

COLORADO CITY METROPOLITAN DISTRICT
COLORADO CITY, COLORADO
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AND CERTAIN SUPPLEMENTAL INFORMATION
PRESENTED FOR PURPOSES OF A SINGLE AUDIT

December 31, 2022

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Independent Auditor's Report

September 26, 2023

Board of Directors
Colorado City Metropolitan District
Colorado City, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Colorado City Metropolitan District (the District) as of and for the year ended December 31, 2022, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Colorado City Metropolitan District, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 Colorado City Metropolitan 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 Colorado City Metropolitan 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 and *Governmental 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 audit standards and *Governmental 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 Colorado City Metropolitan 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 Colorado City Metropolitan 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colorado City Metropolitan District's basic financial statements. The accompanying schedules of revenues, expenditures and changes in fund balance - budget and actual for the business type activities and the schedules for the Conservation Trust Fund and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, September 26, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Armen Ross & DeNardo, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Colorado City Metropolitan District
Management's Discussion and Analysis
Year Ended December 31, 2022**

This discussion and analysis of the Colorado City Metropolitan District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2022. Please read this discussion and analysis together with the financial statements, the notes to financial statements and the supplementary information provided.

This annual financial report consists of a series of financial statements. The Statement of Net Position (page 12) and the Statement of Activities (page 13) provide information about the activities of the District as a whole and presents a broader picture of the District's finances. The fund financial statements start at page 14. These statements present how the services were financed in the short term as well as what remains for future operations. Fund financial statements also report the District's operations in more detail by displaying the individual fund activities.

These two statements (Statement of Net Position and Statement of Activities) report the District's net position and changes in it. You can think of the net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the net position is one indicator of whether its financial health is improving or deteriorating. Assessment of other non-financial factors should also be considered to assess the health of the District, such as changes in the District's property tax base, conditions of its roads, water quality and availability, and the quality of the recreational programs and facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- **Governmental Activities** – This includes the District's general administration, recreational facilities and programs, and roads maintenance services.

- **Business-type Activities** – The District charges fees to customers to help cover all or most of the cost of certain services it provides. The District's water and sewer systems, the activities of the Hollydot golf course, and the property management fund are reported here and also referred to as "enterprise funds."

Some funds/accounts are required by state law and debt requirements. However, the District's Board of Directors establishes other funds/accounts to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money (such as grants from the Colorado Department of Local Affairs). The District's two kinds of funds, governmental and proprietary (business-type), use different accounting approaches.

- **Governmental Funds** - The District's basic services are reported in governmental funds which focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. These funds are reported using the current financial resources measurement focus and modified accrual accounting to measure cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

- **Proprietary (business-type) Funds** - When the District charges customers for the services it provides, whether to outside customers or to other units of the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, but provide more detail and additional information, such as cash flows.

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities present information about the District, as a whole, and about its activities in a way that helps answer this question. These statements 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 the cash is received or paid.

FINANCIAL HIGHLIGHTS

- The District's net position changed significantly as a result of the large construction projects within the water fund during 2022 operations utilizing ARPA Federal Grant revenues. The net position of the governmental activities increased \$202 thousand, or 2.9%, and the net position of the business type activities increased by \$1.526 million, or 15.6%.

- The governmental activities program revenues show a decrease of \$44 thousand, or 16.1%. The governmental activities expenses increased by \$39 thousand, or 5.8%.

- The business-type activities net position increased by \$1.526 million compared to the prior year increase of \$164 thousand. The Water Fund gained \$1.398 million, the Sewer Fund gained \$140 thousand, the Golf Fund lost \$40 thousand, and the Property Management Fund gained \$26 thousand. The large gain in the Water Fund is due to \$1.5 million in grant revenues.

THE DISTRICT AS A WHOLE

The District's combined net position changed substantially from a year ago, increasing from \$16.735 million to \$18.463 million, an increase of 10.3%. The analysis of the Net Position (Table 1) and Changes in Net Position (Table 2) follows:

Table 1
NET POSITION (in thousands)

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	2022	2021	2022	2021	2022	2021
Cash and investments	\$ 2,100	\$ 1,724	\$ 462	\$ 462	\$ 2,562	\$ 2,186
Capital assets	6,067	6,065	12,043	10,939	18,110	17,004
Other assets	997	914	3,887	2,404	4,884	3,318
Total assets	9,164	8,703	16,392	13,805	25,556	22,508
Long-term debt outstanding	42	54	3,610	3,800	3,652	3,854
Other liabilities	1,451	1,182	399	214	1,850	1,396
Total liabilities	1,493	1,236	4,009	4,014	5,502	5,250
Deferred inflow of Resources	525	523	1,066	-	1,591	523
Net position:						
Net investment in capital assets	6,035	6,018	8,456	7,169	14,491	13,187
Restricted	98	79	462	462	555	541
Unrestricted	1,013	847	2,399	2,160	3,417	3,007
Total net position	\$ 7,146	\$ 6,944	\$11,317	\$ 9,791	\$ 18,463	\$ 16,735

The net position of the District's governmental activities increased by \$202 thousand (2.9%). That portion of the net position available to finance day-to-day operations (without restrictions by debt commitments or grantors) increased by \$166 thousand to \$1.013 million at the end of the year.

The net position of business-type activities increased by \$1.562 million (15.9%). This will be reviewed in more detail in the discussion of the individual proprietary funds later in this analysis.

Table 2
CHANGES IN NET POSITION (in thousands)

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for Services	\$ 133	\$ 131	\$ 2,397	\$ 2,337	\$ 2,530	\$ 2,468
Grants & Contributions	96	142	1,714	327	1,810	469
General Revenues:						
Property Taxes	486	409	-	-	486	409
Other Taxes	104	81	-	-	104	81
Other Revenues	80	49	225	101	305	150
Total Revenues	899	812	4,336	2,765	5,235	3,577
Program Expenses						
Administration	297	290	-	-	297	290
Recreation and Parks	355	326	-	-	355	326
Roads Operation	57	54	-	-	57	54
Water fund	-	-	1,525	1,490	1,525	1,490
Sewer fund	-	-	760	762	760	762
Golf Course	-	-	504	430	504	430
Property Management	-	-	10	34	10	34
Total expenses	709	670	2,799	2,716	3,508	3,386
Excess (deficiency) before special items	190	142	1,537	49	1,727	191
Transfers	12	(128)	(12)	-	-	(128)
Sale of Assets	-	45	-	115	-	160
Increase (Decrease) in Net Position	\$ 202	\$ 59	\$ 1,525	\$ 164	\$ 1,727	\$ 223

The District's total revenues, including sales of assets and excluding interfund capital contributions, increased by \$1.658 million (46.4%), while expenses, excluding interfund transfers, increased by \$122 thousand (3.6%). Our analysis below separately considers the operations of government and business-type activities.

Governmental Activities:

Property and other taxes increased by \$100 thousand while program revenues decreased by \$44 thousand. The amount the District taxpayers financed for the government activities through taxes was \$513 thousand (\$303 thousand in 2021) because some of the cost was paid by those who directly benefited from the programs or by other governments that subsidized certain programs with grants.

Table 3 presents the cost of each of the District’s programs as well as each program’s net cost (total costs less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**Table 3
NET COST TO TAXPAYERS (in thousands)**

	2022			2021		
	Expenses	Service Charges & Operating Grants	Net Costs	Expenses	Service Charges & Operating Grants	Net Costs
Administration	\$ 292	\$ 6	\$ 286	\$ 290	\$ 5	\$ 285
Parks & Recreation:						
Recreation Center	16	-	16	13	-	13
Swimming Pool	158	17	141	74	15	59
Parks & Recreation	202	110	92	239	253	(14)
Sub-total	668	127	249	326	268	58
Roads Operations	58	-	58	54	-	54
Total Government Activities	<u>\$ 726</u>	<u>\$ 133</u>	593	<u>\$ 670</u>	<u>\$ 273</u>	397
Less Investment Earnings			(11)			(13)
Less Other Revenues			(69)			(36)
Less Gain on Property Sales			(-)			(45)
Net Cost to Taxpayers			<u>\$ 513</u>			<u>\$ 303</u>
Property & Other Taxes			<u>\$ 590</u>			<u>\$ 490</u>

Business-Type Activities:

Revenues for the District’s business-type activities (see Table 2) increased 56.8% and expenses increased by 3.1%. Business-type activities in the Water Fund showed a gain of \$1.398 million which is primarily due to capital grants, is in line with the usual results of this fund (see Table 4). The Sewer Fund recorded its third consecutive gain in net position in the periods presented. The Water and Property Management Funds still showed operating losses, but in the Property Management Fund these losses are offset by non-operating revenues. Non-operating revenues are funds received for investment in future infrastructure. These include water and sewer impact fees, new investments, and sales of property. Operating expenses include interest expense.

