

GRAND MESA METROPOLITAN DISTRICT #2

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of Grand Mesa Metropolitan District #2 (the District) as of and for the year ended December 31, 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, and the major fund of Grand Mesa Metropolitan District #2, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

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

June 27, 2023

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

This management's discussion and analysis of the Grand Mesa Metropolitan District #2 financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

Government-wide Statements

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

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

Fund Financial Statements

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

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2022

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

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a discussion of portions of the District’s net position for the fiscal years 2022 and 2021.

Current Assets	\$	519,192	\$	882,270
Capital Assets		1,981,195		1,674,057
Total Assets		2,500,387		2,556,327
Current Liabilities		104,746		168,061
Non-Current Liabilities		331,280		344,801
Total Liabilities		436,026		512,862
Deferred Inflows		180,854		185,835
Total Deferred Inflows		180,854		185,835
Net Position				
Restricted - Tabor		10,900		13,950
Invested in Capital Assets		1,636,393		1,315,733
Unrestricted		236,214		527,947
Total Net Position		\$ 1,883,507		\$ 1,857,630

The District shows an increase of \$25,877 in Net Position primarily due to the completed portion of the wastewater improvement project currently in progress which is reflected as an increase in the Capital Assets. Current Assets decreased by \$363,078 which is the result of escrow funds being converted to cash and spent on the wastewater improvement project during 2022. The increase in capital assets of \$307,138 is a result of the Construction in Progress for the wastewater improvements. The decrease in Non-Current Liabilities is a result of payments reducing the State Revolving Fund Loan that was secured by the District for the wastewater improvement project.

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The statement of activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting those services. The following detail reflects the total cost of services supported by program revenues and general property taxes, as well as other general revenues, resulting in the overall change in net assets for the fiscal years 2022 and 2021.

	2022	2021
Expenses	\$ (335,429)	\$ (383,125)
Charges for Services	145,106	137,580
Grants & Contributions	5,000	94,211
Total Governmental Activities	(185,323)	(151,334)
Property Tax	186,217	193,040
Specific Ownership Tax	24,142	27,382
Interest Income	841	430
Total General Revenue	211,200	220,852
Change in Net Position	25,877	69,518
Beginning Net Position	1,857,630	1,788,112
Prior Period Adjustment	-	-
Ending Net Position	\$ 1,883,507	\$ 1,857,630

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

The District's operations resulted in positive change in Net Position for 2022 and 2021. Total expenses during 2022 were \$47,696 less than the prior year which is a result of reduced professional fees for engineering, legal and accounting related to negotiations with CDPHE in relation to the Notice of Violation as well as a reduction in unexpected repairs to the water and wastewater systems. Net charges for services increased \$7,526 during 2022 as a net result of increased charges for water and sewer partially due to increased usage.

THE DISTRICT'S FUNDS

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

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

GRAND MESA METROPOLITAN DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note A* of the financial statements. No amended budgets were adopted by the District during fiscal year 2022.

General Fund Resources (Inflows)

The District's actual revenues in the amount of \$361,306 were less than the expectations of \$892,337 by \$531,031. This reduction in expected revenues was due to lack of grant funds that were projected by the District. A portion of the construction project has been delayed due to funding issues.

General Fund Charges to Appropriations (Outflows)

The District's final budgetary expenditures of \$656,088 were \$416,698 less than the appropriated balance of \$1,072,786. The decrease in expected expenditures is primarily due to construction delays and postponement due to funding issues.

CAPITAL ASSETS

At the end of 2022, the District had a net investment of \$1,981,195 in capital assets. This included capital outlay during 2022 of \$349,608 which included the wastewater improvements in process.

DEBT ADMINISTRATION

At December 31, 2022, the District has debt outstanding in the amount of \$344,802 which is an interest free loan from the Colorado Water Resources & Power Development Authority. See Note E for more information regarding the outstanding debt.

