

**MT. CRESTED BUTTE WATER AND SANITATION DISTRICT
MT. CRESTED BUTTE, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended
December 31, 2022**

Mt. Crested Butte Water & Sanitation District

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MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

2022 Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) is designed to provide an easy-to-read discussion of the District's financial condition and operating results and to disclose to the reader important financial activities and issues related to the District's basic operations and mission.

The District has two financial categories referred to as business and governmental. The business activities, which include water and wastewater collection and processing, are primarily funded through charges to users. The governmental category primarily collects property taxes and specific ownership taxes. This category accounts for activities to support its operations and debt obligations.

DESCRIPTION OF FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements (including the accompanying footnotes)*, and *supplementary information*. The *supplementary information* is not a required part of the basic financial statements under generally accepted accounting principles.

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

Basic Financial Statements

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

These statements report the District's *net position* and changes in them. The District's net position - the difference between assets and liabilities - is one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

HIGHLIGHTS

- At the end of 2022 the Total Assets of the District had decreased by \$964,005 from \$49,710,686 to \$48,746,681. Current Assets from the Business Activities had decreased from \$11,278,648 to \$8,109,957 from the payment of construction costs and the reduction of Current Liabilities for the year.
- Current Liabilities for the business unit decreased by \$1,834,543 to \$826,778. The major portion of the decrease is due to the payment of construction costs for the Water Treatment Plant.
- The Water Treatment Plant was completed at a cost of \$22,452,526 with an additional \$172,293 costs for assets associated with the plant.
- The loan for the construction of the Plant was \$22,459,748. The first payment of principal and interest was paid in 2022. The balance of the principal as of December 31, 2022, was \$22,225,357.

STATEMENTS OF NET POSITION

The table below provides the perspective on the statement of net position for the two activities of the District and the District as a whole.

	Governmental Activities		Business Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current or Other Assets	1,301,155	1,100,171	8,109,957	11,278,648	9,411,112	12,378,819
Capital Assets	-	-	39,335,569	37,331,867	39,335,569	37,331,867
Total Assets	1,301,155	1,100,171	47,445,526	48,610,515	48,746,681	49,710,686
LIABILITIES						
Current Liabilities	127,557	67,969	826,778	1,834,543	954,335	1,902,512
Noncurrent Liabilities	28,203	23,527	21,489,019	22,492,820	21,517,222	22,516,347
Total Liabilities	155,760	91,496	22,315,797	24,327,363	22,471,557	24,418,859
DEFERRED INFLOWS	1,173,598	1,032,202	-	-	1,173,598	1,032,202
NET POSITION						
Net Investment in Capital Assets	-	-	18,520,803	19,195,066	18,520,803	19,195,066
Restricted	23,000	43,000	611,567	683,237	634,567	726,237
Unrestricted	(51,203)	(66,527)	5,997,359	4,404,849	5,946,156	4,338,322
Total Net Position	(28,203)	(23,527)	25,129,729	24,283,152	25,101,526	24,259,625

STATEMENT OF ACTIVITIES

The table below shows the change in Net Position for the two activities and the totals for the fiscal years of 2022 and 2021.

	Governmental Activities		Business Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
PROGRAM REVENUES						
Operating Revenues	-	63,585	4,874,153	3,969,893	4,874,153	4,033,478
Operating Expenses	(741,206)	(1,094,854)	(4,420,273)	(3,366,256)	(5,161,479)	(4,461,110)
Operating Income	(741,206)	(1,031,269)	453,880	603,637	(287,326)	(427,632)
Other Income (Expense)	737,346	1,402,595	392,697	(109,724)	1,130,043	1,292,871
Contributed Capital	-	-	-	-	-	-
Change in Net Position	(3,860)	371,326	846,577	493,913	842,717	865,239
Net Position - Beginning	(24,343)	(395,669)	24,283,152	23,789,239	24,258,809	23,393,570
Net Position - Ending	(28,203)	(24,343)	25,129,729	24,283,152	25,101,526	24,258,809

CAPITAL ASSETS

The table below presents the changes in capital assets for the year 2022.