**Table 4
BUSINESS TYPE ACTIVITY DEFICITS (in thousands)**

	2022	2021	2020	2019	2018
Water Fund					
Operating Revenues	\$2,806	\$1,140	\$1,215	\$ 1,103	\$ 987
Operating Expenses	<u>1,428</u>	<u>1,490</u>	<u>1,373</u>	<u>1,308</u>	<u>1,246</u>
Net Operating Income (Loss)	1,378	(350)	(158)	(205)	(259)
Capital Contributions/Other	<u>20</u>	<u>122</u>	<u>192</u>	<u>63</u>	<u>59</u>
Net Increase (Decrease) in Net Position	<u>\$1,398</u>	<u>\$ (228)</u>	<u>\$ 34</u>	<u>\$ (142)</u>	<u>\$ (200)</u>
Sewer Fund					
Operating Revenues	\$ 830	\$ 815	\$ 777	\$ 825	\$ 652
Operating Expenses	<u>724</u>	<u>762</u>	<u>750</u>	<u>708</u>	<u>790</u>
Net Operating Income (Loss)	106	53	27	117	(138)
Capital Contributions/Other	<u>34</u>	<u>100</u>	<u>200</u>	<u>64</u>	<u>47</u>
Net Increase (Decrease) in Net Position	<u>\$ 140</u>	<u>\$ 153</u>	<u>\$ 227</u>	<u>\$ 181</u>	<u>\$ (91)</u>
Golf Fund					
Operating Revenues	\$ 451	\$ 493	\$ 563	\$ -	\$ -
Operating Expenses	<u>504</u>	<u>431</u>	<u>432</u>	<u>-</u>	<u>-</u>
Net Operating Income (Loss)	(53)	62	131	-	-
Capital Contributions/Other	<u>13</u>	<u>128</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Position	<u>\$ (40)</u>	<u>\$ 190</u>	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ -</u>
Property Management Fund					
Operating Revenues	\$ 58	\$ -	\$ -	\$ -	\$ -
Operating Expenses	<u>10</u>	<u>34</u>	<u>33</u>	<u>23</u>	<u>24</u>
Net Operating Income (Loss)	48	(34)	(33)	(23)	(24)
Capital Contributions/Other	<u>(22)</u>	<u>83</u>	<u>54</u>	<u>16</u>	<u>16</u>
Net Increase (Decrease) in Net Position	<u>\$ 26</u>	<u>\$ 49</u>	<u>\$ 21</u>	<u>\$ (7)</u>	<u>\$ (8)</u>

Budgetary Highlights:

Generally, the District revises its budget several times during the year. These budget amendments are a result of (1) reflecting actual beginning balances versus the amounts estimated in October, (2) accounting for changes during the year, such as the increased need for infrastructure upgrades and repairs, and (3) any adjustments necessary to prevent budget overruns.

The actual revenues for the General Fund were \$129 thousand under budget, and expenditures were \$270 thousand under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

In 2022, the District invested \$1.760 million in various capital assets. (See Table 5 below)

**Table 5
CAPITAL ASSETS AT YEAR END (in thousands)**

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 5,335	\$ 5,335	\$ 1,277	\$ 1,277	\$ 6,612	\$ 6,612
Buildings and Improvements	2,274	2,192	18,582	18,582	20,856	20,744
Infrastructure	423	423	2,368	2,357	2,791	2,780
Water Rights	-	-	358	358	358	358
Augmentation Plans	-	-	205	205	205	205
Machinery and Equipment	1,019	1,000	3,236	3,219	4,255	4,219
Leased Assets	14	-	-	-	14	-
Construction in Progress	103	103	1,775	277	1,878	380
	<u>\$ 9,168</u>	<u>\$ 9,053</u>	<u>\$ 27,801</u>	<u>\$ 26,275</u>	<u>\$36,969</u>	<u>\$ 35,328</u>

This year's major additions include (in thousands):

ATV	\$ 6
Dump Truck	22
Filters	132
Golf equipment	2
Head Gate	11
Heater	5
Pool Improvements	82
Shell Cutter	2
Water System Improvements (In Progress)	1,498
	<u>\$ 1,760</u>

At the end of 2022, the District had \$3.6 million in outstanding debt. The anticipated debt carryover from 2022 presents long term debt commitments as follows:

Lease purchase for motor grader from NBH Bank	\$ 28,622
Leased office equipment	4,209
Wastewater treatment plant loan from the Colorado Water Resources And Power Development Authority	225,204
Water and Wastewater Revenue Refunding and Improvement Bonds	<u>3,362,656</u>
Total current debt commitments	<u>\$ 3,620,691</u>

The wastewater treatment plant loans will be paid from the sewer availability of service fees and the debt service fees over the next 13 to 15 years. The water and wastewater revenue refunding and improvement bonds will be paid from water availability of service fees and increased water usage rates. More detailed information about the District’s long-term liabilities is presented in Note 10 in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

As required by Colorado Statutes, the District determines the property tax mill levy using prior years Denver-Boulder-Greeley Consumer Price Index (CPI) or the Colorado Office of State Planning and Budget (OSBP) projected inflation rates and the rate of local growth. The CPI for the 2022 budget is 3.540%. Other limits are placed by the Taxpayer’s Bill of Rights (TABOR) and the 1982 Gallagher Amendment. TABOR reduces government growth by limiting spending, revenues, and debt. The Gallagher Amendment limits residential property tax assessment rates.

With the CPI and growth rates considered, the 2023 property taxes are expected to be \$525,558.

For 2022-2023, the District has attained grant funding for the rehabilitation of three water tanks and 2 miles of distribution water lines at 100% funding. A pilot test was performed for the water treatment plant to improve water quality for the community. The District is seeking funding to rehabilitate the Beckwith Dam in order to increase storage capacity and is exploring methods to improve system productivity and efficiency.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to report the District’s accountability for the money it receives. If you have any questions about this report or need additional information, contact the Director of Finance at Colorado City Metropolitan District, 4497 Bent Brothers Blvd., P. O. Box 20229, Colorado City, Colorado 81019.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COLORADO CITY METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments - unrestricted	\$ 2,100,192	\$ -	\$ 2,100,192
Receivables	616,207	1,763,978	2,380,185
Restricted cash and investments	-	462,075	462,075
Prepaid expenses	20,242	70,582	90,824
Internal balances	-	1,407,367	1,407,367
Inventories	360,311	644,749	1,005,060
Capital Assets			
Non-depreciable	5,438,128	3,590,566	9,028,694
Depreciable-net	629,359	8,452,840	9,082,199
Total Assets	<u>9,164,439</u>	<u>16,392,157</u>	<u>25,556,596</u>
<u>Liabilities</u>			
Accounts payable	34,264	254,866	289,130
Accrued expenses	9,578	128,731	138,309
Internal balances	1,407,367	-	1,407,367
Long-Term Liabilities			
Due within one year	21,849	195,862	217,711
Due in more than one year	19,834	3,429,945	3,449,779
Total Liabilities	<u>1,492,892</u>	<u>4,009,404</u>	<u>5,502,296</u>
<u>Deferred Inflow of Resources</u>			
Property taxes	525,558	-	525,558
Leases	-	1,066,174	1,066,174
Total Deferred Inflows of Resources	<u>525,558</u>	<u>1,066,174</u>	<u>1,591,732</u>
<u>Net Position</u>			
Net investment in capital assets	6,034,656	8,455,545	14,490,201
Restricted	98,196	462,075	560,271
Unrestricted	1,013,137	2,398,959	3,412,096
Total Net Position	<u>\$ 7,145,989</u>	<u>\$ 11,316,579</u>	<u>\$ 18,462,568</u>