Contacting the District's Financial Management

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

Grand Mesa Metropolitan District #2
Sheila Dole, President
PO Box 485
Mesa, CO 81643
Tel: (970) 260-9212

Grand Mesa Metropolitan District #2

STATEMENT OF NET POSITION

For the year ended December 31, 2022

	<u>Governmental Activities</u>
Assets	
Cash	\$ 227,181
Restricted cash, held in escrow	1,145
Accounts receivable	40,012
Property taxes receivable	180,854
Inventory, taps	70,000
Capital assets, net of accumulated depreciation	1,981,195
Total assets	<u>2,500,387</u>
Liabilities	
Current liabilities	
Accounts payable	91,224
Total current liabilities	<u>91,224</u>
Long-term liabilities	
Due within one year	13,522
Due in more than one year	331,280
Total liabilities	<u>436,026</u>
Deferred inflows of resources	
Property taxes	<u>180,854</u>
Net position	
Net investment in capital assets	1,636,393
Restricted for TABOR	10,900
Unrestricted	236,214
Total net position	<u><u>\$ 1,883,507</u></u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

Function/Programs	Expenses	Program revenues		Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 335,429	\$ 145,106	\$ -	\$ 5,000
	<u>\$ 335,429</u>	<u>\$ 145,106</u>	<u>\$ -</u>	<u>\$ 5,000</u>
			Property tax	186,217
			Specific ownership tax	24,142
			Interest income	841
			Total general revenues	<u>211,200</u>
			Change in net position	25,877
			Net position, beginning	<u>1,857,630</u>
			Net position, ending	<u>\$ 1,883,507</u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

BALANCE SHEET - GOVERNMENTAL FUND

For the year ended December 31, 2022

Assets		
Cash and cash equivalents	\$	227,181
Prepays		1,145
Accounts receivable		40,012
Property taxes receivable		180,854
Inventory, taps		70,000
	Total assets	<u>519,192</u>
Liabilities		
Accounts payable		91,224
	Total liabilities	<u>91,224</u>
Deferred inflows of resources		
Property taxes		180,854
	Total deferred inflows	<u>180,854</u>
Fund balance		
Nonspendable		
Inventory		70,000
Restricted for		
TABOR		10,900
Committed for:		
Capital expenditures		150,000
Future road repairs		12,000
Unassigned		4,214
	Total fund balance	<u>\$ 247,114</u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

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

For the year ended December 31, 2022

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

Total fund balance - governmental funds	\$	247,114
Long term capital assets are expensed as capital outlay in the funds but are capitalized in the government wide statements and amortized as depreciation expense over their expected useful lives.		1,981,195
Long-term liabilities are not due and payable in the current period and therefore are not recognized in the funds.		<u>(344,802)</u>
Net position of governmental activities	\$	<u><u>1,883,507</u></u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

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

For the year ended December 31, 2022

	General Fund
Revenues	
Taxes	\$ 210,359
Intergovernmental revenues	5,000
Utility revenue	120,130
Emergency medical services	9,536
Taps sold	15,000
Interest earnings	841
Miscellaneous income	440
	<u>361,306</u>
	Total revenues
Expenditures	
General government	
Administrative	90,950
Sewer system	68,777
Water system	56,135
Trash removal	24,524
Snow removal	26,500
Emergency medical services	19,072
Principal payments on debt	13,522
Capital outlay	349,608
Cost of tap fees sold	7,000
	<u>656,088</u>
	Total expenditures
Excess of revenues over expenditures	(294,782)
Fund balance - beginning of year	541,896
Fund balance - end of year	<u>\$ 247,114</u>

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

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

For the year ended December 31, 2022

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

Net Change in Fund Balances - Governmental Fund \$ (294,782)

Long term capital assets are expensed as capital outlay in the
funds but are capitalized in the government wide statements and
amortized over their useful lives as depreciation expense. This
is the amount by which capital outlays exceeded
depreciation expense in the current year: 307,138

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

Change in net position of governmental activities \$ 25,878

The accompanying notes are an integral part of these statements.

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

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

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

2. Reporting Entity

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

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

3. Government-wide and Fund Financial Statements

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

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

4. Fund Accounting

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

Governmental Fund

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

The District reports the following major governmental fund:

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

5. Measurement Focus and Basis of Accounting

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

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-term Economic Focus and Accrual Basis

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

Current Financial Focus and Modified Accrual Basis

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

6. Budgets

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

The annual budget is prepared and approved by the Board of Directors. The budget is submitted to the County Commissioners by December 15, after the District’s Board approves and appropriates the budget. The Board may amend the appropriation at any time during the year if conditions so warrant. No supplemental appropriations were made for 2022.

