\$ 727,307</u>

NOTE 7: MESA CORTINA SUBDIVISION AGREEMENT

The District has an agreement with Buffalo Mountain Metropolitan District (Buffalo Mountain) for Buffalo Mountain to provide water and sewer services to the Mesa Cortina Subdivision (Mesa Cortina). The District pays monthly fees for receiving the water and sewer transmission service. Buffalo Mountain has agreed to provide water and sewer services to Mesa Cortina in perpetuity. During 2021, the District paid \$71,214 in water and sewer fees to Buffalo Mountain.

MESA CORTINA WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 8: 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 (the "Pool").

The purposes of the Pool are to provide members defined liability and property 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.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

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. However, 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.

MESA CORTINA WATER AND SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

Construction Commitment

During 2021, the District entered into a construction contract totaling \$805,751 for the replacement of certain water lines in the District. At December 31, 2021, an amount of \$316,609 was remaining on the contract.

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 District.

SUPPLEMENTARY INFORMATION

MESA CORTINA WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS
 Year Ended December 31, 2021

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Charges for Services			
Water System	\$ 210,461	\$ 204,769	\$ (5,692)
Sewer System	189,757	192,068	2,311
Tap Fees - Water	10,000	5,994	(4,006)
Tap Fees - Sewer	10,000	10,744	744
Inspection Fees	1,500	-	(1,500)
Meter Sales	750	400	(350)
Miscellaneous	600	22,431	21,831
Alpine Bank Loan Proceeds	-	600,000	600,000
Net Investment Income	2,800	179	(2,621)
TOTAL REVENUES	425,868	1,036,585	610,717
EXPENDITURES			
Water Operations	123,004	124,904	(1,900)
Sewer Operations	121,950	100,199	21,751
Administration	66,750	66,433	317
Inspection	200	321	(121)
Debt Service			
Principal	15,515	79,632	(64,117)
Interest and Fiscal Charges	1,900	6,336	(4,436)
Loan Origination Costs	-	14,350	(14,350)
Capital Outlay	50,000	521,917	(471,917)
TOTAL EXPENDITURES	379,319	914,092	(534,773)
CHANGE IN NET POSITION, Budgetary Basis	46,549	122,493	1,145,490
ADJUSTMENTS TO GAAP BASIS			
Net Income from Joint Sewer Authority		2,796	
Net Income from Sewer Operations in Joint Sewer Authority		77	
Alpine Bank Loan Proceeds		(600,000)	
Alpine Bank Loan Principal		79,632	
Capital Outlay		521,917	
Depreciation - Water		(37,277)	
Depreciation - Sewer		(11,820)	
CHANGE IN NET POSITION, GAAP Basis		77,818	
NET POSITION - BEGINNING OF YEAR		1,366,332	
NET POSITION - END OF YEAR		1,444,150	

See the accompanying Independent Auditor's Report.