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

COLORADO CITY METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2022

<u>Assets</u>	General <u>Fund</u>	<u>Total</u>
Cash and investments - unrestricted	\$ 2,100,192	\$ 2,100,192
Receivables	616,207	616,207
Prepaid items	20,242	20,242
Inventories	<u>360,311</u>	<u>360,311</u>
Total Assets	<u>\$ 3,096,952</u>	<u>\$ 3,096,952</u>
<u>Liabilities</u>		
Accounts payable	\$ 34,264	\$ 34,264
Accrued liabilities	9,236	9,236
Due to other funds	<u>1,407,367</u>	<u>1,407,367</u>
Total Liabilities	<u>1,450,867</u>	<u>1,450,867</u>
<u>Deferred Inflow of Resources - property taxes</u>	<u>525,558</u>	<u>525,558</u>
<u>Fund Balances</u>		
Nonspendable	380,553	380,553
Restricted	98,196	98,196
Unassigned	<u>641,778</u>	<u>641,778</u>
Total Fund Balances	<u>1,120,527</u>	<u>1,120,527</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 3,096,952</u>	<u>\$ 3,096,952</u>

The accompanying notes are an integral part of this statement.

**COLORADO CITY METROPOLITAN DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2022**

Total fund balances - governmental fund		\$ 1,120,527
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds.</p>		6,067,487
<p>Long-term liabilities, including long-term debt are not due and payable in the current period and therefore are not reported in the governmental funds:</p>		
Leases	\$ (4,209)	
Notes and other obligations	(28,622)	
Compensated absences	(8,852)	
Accrued interest	<u>(342)</u>	<u>(42,025)</u>
Total Net Position - Governmental Activities		<u>\$ 7,145,989</u>

The accompanying notes are an integral part of this statement.

COLORADO CITY METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
YEAR ENDED December 31, 2022

	<u>General</u> <u>Fund</u>	<u>Total</u>
Revenues		
Property taxes	\$ 486,069	\$ 486,069
Specific ownership taxes	44,407	44,407
Franchise taxes	13,409	13,409
Excise taxes	46,367	46,367
Charges for services	133,078	133,078
State sources	96,395	96,395
Investment earnings	11,328	11,328
Other	<u>68,559</u>	<u>68,559</u>
Total Revenues	<u>899,612</u>	<u>899,612</u>
 Expenditures		
Current -		
Administration	291,953	291,953
Recreation center	15,889	15,889
Swimming pool operations	75,983	75,983
Parks and recreation	182,785	182,785
Roads	37,862	37,862
Capital outlay	100,976	100,976
Debt service		
Principal	18,253	18,253
Interest	<u>1,516</u>	<u>1,516</u>
Total Expenditures	<u>725,217</u>	<u>725,217</u>
Excess of Revenues Over (Under) Expenditures	174,395	174,395
 Other Financing Sources		
Transfers in (out)	<u>12,100</u>	<u>12,100</u>
Net Change in Fund Balance	186,495	186,495
Fund Balance - January 1	<u>934,032</u>	<u>934,032</u>
Fund Balance - December 31	<u>\$ 1,120,527</u>	<u>\$ 1,120,527</u>

The accompanying notes are an integral part of this statement.

**COLORADO CITY METROPOLITAN DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED December 31, 2022**

Net change in fund balance - governmental fund \$ 186,495

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 100,976	
Depreciation expense	(102,201)	
Leased assets	2,850	
Amortization expense	<u>(2,850)</u>	(1,225)

The issuance of long-term obligations provide current financial resources to the governmental funds, while repayment of the principal of long-term obligations consumes the current financial resources of the governmental funds. The net effect of these differences in the treatment of long-term obligations and related items.

Principal payments on long-term obligations	18,253	
Change in interest accrual	<u>218</u>	18,471

In the statement of activities, certain operating expenses - compensated absences (sick and vacation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (essentially, the amounts actually paid). This amount represents the net effect on the statement of activities.

(1,416)

Total Change in Net Position - Governmental Activities **\$ 202,325**

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

COLORADO CITY METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

Business-Type Activities
Enterprise Funds

	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Golf</u> <u>Fund</u>	<u>Property Mgmt</u> <u>Fund</u>	<u>Total</u>
<u>Assets</u>					
Receivables, net	\$ 1,484,000	\$ 228,920	\$ 51,058	\$ -	\$ 1,763,978
Restricted cash	392,761	69,314	-	-	462,075
Due from other funds	229,272	781,582	153,511	243,002	1,407,367
Prepaid expenses	33,630	22,771	14,181	-	70,582
Inventories	163,537	4,419	8,593	468,200	644,749
Capital Assets					
Non-depreciable	2,631,383	10,500	948,683	-	3,590,566
Depreciable-net	<u>5,025,540</u>	<u>3,034,905</u>	<u>392,395</u>	<u>-</u>	<u>8,452,840</u>
Total Assets	<u>9,960,123</u>	<u>4,152,411</u>	<u>1,568,421</u>	<u>711,202</u>	<u>16,392,157</u>
<u>Liabilities</u>					
Accounts payable and accrued expenses	319,493	47,357	16,747	-	383,597
Long-term liabilities					-
Due within one year	73,105	122,757	-	-	195,862
Due in more than one year	<u>2,801,029</u>	<u>622,713</u>	<u>6,203</u>	<u>-</u>	<u>3,429,945</u>
Total Liabilities	<u>3,193,627</u>	<u>792,827</u>	<u>22,950</u>	<u>-</u>	<u>4,009,404</u>
<u>Deferred Inflow of Resources - Leases</u>	<u>1,015,116</u>	<u>-</u>	<u>51,058</u>	<u>-</u>	<u>1,066,174</u>
<u>Net Position</u>					
Net investment in capital assets	4,798,665	2,315,802	1,341,078	-	8,455,545
Restricted	392,761	69,314	-	-	462,075
Unrestricted	<u>559,954</u>	<u>974,468</u>	<u>153,335</u>	<u>711,202</u>	<u>2,398,959</u>
Total Net Position	<u>\$ 5,751,380</u>	<u>\$ 3,359,584</u>	<u>\$ 1,494,413</u>	<u>\$ 711,202</u>	<u>\$ 11,316,579</u>

The accompanying notes are an integral part of this statement.