7. Capital Assets

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

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

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Long-Term Obligations

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

9. Property Taxes Receivable

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

10. Use of Estimates

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

11. Inventory

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

12. Fund Balances

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

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

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

NOTE B – CASH

Cash consists of the following:

Cash in checking	\$ 77,135
Cash in savings	<u>150,046</u>
Total cash	<u>\$ 227,181</u>

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

The bank balance of the District’s accounts was \$273,468 and \$250,000 of this balance was covered by FDIC. The remaining balance is covered by PDPA.

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE C – CAPITAL ASSETS

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

	Balance at January 1, <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2022</u>
Governmental Activities				
Capital assets not being depreciated				
Construction in progress	\$ 1,117,784	\$ 342,222	\$ –	\$ 1,460,006
Capital assets being depreciated				
Equipment	24,530	–	–	24,530
Land Improvements	11,730	–	–	11,730
Waste Management Equipment	669,679	–	–	669,679
Water Distribution System	<u>145,971</u>	<u>7,386</u>	–	<u>153,357</u>
Total capital assets being depreciated	851,910	7,386	–	859,296
Less accumulated depreciation	(295,637)	(42,470)	–	(338,107)
Total capital assets, being depreciated, net	<u>556,273</u>	<u>(35,084)</u>	–	<u>521,189</u>
Government-type capital assets, net	<u>\$ 1,674,057</u>	<u>\$ 307,138</u>	<u>\$ –</u>	<u>\$ 1,981,195</u>

Depreciation expense is allocated 100% to public works.

NOTE D – PROPERTY TAX

Revenue Recognized in 2022

Local property taxes levied in 2021 and collected in 2022 are recognized as revenue in these financial statements as shown below:

	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Amount of Taxes</u>		<u>Percent Collected</u>
			<u>Levied</u>	<u>Collected</u>	
General Fund	\$ 3,689,630	50.367	\$185,836	\$185,904	100.00%

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE E – LONG-TERM DEBT

Changes in long-term debt for the year ended December 31, 2022 were as follows:

	<u>Balance</u> <u>January 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2022</u>
CWRPDA Loan	\$ 358,323	-	\$ (13,522)	\$ 344,802

Water Pollution Control Revolving Fund – Direct Loan

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 13,522	\$ -	\$ 13,522
2024	13,522	-	13,522
2025	13,522	-	13,522
2026	13,522	-	13,522
2027	13,522	-	13,522
2028-2032	67,608	-	67,608
2033-2037	67,608	-	67,608
2038-2042	67,608	-	67,608
2043-2047	67,608	-	67,608
2048	6,760	-	6,760
Total	<u>\$ 344,802</u>	<u>\$ -</u>	<u>\$ 344,802</u>

NOTE F– TAX, SPENDING AND DEBT LIMITATION

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

NOTE G – DEFERRED INFLOWS OF RESOURCES

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

Grand Mesa Metropolitan District #2

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE G – DEFERRED INFLOWS OF RESOURCES – CONTINUED

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

NOTE H – CONTINGENCIES

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

NOTE I – RISK MANAGEMENT

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

Grand Mesa Metropolitan District #2

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

For the year ended December 31, 2022

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 212,310	\$ 210,359	\$ (1,951)
Utility revenue	118,991	120,130	1,139
Emergency medical services	9,536	9,536	-
Intergovernmental revenue	500,000	5,000	(495,000)
Tap fees sold	-	15,000	15,000
Interest earnings	500	841	341
Miscellaneous income	51,000	440	(50,560)
Total revenue	<u>892,337</u>	<u>361,306</u>	<u>(531,031)</u>
Expenditures			
General government			
Administrative	85,400	90,950	(5,550)
Sewer system	67,192	68,777	(1,585)
Water system	66,250	56,135	10,115
Trash removal	20,350	24,524	(4,174)
Snow removal	25,000	26,500	(1,500)
Emergency medical services	19,072	19,072	-
Road repair and maintenance	24,000	-	24,000
Debt principal	13,522	13,522	-
Capital outlay	752,000	349,608	402,392
Cost of tap fees sold	-	7,000	(7,000)
Total expenditures	<u>1,072,786</u>	<u>656,088</u>	<u>416,698</u>
Excess of revenues over (under) expenditures	(180,449)	(294,782)	(114,333)
Fund balance - beginning of year	<u>426,597</u>	<u>541,896</u>	<u>115,299</u>
Fund balance - end of year	<u>\$ 246,148</u>	<u>\$ 247,114</u>	<u>\$ 966</u>