CAPITAL ASSETS	<u>Balance 1/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2022</u>
Assets Not Being Depreciated				
Land	32,248	-	-	32,248
Water Rights	212,405	-	-	212,405
Construction in Progress	<u>21,535,041</u>	<u>155,517</u>	<u>(21,453,255)</u>	<u>237,303</u>
Total Assets Not Being Depreciated	21,779,694	155,517	(21,453,255)	481,956
Assets Being Depreciated				
Buildings and Improvements	1,463,848	136,528	-	1,600,376
Treatment Plants	25,542,992	22,641,660	-	48,184,652
Collection and Distribution Systems	6,434,078	1,764,292	-	8,198,370
Equipment	<u>1,303,701</u>	<u>84,169</u>	<u>-</u>	<u>1,387,870</u>
Total Assets Being Depreciated	34,744,619	24,626,649	-	59,371,268
Less: Accumulated Depreciation				
Buildings and Improvements	(298,185)	(53,153)	-	(351,338)
Treatment Plants	(14,149,989)	(953,204)	-	(15,103,193)
Collection and Distribution Systems	(3,980,093)	(194,085)	-	(4,174,178)
Equipment	<u>(764,178)</u>	<u>(124,768)</u>	<u>-</u>	<u>(888,946)</u>
Total Accumulated Depreciation	<u>(19,192,445)</u>	<u>(1,325,210)</u>	<u>-</u>	<u>(20,517,655)</u>
Net Capital Assets	<u>37,331,868</u>	<u>23,456,956</u>	<u>(21,453,255)</u>	<u>39,335,569</u>

DEBT OUTSTANDING

The District in May of 2020 entered into a loan agreement for the construction of a new water treatment plant. As of December 31, 2022, all the costs for the project had been incurred. Principal payments were made during 2022 to reduce the balance of the note with CWRPDA. See Note 4, Long-Term Obligations, in the footnotes to the financial statements.

DEBT OUTSTANDING	<u>Balance 1/1/2022</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance 12/31/2022</u>	<u>Due Within One Year</u>	<u>Interest Expense</u>	<u>Accrued Interest</u>
Governmental-Type Activities							
Compensated Absences	24,343	3,860		28,203			
Business-Type Activities							
2020 CWRPDA Note Payable	22,459,748		1,014,267	21,445,481		336,592	74,695
Compensated Absences	33,072	(10,466)		43,538			

ECONOMIC AND OTHER FACTORS

The financial results of the District operations fell in line with the expectations for 2022. The completion of the Water Treatment Plant came in under budget by \$630,715. This will reduce the total amount of the loan principal to be repaid in the future.

Economic influences affecting the District during 2022 are the continued escalation of residential units starts, the costs of building materials and labor, and the rise in property values. The District has seen rising costs in repair parts and outside maintenance costs along with delays in receiving requested parts due to supply chain delays from vendors and suppliers.

Employment continues to be a concern for the District with labor shortages throughout the Gunnison Valley. Property values from 2022 have increased significantly and will have an impact on the property taxes to be collected in future years.

The District continues to strive to provide excellent customer service to the patrons of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the general public 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:

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Mt. Crested Butte, CO 81225
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FINANCIAL SECTION

Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Directors
Mt. Crested Butte Water & Sanitation District
Crested Butte, Colorado

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of Mt. Crested Butte Water & Sanitation District, as of and for the year ended December 31, 2022, and the related notes to the financial statements which collectively comprise Mt. Crested Butte Water & Sanitation 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, and each major fund of the Mt. Crested Butte Water & Sanitation District as of December 31, 2022, and the respective changes in financial position and, where applicable, and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Financial Statements section of our report. We are required to be independent of the Mt. Crested Butte Water & Sanitation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the 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 Mt. Crested Butte Water & Sanitation 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.