COLORADO CITY METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED December 31, 2022

	Business-Type Activities				Total
	Enterprise Funds				
	Water Fund	Sewer Fund	Golf Fund	Property Mgmt Fund	
Operating Revenues					
Charges for services	\$ 1,049,167	\$ 773,228	\$ 446,678	\$ -	\$ 2,269,073
Tap connection fees	64,800	56,150	-	-	120,950
Lease revenue	30,497	-	3,838	-	34,335
Other	69,211	1,114	27	58,000	128,352
Total Operating Revenues	<u>1,213,675</u>	<u>830,492</u>	<u>450,543</u>	<u>58,000</u>	<u>2,552,710</u>
Operating Expenses					
Salaries and compensated absences	255,702	225,549	229,285	-	710,536
Payroll taxes	19,597	17,123	17,894	-	54,614
Pension and benefits	61,741	56,729	32,372	-	150,842
Cost of sales	-	-	-	9,828	9,828
Advertising	110	-	1,361	-	1,471
Bad debt expense	4,974	3,138	-	-	8,112
Bank fees and other penalties	3,369	3,675	11,276	-	18,320
Outside services	221,952	75,382	15,581	-	312,915
Taxes and licenses	573	161	392	-	1,126
Professional fees - legal	3,305	126	1,596	-	5,027
Insurance	35,365	36,187	13,885	-	85,437
Operating parts, materials and supplies	242,237	53,387	84,349	-	379,973
Rental expense	6,000	6,000	-	-	12,000
Repairs and maintenance	5,658	695	8,138	-	14,491
Utilities	154,768	47,928	45,115	-	247,811
Depreciation	412,640	198,817	42,407	-	653,864
Total Operating Expenses	<u>1,427,991</u>	<u>724,897</u>	<u>503,651</u>	<u>9,828</u>	<u>2,666,367</u>
Operating Income (Loss)	<u>(214,316)</u>	<u>105,595</u>	<u>(53,108)</u>	<u>48,172</u>	<u>(113,657)</u>
Nonoperating Revenues (Expenses)					
Interest income	40,620	8,924	12,462	-	62,006
Interest expense	(97,223)	(35,020)	-	-	(132,243)
Total Nonoperating Revenues (Expenses)	<u>(56,603)</u>	<u>(26,096)</u>	<u>12,462</u>	<u>-</u>	<u>(70,237)</u>
Income (Loss) Before Contributions	(270,919)	79,499	(40,646)	48,172	(183,894)
Capital contributions	72,300	56,000	-	-	128,300
Capital grants	1,592,567	-	-	-	1,592,567
Transfers in (out)	4,400	4,400	1,100	(22,000)	(12,100)
Changes in Net Position	1,398,348	139,899	(39,546)	26,172	1,524,873
Total Net Position - January 1	<u>4,353,031</u>	<u>3,219,685</u>	<u>1,533,960</u>	<u>685,030</u>	<u>9,791,706</u>
Total Net Position - December 31	<u>\$ 5,751,379</u>	<u>\$ 3,359,584</u>	<u>\$ 1,494,414</u>	<u>\$ 711,202</u>	<u>\$ 11,316,579</u>

The accompanying notes are an integral part of this statement.

COLORADO CITY METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED December 31, 2022

	Business-Type Activities				Total
	Enterprise Funds				
	Water Fund	Sewer Fund	Golf Fund	Property Mgmt Fund	
Cash Flows from Operating Activities					
Cash received from customers	\$ 1,022,313	\$ 821,167	\$ 450,542	\$ 58,000	\$ 2,352,022
Cash paid for goods and services	(469,438)	(435,189)	(177,647)	(58,000)	(1,140,274)
Cash paid to employees	(343,179)	(304,083)	(284,931)	-	(932,193)
Net Cash Provided by Operating Activities	<u>209,696</u>	<u>81,895</u>	<u>(12,036)</u>	<u>-</u>	<u>279,555</u>
Cash Flows From Capital and Related Financing Activities					
Capital contributions received	72,300	56,000	-	-	128,300
Capital grants	1,592,567	-	-	-	1,592,567
Transfers in (out)	4,400	4,400	1,100	-	9,900
Acquisition of capital assets	(1,751,495)	(4,825)	(1,526)	-	(1,757,846)
Principal paid on notes payable	(70,708)	(111,348)	-	-	(182,056)
Interest and fees paid on notes payable	(97,223)	(35,020)	-	-	(132,243)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(250,159)</u>	<u>(90,793)</u>	<u>(426)</u>	<u>-</u>	<u>(341,378)</u>
Cash Flows From Investing Activities					
Interest income	40,620	8,924	12,462	-	62,006
Net Increase (Decrease) in Cash and Cash Equivalents	157	26	-	-	183
Cash and Cash Equivalents - January 1	<u>392,604</u>	<u>69,288</u>	<u>-</u>	<u>-</u>	<u>461,892</u>
Cash and Cash Equivalents - December 31	<u>\$ 392,761</u>	<u>\$ 69,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,075</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (214,316)	\$ 105,595	\$ (53,108)	\$ 48,172	(113,657)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	412,640	198,817	42,407	-	653,864
Gain on sale of assets	240	-	-	-	240
Bad debt expense	4,974	3,138	-	-	8,112
Change in assets and liabilities -					
Accounts receivable	(191,602)	(9,325)	-	-	(200,927)
Due from other funds	(855)	(220,683)	(10,405)	(58,000)	(289,943)
Inventories	42,364	(3,135)	3,019	9,828	52,076
Prepaid expenses	(9,929)	1,046	896	-	(7,987)
Accounts payable and accrued expenses	172,319	11,124	10,535	-	193,978
Accrued salaries and compensated absences	(6,139)	(4,682)	(5,380)	-	(16,201)
Net Cash Provided (Used) by Operating Activities	<u>\$ 209,696</u>	<u>\$ 81,895</u>	<u>\$ (12,036)</u>	<u>\$ -</u>	<u>279,555</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
COLORADO CITY METROPOLITAN DISTRICT
December 31, 2022

Note 1 - Summary of Significant Accounting Policies

The Colorado City Metropolitan District (the District) operates as a special district under the laws of the State of Colorado and is governed by an elected five-member board of directors. The District provides the following services as allowed by special districts: roads, parks and recreation, and water and sewer sanitation services.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to special districts. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

A. Financial Reporting Entity

The accompanying financial statements present the District (the primary government) and includes, if applicable, component units in its financial statements based upon financial accountability. Since no component unit meets the criteria for inclusion, no component unit financial statements have been included.

B. Government-wide Financial Statements

The District's basic financial statements consist of government-wide financial statements (based on the District as a whole), including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

The statement of net position and the statement of activities display information about the District as a whole. In the government-wide statement of net position, the governmental activities are presented on a consolidated basis. These statements include the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. An exception to this rule is the charges for services from the enterprise funds to the general fund. Governmental activities are normally supported by taxes and intergovernmental revenues.

The government-wide statement of activities reflect both the direct expenses and net cost of each function of the District's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods and services offered by the program. Grants and contributions that are restricted to meeting the operational and capital requirements of a particular program are included in operating grants and contributions, or capital grants and contributions. Revenues, which are not classified as program revenues, are presented as general revenues of the District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Separate fund financial statements are provided for the governmental fund and proprietary funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The emphasis of fund financial statements is on the major governmental fund and major individual enterprise funds and are reported in separate columns in the fund financial statements. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

NOTES TO FINANCIAL STATEMENTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there may be both restricted and unrestricted resources available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants if any, and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the District considers revenues to be available if collected within 60 days from the end of the fiscal year. Expenditures generally are recorded when a liability is incurred as is the case with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due. General capital asset acquisitions are reported as expenditures in governmental funds, while issuance of long-term debt and acquisitions under long term debt are reported as other financing sources.

Property taxes, specific ownership taxes, franchise taxes, excise taxes, interest and charges for services are considered revenues susceptible to accrual and so have been recognized as revenues of the current fiscal period. Specific ownership taxes collected and held by the County of Pueblo at year end on behalf of the District are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Business-type activities and all proprietary funds are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operation. The principal operating revenues of the District's water utility and sewer utility funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major government funds:

The *General Fund* is the primary operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources that are not accounted for in other funds. Major revenue sources include property taxes, specific ownership taxes, franchise taxes, excise taxes, charges for services, intergovernmental revenues, and investment revenues. Primary expenditures include general administration, recreation center, swimming pool operations, parks and recreation, lottery, and roads.

NOTES TO FINANCIAL STATEMENTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

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

The District reports the following major proprietary funds:

Water Fund - The water fund is used to account for the operations of the District's water services.

Sewer Fund - The sewer fund is used to account for the operations of the District's sewer sanitation services.

Golf Fund - The golf fund is used to account for the operations of the District's golf course related activities.

Property Management Fund - The property management fund is used to account for property contributed by taxpayers or purchased since December 2005.

D. Assets and Liabilities

1. Cash and Investments

Cash on hand, cash in the bank and all highly liquid investments with a maturity of three months or less when purchased are considered to be cash and cash equivalents.

All investment income, including changes in the fair value of investments are reported as investment income in the District's financial statements.

Cash and investments are subject to Colorado State statutes as described in Note 3.

2. Lease Receivable

In June 2017, the GASB issued statement no 87, *Leases*. The standard requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use the underlying asset. Under this standard, a lease is required to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted the requirements of the guidance effective January 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption.

3. Property Taxes

Property taxes are assessed on property located within the District's boundaries in accordance with Colorado law. The taxes are assessed, allocated and collected by the Pueblo County Treasurer. Taxes assessed in the current year are generally collected in the following year and thus, the property tax receivable is offset by deferred inflows of resources. Taxes are payable in two equal payments due before the last day of February and the 15th date of June or in one full payment before the last day of April.

4. Interfund Transactions

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the District are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund that is reimbursed. At year end, outstanding balances between funds are reported as "due to/from other funds". Interfund balances are generally expected to be repaid within one year of the financial statement date.

NOTES TO FINANCIAL STATEMENTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

5. Inventories and Prepaid Items

Inventories in the water, sewer and golf funds consist of supplies held for consumption. Consumable supply inventories are reported at the lower of cost or fair value and cost is determined using the first-in, first-out method. Inventories in the general and property management funds consist of real estate held for resale. Land held for resale is reported at the lower of cost or fair value, fair value determined as estimated net realizable value.

Prepaid items/expenses represent payments made for expenditures/expenses to be charged to a future accounting period.

6. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, equipment, infrastructure and construction in progress are reported in the applicable governmental or business-type activities column of the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and a useful life of more than one year.

If proprietary fund assets are constructed, net interest expense is capitalized as part of the cost of the asset. No interest expense was capitalized in 2022.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. All reported capital assets are depreciated, except for land and land improvements. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, systems and improvements	7 - 40 years
Infrastructure	20 - 40 years
Equipment	3 - 20 years

7. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that is applicable to a future period, and a deferred inflow of resources is an acquisition of net assets that is applicable to future reporting periods. Both deferred inflow and deferred outflows are reported in the statement of net position but are not reported as revenue or expenditures until the period(s) to which they relate.

Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected.

Deferred inflows related to leases have been recorded as of December 31, 2022, which is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relates to future periods.

NOTES TO FINANCIAL STATEMENTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

8. Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Vacation benefits generally vest after one year of service and sick pay vests after 10 years of continued service. It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate these benefits up to predetermined maximums and are compensated for these accumulated benefits either through paid time off or at termination or retirement.

Accumulated vacation and sick leave are accrued when earned in the government-wide and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured and are expected to be liquidated with expendable available financial resources.

9. Long-term Obligations

In the government-wide financial statements and the fund financial statements for the proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

10. Net Position

In the government-wide financial statements net position represents the difference between assets and liabilities. It is divided into three components. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by any outstanding borrowing used for the acquisition or construction of improvements of those assets. Restricted net position is presented to reflect any restrictions imposed on its use by enabling legislation, restrictions imposed by grantors, laws or regulations of other governments. All other amounts are reported as unrestricted net position.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

11. Fund Balances

The District presents fund balances in clearly defined 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.
- *Committed fund balance* - The portion of fund balance constrained for a specific purpose according to limitations imposed by the District's highest level of decision making authority, Board of Directors, prior to the end of the current year. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Directors or other individuals authorized to assign funds to be used for a specific purpose.
- *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.

NOTES TO FINANCIAL STATEMENTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

11. Fund Balances (Continued)

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

12. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

An annual budget and appropriation ordinance is adopted by the Board of Directors in accordance with Colorado State Budget Act. The budget is prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

Budgets are established for all funds. Formal budgetary accounting is employed as a management control device during the year to monitor the individual departments. The fund level is the level of classification at which expenditures may not legally exceed appropriations. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within the general fund rests with the district manager or department heads. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors. All annual appropriations lapse at year end. The District does not recognize encumbrances.

B. Expenditures in Excess of Budget Amounts

During 2022, one proprietary fund had expenditures which exceeded budgeted amounts. These circumstances may constitute a violation of Colorado Local Government Budget Law.

	<u>Actual</u>		<u>Budget</u>		<u>Excess</u>
Property Management Fund	\$ 9,828	\$	4,572	\$	(5,256)

C. Tax, Spending, and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitation, 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 amendment. However, the District has made certain interpretations of the Amendment's language in order to determine it compliance.

On November 2, 2021, District voters passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. Effective in 2020, the referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain, and expend all revenues and other funds collected during 2020 and thereafter.

NOTES TO FINANCIAL STATEMENTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

Note 2 - Stewardship, Compliance, and Accountability (Continued)

D. Commitments and Contingencies

The bond resolution for the 2020 Water & Wastewater Enterprise Revenue Refunding and Improvement Bonds discussed in Note 10 contains a reserve requirement whereby the District is obligated to establish cash reserve fund equal to the highest annual combined principal and interest payment due on the bond, which is the 2040 payment of \$261,404.

E. Risk Management

The District is exposed to various risks of loss related to torts, property and casualty, errors and omissions, injuries to employees and health claims. Risk of loss from torts, errors and omissions, and property and casualty are covered by the District's participation in the Colorado Special Districts Property and Liability Pool which is a separate and independent governmental public entity risk pool formed through an intergovernmental agreement by member special districts to provide defined liability and property coverage. The membership agreement provides that the pool be self-sustaining through member premiums and reinsure with commercial companies for claims in excess of \$300,000. For general, auto and public official's liability coverage, the pool is self-insured for the first \$600,000 per occurrence.

The District purchases workers' compensation coverage through the Colorado Special Districts Association Workers Compensation Pool which is a separate and independent governmental public entity risk pool formed through an intergovernmental agreement by member special districts to provide defined workers' compensation coverage. The membership agreement provides that the pool be self-sustaining through member premiums and reinsure with commercial companies for claims in excess of \$500,000.

Employee health claims are covered by commercial insurance. The District's share of the cost is charged to each general fund department or fund, as applicable.

In addition, settlement claims for each of the last three years did not exceed insurance coverage amounts in areas where commercial insurance is used to cover the risk of loss.

F. Risks and Uncertainties

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management has been carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Note 3 - Cash Deposits and Investments

Deposits

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

Note 3 - Cash Deposits and Investments (Continued)

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 102% of the aggregate uninsured deposits. As of December 31, 2022, the District had deposits over \$250,000 in the amount of \$1,981,016. These deposits are required to be collateralized under State Statutes.

Custodial Credit Risk. There is a risk that, in the event of a bank failure, the District's deposits may not be returned. The District's policy for custodial credit risk parallels Colorado statutes.

A summary of cash and deposits held at year-end follows:

<u>Cash and Deposits</u>	<u>Carrying Amounts</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
Deposits:			
Cash on hand	\$ 150	\$ 150	\$ -
Cash on deposit with County Treasurer	4,346	4,346	-
Demand deposits	2,232,016	2,232,016	-
Investments:			
Colorado Surplus Asset Fund Trust (CSAFE)	325,755	325,755	-
Total	<u>\$ 2,562,267</u>	<u>\$ 2,562,267</u>	<u>\$ -</u>

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government agency securities, certain bonds of political subdivisions, bankers' acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, negotiable certificates of deposit fully covered by FDIC Insurance and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

The District has invested \$325,755 in Colorado Surplus Asset Fund Trust (CSAFE) an investment vehicle established for local government entities in Colorado to pool surplus funds. CSAFE operates similarly to a money market fund and each share is equal in value to \$1. U.S. Bank is the designated custodial bank that provides safekeeping and depository services to CSAFE and in connection with the direct investment and withdrawal functions of CSAFE. Substantially all securities owned by both entities are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by CSAFE.

The District categorizes its fair value measurement of its investments based on the hierarchy established by general accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

- The District's investment in CSAFE are reported at fair value. However, this investment is not subject to the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

Note 3 - Cash Deposits and Investments (Continued)

Interest Rate Risk - The District's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from date of purchase unless the governing body authorizes a longer period.