Auditors' Responsibility 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 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 Mt. Crested Butte Water & Sanitation 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 Mt. Crested Butte Water & Sanitation 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.

Report on Summarized Comparative Information

We have previously audited the Mt. Crested Butte Water & Sanitation District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mt. Crested Butte Water & Sanitation District's basic financial statements. The combining nonmajor and individual fund financial statements 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mayberry + Company, LLC

Englewood, Colorado
July 5, 2023

Basic Financial Statements

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MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION
DECEMBER 31, 2022

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash and Investments	\$ 121,998	\$ 6,538,322	\$ 6,660,320
Restricted Cash and Investments	-	611,567	611,567
Receivables			
Property Tax Receivable	1,173,598	-	1,173,598
Utility Receivable	-	329,353	329,353
Cash with Fiscal Agent	5,559	630,715	636,274
Total Current Assets	<u>1,301,155</u>	<u>8,109,957</u>	<u>9,411,112</u>
Noncurrent Assets			
Capital Assets not being Depreciated	-	481,956	481,956
Capital Assets being Depreciated	-	59,371,268	59,371,268
Accumulated Depreciation	-	<u>(20,517,655)</u>	<u>(20,517,655)</u>
Total Noncurrent Assets	<u>-</u>	<u>39,335,569</u>	<u>39,335,569</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1,301,155</u>	<u>\$ 47,445,526</u>	<u>\$ 48,746,681</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 104,998	\$ 261,516	\$ 366,514
Accrued Liabilities	2,125	-	2,125
Accrued Salaries and Benefits	18,016	35,605	53,621
Retainage Payable	-	454,962	454,962
Deposits and Escrow	2,418	-	2,418
Accrued Interest Payable	-	<u>74,695</u>	<u>74,695</u>
Total Current Liabilities	<u>127,557</u>	<u>826,778</u>	<u>954,335</u>
Noncurrent Liabilities			
Due within one year	-	1,034,395	1,034,395
Due in more than one year	<u>28,203</u>	<u>20,454,624</u>	<u>20,482,827</u>
Total Noncurrent Liabilities	<u>28,203</u>	<u>21,489,019</u>	<u>21,517,222</u>
TOTAL LIABILITIES	<u>155,760</u>	<u>22,315,797</u>	<u>22,471,557</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Property Taxes	<u>1,173,598</u>	<u>-</u>	<u>1,173,598</u>
NET POSITION			
Net Investment in Capital Assets	-	18,520,803	18,520,803
Restricted Net Position	23,000	611,567	634,567
Unrestricted Net Position	<u>(51,203)</u>	<u>5,997,359</u>	<u>5,946,156</u>
TOTAL NET POSITION	<u>(28,203)</u>	<u>25,129,729</u>	<u>25,101,526</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 1,301,155</u>	<u>\$ 47,445,526</u>	<u>\$ 48,746,681</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>PROGRAM REVENUES</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS</u>
FUNCTIONS/PROGRAMS			
Government Activities			
Current:			
General Government	\$ 741,206	\$ -	\$ -
Business-type Activities			
Current:			
Water	2,088,429	1,878,646	542,646
Sanitation	<u>2,331,844</u>	<u>1,445,090</u>	<u>1,007,771</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4,420,273</u>	<u>3,323,736</u>	<u>1,550,417</u>
TOTAL GOVERNMENT	<u>\$ 5,161,479</u>	<u>\$ 3,323,736</u>	<u>\$ 1,550,417</u>
GENERAL REVENUES			
Property Taxes			
Specific Ownership Taxes			
Other Taxes			
Interest Income			
Gain (Loss) on Disposal of Capital Assets			
Other Revenue			
TRANSFERS			
TOTAL GENERAL REVENUES AND TRANSFERS			
CHANGE IN NET POSITION			
NET POSITION - Beginning			
NET POSITION - Ending			