Credit Risk - The District does not have a policy which would further limit its investment choices beyond the requirements of Colorado statutes. As of December 31, 2022 the District's investment in CSAFE rates AAAMmf by Fitch Ratings.

Note 4 - Receivables

Accounts receivable at December 31, 2022 consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>			<u>Total</u>
		<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Golf Fund</u>	
Property taxes	\$ 525,558	\$ -	\$ -	\$ -	\$ 525,558
Excise taxes	15,062	-	-	-	15,062
Grants	75,587	183,437	-	-	259,024
Leases	-	1,015,116	-	51,058	1,066,174
Trade receivables	-	429,931	330,267	-	760,198
Less: Allowance for doubtful accounts	-	(144,484)	(101,347)	-	(245,831)
Total Receivables	\$ 616,207	\$ 1,484,000	\$ 228,920	\$ 51,058	\$ 2,380,185

Note 5 - Internal Balance

The District reports interfund balances between some of its funds. Balances result from the time lag between the dates when interfund goods or services are provided, transactions are recorded in the accounting system and the payments between funds are made, or resources held in one fund on behalf of another fund. Interfund balances are generally expected to be repaid within one year of the financial statement date.

The following interfund receivables and payables are included in the fund financial statements:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 1,407,367
Proprietary Funds		
Water Fund	229,272	-
Sewer Fund	781,582	-
Golf Fund	153,511	-
Property management fund	243,002	-
Totals	\$ 1,407,367	\$ 1,407,367

NOTES TO FINANCIAL STATEMENTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

Note 6 -Leases

The District, acting as lessor, leases water rights. The lease expires October 31, 2036. The District also leases the restaurant facilities at the Golf Course. The lease is for sixty months and will expire on January 31, 2026. During the year ended December 31, 2022, the District recognized \$26,013 and \$43,312 in lease revenue and interest revenue, respectively, pursuant to the contracts.

The leases provide for future increases to minimum annual rental payments based on formulas outlined in the contracts.

Total future minimum lease payments to be received under the lease agreements are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 59,547	\$ 31,173	\$ 90,720
2024	62,952	29,340	92,292
2025	66,620	27,402	94,022
2026	51,005	25,592	76,597
2027	50,915	24,085	75,000
2028 - 2032	413,448	86,552	500,000
2033 - 2036	361,687	21,646	383,333
Totals	<u>\$ 1,066,174</u>	<u>\$ 245,790</u>	<u>\$ 1,311,964</u>

Note 7 - Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

Governmental Activities	<u>Balances January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances December 31</u>
Non Depreciable Assets				
Land	\$ 5,334,893	\$ -	\$ -	\$ 5,334,893
Assets in progress	103,235	-	-	103,235
Total Non Depreciable Assets	<u>5,438,128</u>	<u>-</u>	<u>-</u>	<u>5,438,128</u>
Depreciable Assets				
Buildings and improvements	2,191,662	82,025	-	2,273,687
Machinery and equipment	1,000,158	18,951	-	1,019,109
Infrastructure	422,790	-	-	422,790
Leased assets	13,605	-	-	13,605
Total Depreciable Assets	<u>3,628,215</u>	<u>100,976</u>	<u>-</u>	<u>3,729,191</u>
Less Accumulated Depreciation				
Buildings and improvements	1,807,893	69,703	-	1,877,596
Machinery and equipment	796,998	29,715	-	826,713
Infrastructure	383,344	2,783	-	386,127
Leased assets	6,546	2,850	-	9,396
Total Accumulated Depreciation	<u>2,994,781</u>	<u>105,051</u>	<u>-</u>	<u>3,099,832</u>
Total Capital Assets, Net	<u>\$ 6,071,562</u>	<u>\$ (4,075)</u>	<u>\$ -</u>	<u>\$ 6,067,487</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

Note 7 - Capital Assets (Continued)

Proprietary Funds	Balances January 1	Additions	Deletions	Balances December 31
Non Depreciable Assets				
Land	\$ 1,276,384	\$ -	\$ -	\$ 1,276,384
Water rights	358,407	-	-	358,407
Assets in progress	<u>277,407</u>	<u>1,678,368</u>	-	<u>1,955,775</u>
Total Non Depreciable Assets	<u>1,912,198</u>	<u>1,678,368</u>	-	<u>3,590,566</u>
Depreciable Assets				
Buildings and improvements	18,582,510	-	-	18,582,510
Machinery and equipment	3,218,755	150,028	133,200	3,235,583
Augmentation plans	204,707	-	-	204,707
Infrastructure	<u>2,356,997</u>	<u>11,350</u>	-	<u>2,368,347</u>
Total Depreciable Assets	<u>24,362,969</u>	<u>161,378</u>	<u>133,200</u>	<u>24,391,147</u>
Less Accumulated Depreciation				
Buildings and improvements	11,868,851	400,532	-	12,269,383
Machinery and equipment	2,087,210	153,137	51,060	2,189,287
Augmentation plans	204,707	-	-	204,707
Infrastructure	<u>1,174,735</u>	<u>100,195</u>	-	<u>1,274,930</u>
Total Accumulated Depreciation	<u>15,335,503</u>	<u>653,864</u>	<u>51,060</u>	<u>15,938,307</u>
Total Capital Assets, Net	<u>\$ 10,939,664</u>	<u>\$ 1,185,882</u>	<u>\$ 82,140</u>	<u>\$ 12,043,406</u>

Depreciation expense was charged to the following functions/programs of the primary government as follows:

Governmental Activities:	
Administration	\$ 7,431
Parks and recreation	72,821
Swimming pool	7,260
Roads	<u>17,539</u>
Total - Governmental Activities	<u>\$ 105,051</u>
Proprietary Funds:	
Water Fund	\$ 412,640
Sewer Fund	198,817
Golf Fund	<u>42,407</u>
Total Proprietary Funds	<u>\$ 653,864</u>

At December 31, 2022, the District's general fund had one project in progress related to the master plan for the trail system for the Greenhorn Valley floor through the metro district as well as surrounding Lake Beckwith. The water fund had six construction projects in progress. The first project consists of engineering and related costs (\$71,383) for the construction of Reservoir #2. The second project consists of engineering and related costs (\$36,058) for the reconstruction of the Hicklin diversion gate. The third project consists of engineering and related costs (\$130,223) for the Lake Beckwith dam outlet works. The fourth project consists of the purchase and related costs (\$143,858) for the third phase of the District-wide water meter replacement process. The fifth project consists of costs (\$31,494) for a pretreatment system of the water system. The sixth project consists of planning, engineering, and constructions costs (\$1,542,759) for the water system infrastructure. No estimate of cost to complete or time for completion for these projects is presently known.

NOTES TO FINANCIAL STATEMENTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

Note 8 - Employee Benefits

The District maintains a money-purchase, defined contribution plan covering substantially all employees. The plan is titled "The Colorado City Metro District Money Purchase Pension Plan & Trust" and was established under Internal Revenue Code Section 414(h) as amended. The District has retained a third-party administrator to administer the plan and employees become eligible participants three months after their employment date. Each employee must contribute at least 3% of compensation and the District is required to contribute 6% of each eligible participant's compensation. Compensation is defined as W-2 compensation less bonuses and overtime. During 2022 employees contributed \$19,973 to the plan and the Districts' required contribution to the plan was \$39,945.

Note 9 - Deferred Compensation Plan

In conjunction with the above described plan, the District also maintains an Internal Revenue Code Section 457 plan which provides for employee contributions only. During the year ended December 31, 2022, the employees contributed \$10,250 to the plan.

Note 10 - Long-Term Liabilities

The following is a summary of the District's long-term liability transactions for the year ended December 31, 2022:

	Debt Outstanding January 1	Additions	Retirements and Repayments	Debt Outstanding December 31	Due Within One Year
Governmental activities:					
Notes payable and other	\$ 46,875	\$ -	\$ 18,253	\$ 28,622	\$ 18,912
Leases	7,059	-	2,850	4,209	2,937
Compensated absences	7,436	1,416	-	8,852	-
Totals	\$ 61,370	\$ 1,416	\$ 21,103	\$ 41,683	\$ 21,849
Proprietary Funds:					
Bonds payable:					
Water Fund	\$ 2,928,966	\$ -	\$ 70,708	\$ 2,858,258	\$ 73,105
Sewer Fund	516,876	-	12,478	504,398	12,901
Notes payable:					
Sewer Fund	324,075	-	98,871	225,204	109,856
Compensated absences	29,645	8,302	-	37,947	-
Totals	\$ 3,799,562	\$ 8,302	\$ 182,057	\$ 3,625,807	\$ 195,862

Notes payable and other obligations outstanding as of December 31, 2022, consisted of the following:

Governmental Activities

NBH Bank

One motor grader, bi-annual payments of \$9,884.45 for five years, with an effective rate of 3.58%.

\$ 28,622

NOTES TO FINANCIAL STATEMENTS (Continued)
COLORADO CITY METROPOLITAN DISTRICT
 December 31, 2022

Note 10 - Long-Term Liabilities (Continued)

Future years repayment schedule:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 18,912	\$ 857	\$ 19,769
2024	9,710	174	9,884
	<u>\$ 28,622</u>	<u>\$ 1,031</u>	<u>\$ 29,653</u>

Leases

The District has entered into two lease agreements for the use of office equipment. The lease terms vary between four and five years and include interest at the rate of 3%. Lease payment obligations to maturity for the existing obligations as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,937	\$ 86	\$ 3,023
2024	881	7	888
2025	391	5	396
	<u>\$ 4,209</u>	<u>\$ 98</u>	<u>\$ 4,307</u>

Proprietary Funds

Bonds Payable

\$3,526,301 Water and Wastewater Revenue Refunding and Improvement Bonds - Series 2020, interest rate of 3.39% per annum, interest and principal due in annual installments starting in February 2021 ranging from \$200,000 to \$261,404 through February 2040, collateralized by service revenues of the water and sewer funds, debt serviced 85% by the water fund and 15% by the sewer fund. \$ 3,362,656

Notes payable

\$1,878,538 note payable to Colorado Water Resources and Power Development Authority, interest rate of 3.26%, due in semi-annual installments including interest ranging from \$46,783 to \$58,578 through August 2024, collateralized by service revenues of the sewer fund. 225,204

Total - Proprietary Funds \$ 3,587,860

The annual requirements to retire proprietary funds long-term liabilities as of December 31, 2022 are as follows:

<u>Year Ending December 31</u>	<u>Bonds Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 86,006	\$ 113,994	\$ 200,000
2024	88,922	111,079	200,001
2025	153,340	108,064	261,404
2026	158,538	102,866	261,404
2027	163,913	97,491	261,404
2028 - 2032	906,779	400,243	1,307,022
2033 - 2037	1,071,258	235,763	1,307,021
2038 - 2040	733,900	50,311	784,211
	<u>\$ 3,362,656</u>	<u>\$ 1,219,811</u>	<u>\$ 4,582,467</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
COLORADO CITY METROPOLITAN DISTRICT
December 31, 2022

Note 10 - Long-Term Liabilities (Continued)

The annual requirements to retire proprietary funds long-term liabilities as of December 31, 2022 are as follows:

<u>Year Ending December 31</u>	<u>Notes Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 109,856	\$ 3,650	\$ 113,506
2024	115,348	-	115,348
	<u>\$ 225,204</u>	<u>\$ 3,650</u>	<u>\$ 228,854</u>

<u>Year Ending December 31</u>	<u>Total - Proprietary Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 195,862	\$ 117,644	\$ 313,506
2024	204,270	111,079	315,349
2025	153,340	108,064	261,404
2026	158,538	102,866	261,404
2027	163,913	97,491	261,404
2028 - 2032	906,779	400,243	1,307,022
2033 - 2037	1,071,258	235,763	1,307,021
2038 - 2040	733,900	50,311	784,211
	<u>\$ 3,587,860</u>	<u>\$ 1,223,461</u>	<u>\$ 4,811,321</u>

Note 11 - Net Position and Fund Balance Classifications

The specific purposes for each Net Position classification on the Statement of Financial Position are detailed in the table below:

<u>Funds</u>	<u>Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Totals</u>
General Fund	\$ 6,034,656	\$ 98,196	\$ 1,013,137	\$ 7,145,989
Water Fund	4,798,665	392,761	559,954	5,751,380
Sewer Fund	2,315,802	69,314	974,468	3,359,584
Golf Fund	1,341,078	-	153,335	1,494,413
Property Management Fund	-	-	711,202	711,202
	<u>\$ 14,490,201</u>	<u>\$ 560,271</u>	<u>\$ 3,412,096</u>	<u>\$ 18,462,568</u>

The specific purposes for each fund balance classification on the balance sheet are detailed in the table below:

<u>Funds</u>	<u>Fund Balances</u>					<u>Totals</u>
	<u>Nonspendable</u>		<u>Restricted</u>			
	<u>Prepays</u>	<u>Inventories</u>	<u>Tabor</u>	<u>Conservation Trust Fund</u>	<u>Unassigned</u>	
General	\$ 20,242	\$ 360,311	\$ 24,600	\$ 73,596	\$ 641,778	\$ 1,120,527

REQUIRED SUPPLEMENTARY INFORMATION

**COLORADO CITY METROPOLITAN DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED December 31, 2022**

	Budgeted Amounts		Actual Expenditures	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 558,062	\$ 588,848	\$ 590,252	\$ 1,404
Charges for services	135,200	135,200	133,078	(2,122)
State sources	134,000	134,000	96,395	(37,605)
Investment revenue	8,509	8,509	11,328	2,819
Other	162,300	162,300	68,559	(93,741)
Total Revenues	<u>998,071</u>	<u>1,028,857</u>	<u>899,612</u>	<u>(129,245)</u>
Expenditures				
Current -				
Administration	287,128	287,128	291,953	(4,825)
Recreation center	17,188	17,188	15,889	1,299
Swimming pool operations	84,148	84,148	75,983	8,165
Parks and recreation	174,547	174,547	182,785	(8,238)
Roads	45,604	45,604	37,862	7,742
Debt service				
Principal	19,769	19,769	18,253	1,516
Interest	-	-	1,516	(1,516)
Capital outlay	355,678	367,103	100,976	266,127
Total Expenditures	<u>984,062</u>	<u>995,487</u>	<u>725,217</u>	<u>270,270</u>
Excess of Revenues Over (Under) Expenditures	<u>14,009</u>	<u>33,370</u>	<u>174,395</u>	<u>141,025</u>
Other Financing Sources (Uses)				
Transfers in (out)	-	-	12,100	12,100
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>12,100</u>	<u>12,100</u>
Net Change in Fund Balance	14,009	33,370	186,495	153,125
Fund Balance - January 1	<u>(22,492)</u>	<u>(22,492)</u>	<u>934,032</u>	<u>956,524</u>
Fund Balance - December 31	<u>\$ (8,483)</u>	<u>\$ 10,878</u>	<u>\$ 1,120,527</u>	<u>\$ 1,109,649</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

COLORADO CITY METROPOLITAN DISTRICT

December 31, 2022

The District adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

Prior to October 15, the district manager submits a proposed budget to the Board of Directors for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. The District adopts budgets for all funds, and all funds, including proprietary funds, use the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budgets are enacted into law through the passage of an appropriation resolution. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within the general fund rests with the district manager or department heads. The Board of Directors may amend the original adopted budget during the year by passing a new resolution to reflected current needs.

The legal level of budgetary control for all funds is at the total fund level. This is to say, total expenditures in each fund cannot legally exceed appropriations for that fund.

Unused appropriations for all of the annually budgeted funds lapse at the end of the year. Therefore, encumbrances are not presented as a reservation of fund balance and the District appropriates funds in the subsequent year to honor these commitments.