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

NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION

GOVERNMENT ACTIVITIES	BUSINESS - TYPE ACTIVITES	TOTAL
\$ (741,206)	\$ -	\$ (741,206)
-	332,863	332,863
-	<u>121,017</u>	<u>121,017</u>
-	<u>453,880</u>	<u>453,880</u>
<u>(741,206)</u>	<u>453,880</u>	<u>(287,326)</u>
1,032,317	-	1,032,317
72,943	-	72,943
2,782	-	2,782
25,340	(18,874)	6,466
-	2,800	2,800
-	12,735	12,735
<u>(396,036)</u>	<u>396,036</u>	<u>-</u>
<u>737,346</u>	<u>392,697</u>	<u>1,130,043</u>
(3,860)	846,577	842,717
<u>(24,343)</u>	<u>24,283,152</u>	<u>24,258,809</u>
<u>\$ (28,203)</u>	<u>\$ 25,129,729</u>	<u>\$ 25,101,526</u>

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

With Comparative Totals for December 31, 2021

	General	Total	
	Fund	2022	2021
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash and Investments	\$ 121,998	\$ 121,998	\$ 59,996
Receivables			
Property Tax Receivable	1,173,598	1,173,598	1,032,202
Cash with Fiscal Agent	5,559	5,559	7,973
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1,301,155</u>	<u>\$ 1,301,155</u>	<u>\$ 1,100,171</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ 104,998	\$ 104,998	\$ 7,291
Accrued Liabilities	2,125	2,125	49,496
Accrued Salaries and Benefits	18,016	18,016	8,764
Deposits and Escrow	2,418	2,418	2,418
Total Current Liabilities	<u>127,557</u>	<u>127,557</u>	<u>67,969</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Property Taxes	<u>1,173,598</u>	<u>1,173,598</u>	<u>1,032,202</u>
FUND BALANCE			
Restricted Fund Balance	23,000	23,000	43,000
Unassigned Fund Balance	<u>(23,000)</u>	<u>(23,000)</u>	<u>(43,000)</u>
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 1,301,155</u>	<u>\$ 1,301,155</u>	<u>\$ 1,100,171</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO GOVERNMENTAL ACTIVITIES NET POSITION
DECEMBER 31, 2022**

Fund Balance - Governmental Funds	\$ -
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.	
Accrued compensated absences	<u>(28,203)</u>
Total Net Position - Governmental Activities	<u>\$ (28,203)</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	General Fund	TOTAL	
		2022	2021
REVENUES			
Taxes	\$ 1,108,042	\$ 1,108,042	\$ 1,266,350
Intergovernmental Revenues	-	-	63,586
Investment Earnings	25,340	25,340	1,484
Other Revenues	-	-	2,454
TOTAL REVENUES	1,133,382	1,133,382	1,333,874
EXPENDITURES			
Current:			
General Government	737,346	737,346	1,085,374
Capital Outlay	-	-	2,500
Debt Service	-	-	378,307
TOTAL EXPENDITURES	737,346	737,346	1,466,181
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	396,036	396,036	(132,307)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	132,307
Transfers (Out)	(396,036)	(396,036)	-
TOTAL OTHER FINANCING SOURCES (USES)	(396,036)	(396,036)	132,307
NET CHANGE IN FUND BALANCE - GAAP BASIS	-	-	-
FUND BALANCE, BEGINNING	-	-	-
FUND BALANCE, ENDING	\$ -	\$ -	\$ -

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS CHANGE IN FUND BALANCE
TO GOVERNMENTAL ACTIVITIES CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022**