OTHER SUPPLEMENTARY INFORMATION

COLORADO CITY METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
WATER FUND
YEAR ENDED December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
Revenues and Other Financing Sources				
Charges for services	\$ 1,155,850	\$ 1,155,850	\$ 1,186,267	\$ 30,417
Other	<u>3,357,500</u>	<u>3,357,500</u>	<u>1,737,295</u>	<u>(1,620,205)</u>
Total Revenues and Other				
Financing Sources	<u>4,513,350</u>	<u>4,513,350</u>	<u>2,923,562</u>	<u>(1,589,788)</u>
Expenditures				
Personnel costs	363,750	363,750	337,040	26,710
Operating and maintenance	628,892	628,892	678,311	(49,419)
Capital outlay/projects	3,450,000	3,450,000	1,833,395	1,616,605
Debt service	<u>70,708</u>	<u>70,708</u>	<u>167,931</u>	<u>(97,223)</u>
Total Expenditures	<u>4,513,350</u>	<u>4,513,350</u>	<u>3,016,677</u>	<u>1,496,673</u>
Net Change in Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (93,115)</u>	<u>\$ (93,115)</u>
Revenues on GAAP Basis			\$ 2,923,562	
No modifications to budgetary basis			<u>-</u>	
Revenues on Budgetary Basis			<u>\$ 2,923,562</u>	
Expenditures on GAAP Basis			\$ 1,525,214	
Depreciation			(412,640)	
Capital expenditures			1,833,395	
Principal paid on debt			<u>70,708</u>	
Expenditures on Budgetary Basis			<u>\$ 3,016,677</u>	

COLORADO CITY METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
SEWER FUND
YEAR ENDED December 31, 2022

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues and Other Financing Sources				
Charges for services	\$ 819,150	\$ 819,150	\$ 885,378	\$ 66,228
Other	144,800	144,800	14,438	(130,362)
Total Revenues and Other Financing Sources	963,950	963,950	899,816	(64,134)
Expenditures				
Personnel costs	312,701	312,701	299,401	13,300
Operating and maintenance	260,767	260,767	226,680	34,087
Capital outlay	279,082	279,082	4,825	274,257
Debt service	111,400	111,400	146,368	(34,968)
Total Expenditures	963,950	963,950	677,274	286,676
Net Change in Net Position	\$ -	\$ -	\$ 222,542	\$ 222,542
Revenues on GAAP Basis			\$ 899,816	
No modifications to budgetary basis			-	
Revenues on Budgetary Basis			\$ 899,816	
Expenditures on GAAP Basis			\$ 759,918	
Depreciation			(198,817)	
Capital expenditures			4,825	
Principal paid on debt			111,348	
Expenditures on Budgetary Basis			\$ 677,274	

COLORADO CITY METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
GOLF FUND
YEAR ENDED December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
Revenues and Other Financing Sources				
Charges for services	\$ 425,000	\$ 459,810	\$ 446,678	\$ (13,132)
Other	16,000	16,000	17,427	1,427
Total Revenues and Other				
Financing Sources	441,000	475,810	464,105	(11,705)
Expenditures				
Personnel costs	283,567	307,332	279,552	27,780
Operating and maintenance	139,200	139,200	181,692	(42,492)
Capital outlay	18,233	18,233	1,525	16,708
Debt service	-	-	-	-
Total Expenditures	441,000	464,765	462,769	1,996
Net Change in Net Position	\$ -	\$ 11,045	\$ 1,336	\$ (9,709)
Revenues on GAAP Basis			\$ 446,105	
No modifications to budgetary basis			-	
Revenues on Budgetary Basis			\$ 446,105	
Expenditures on GAAP Basis			\$ 503,651	
Depreciation			(42,407)	
Capital expenditures			1,525	
Principal paid on debt			-	
Expenditures on Budgetary Basis			\$ 462,769	

COLORADO CITY METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
PROPERTY MANAGEMENT FUND
YEAR ENDED December 31, 2022

	<u>Budgeted Amounts</u>		Actual Budgetary Basis	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Gain on assets sold	\$ 20,000	\$ 56,000	\$ 47,000	\$ (9,000)
Donations	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>11,000</u>
Total Revenues	20,000	56,000	58,000	2,000
Expenditures				
Operating and maintenance	<u>-</u>	<u>4,572</u>	<u>9,828</u>	<u>(5,256)</u>
Net Change in Net Position	<u>\$ 20,000</u>	<u>\$ 51,428</u>	<u>\$ 48,172</u>	<u>\$ (14,256)</u>

**COLORADO CITY METROPOLITAN DISTRICT
SCHEDULE OF CONSERVATION TRUST FUND ASSETS AND FUND BALANCE
December 31, 2022**

Assets		
Cash and cash equivalents	\$	73,596
	Total Assets	\$ 73,596
 Fund Balance		
Restricted		
Parks, recreation and conservation projects	\$	73,596
	Total Fund Balance	\$ 73,596

**COLORADO CITY METROPOLITAN DISTRICT
SCHEDULE OF CONSERVATION TRUST FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED December 31, 2022**

Revenues		
Intergovernmental	\$	96,394
Investment earnings		13
	Total Revenues	96,407
 Expenditures		
Current-		
Parks, recreation and conservation projects		82,025
	Total Expenditures	82,025
	Net Change in Fund Balance	14,382
Fund Balance - January 1		59,214
Fund Balance - December 31	\$	73,596

COMPLIANCE SECTION

**COLORADO CITY METROPOLITAN DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED December 31, 2022**

	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
<u>Department of the Treasury</u>		
Passed Through Pueblo County		
Coronavirus State and Local Fiscal Recovery Funds	21.027	\$ <u>1,542,759</u>
Total Passed Through Pueblo County		<u>1,542,759</u>
Total Expenditures of Federal Awards		<u>\$ 1,542,759</u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COLORADO CITY METROPOLITAN DISTRICT

For the year ended December 31, 2022

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Colorado City Metropolitan District under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance and /or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COSTS

The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - RISK BASED AUDIT APPROACH

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000. The District does not qualify as a low-risk auditee.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

September 26, 2023

Board of Directors
Colorado City Metropolitan District
Colorado City, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Colorado City Metropolitan District (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Colorado City Metropolitan District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Darren Ross & *DeNardo, Inc.*

Garren, Ross & DeNardo, Inc.

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

September 26, 2023

Board of Directors
Colorado City Metropolitan District
Colorado City, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Colorado City Metropolitan District's (the District) compliance with the types of compliance requirements identified in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing and audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain and understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.


Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James Ross  *DeNardo, Inc.*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COLORADO CITY METROPOLITAN DISTRICT

For the year ended December 31, 2022

SECTION I - SUMMARY OF AUDIT RESULTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
<i>Federal Awards</i>	
Internal control over major programs:	
• Material weakness(es) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Type of auditor's reported issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
The programs tested as major programs were:	
<u>CFDA Number(s)</u> 21.027	<u>Name of Federal Program or Cluster</u> Coronavirus State and Local Fiscal Recovery Funds
Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2022-001 General Ledger Controls

Condition and Context:

The accounting functions of the District should be completed on a timely basis.

Criteria:

Reconciliations of all key accounts should be prepared, working paper or other supporting documentation maintained, and any adjusting entries posted on a timely basis.

Cause:

Reconciliation and review of key financial statement accounts were not completed on a monthly basis which causes some errors in the monthly financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

COLORADO CITY METROPOLITAN DISTRICT

For the year ended December 31, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-001 General Ledger Controls

(Repeat Finding 2021-001)

Effect:

In the event of discrepancies, the delay in updating the accounting information does not allow postings, reconciliations and other inquiries to occur on a timely basis.

Recommendation:

Improvements were made with this process. The District should continue to work on their processes to ensure key financial statement accounts are reconciled and reviewed on a monthly basis.

Response:

The District will continue to review procedures to ensure key financial statement accounts are reconciled and reviewed on a monthly basis.

SECTION III - FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SECTION IV - PRIOR YEAR FINDINGS

None