Change in Fund Balance - Governmental Funds	\$ -
Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level	
Change in accrued compensated absences	<u>(3,860)</u>
Change in Net Position - Governmental Activities	<u>\$ (3,860)</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Business-type Activities			
	Water	Sanitation	Total	
	Fund	Fund	2022	2021
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Current Assets				
Cash and Investments				
Cash and Investments	\$ 5,090,203	\$ 1,448,119	\$ 6,538,322	\$ 5,860,648
Restricted Cash and Investments	611,567	-	611,567	683,237
Receivables				
Utility Receivable	178,455	150,898	329,353	340,631
Cash with Fiscal Agent	630,715	-	630,715	4,322,947
Prepaid Expenses	-	-	-	71,185
Total Current Assets	<u>6,510,940</u>	<u>1,599,017</u>	<u>8,109,957</u>	<u>11,278,648</u>
Noncurrent Assets				
Capital Assets not being depreciated	354,039	127,917	481,956	21,779,694
Capital Assets being depreciated	36,131,863	23,239,405	59,371,268	34,744,618
Accumulated Depreciation	<u>(8,031,564)</u>	<u>(12,486,091)</u>	<u>(20,517,655)</u>	<u>(19,192,445)</u>
Total Noncurrent Assets	<u>28,454,338</u>	<u>10,881,231</u>	<u>39,335,569</u>	<u>37,331,867</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 34,965,278</u>	<u>\$ 12,480,248</u>	<u>\$ 47,445,526</u>	<u>\$ 48,610,515</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 216,804	\$ 44,712	\$ 261,516	\$ 883,347
Accrued Salaries and Benefits	14,198	21,407	35,605	20,680
Retainage Payable	454,962	-	454,962	847,487
Accrued Interest Payable	<u>74,695</u>	<u>-</u>	<u>74,695</u>	<u>83,029</u>
Total Current Liabilities	760,659	66,119	826,778	1,834,543
Noncurrent Liabilities				
Due within one year	1,034,395	-	1,034,395	10,000
Due in more than one year	<u>20,430,303</u>	<u>24,321</u>	<u>20,454,624</u>	<u>22,482,820</u>
TOTAL LIABILITIES	<u>22,225,357</u>	<u>90,440</u>	<u>22,315,797</u>	<u>24,327,363</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES				
NET POSITION				
Net Investment in Capital Assets	7,639,572	10,881,231	18,520,803	19,195,066
Restricted Net Position	611,567	-	611,567	683,237
Unrestricted Net Position	<u>4,488,782</u>	<u>1,508,577</u>	<u>5,997,359</u>	<u>4,404,849</u>
TOTAL NET POSITION	<u>12,739,921</u>	<u>12,389,808</u>	<u>25,129,729</u>	<u>24,283,152</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 34,965,278</u>	<u>\$ 12,480,248</u>	<u>\$ 47,445,526</u>	<u>\$ 48,610,515</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	<u>Business-type Activities</u>			
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	
	<u>Fund</u>	<u>Fund</u>	<u>2022</u>	<u>2021</u>
Operating Revenues				
Utility Charges	\$ 1,878,646	\$ 1,445,090	\$ 3,323,736	\$ 3,122,717
Operating Expenses				
Personnel Services	471,971	665,711	1,137,682	957,441
Administrative/Office Expenses	13,002	27,112	40,114	-
Insurance	50,309	116,428	166,737	-
Operating Supplies	154,376	294,958	449,334	395,649
Professional Fees	35,060	164,620	199,680	191,405
Repairs and Maintenance	215,515	151,894	367,409	309,849
Travel and Training	2,325	8,477	10,802	-
Engineering	16,084	10,800	26,884	-
Telephone and Utilities	147,904	158,901	306,805	247,998
Other Operating Expenses	23,324	18,033	41,357	76
Depreciation Expense	610,300	714,910	1,325,210	913,008
Total Expenditures	1,740,170	2,331,844	4,072,014	3,015,426
Operating Income (Loss)	138,476	(886,754)	(748,278)	107,291
Other Income (Expense)				
Investment Earnings	(37,928)	19,054	(18,874)	(3,654)
Other Revenue	11,775	960	12,735	26,236
Interest Expense	(348,259)	-	(348,259)	(350,830)
Gain (Loss) on Disposal of Assets	2,800	-	2,800	-
Total Other Income (Expense)	(371,612)	20,014	(351,598)	(328,248)
Net Income (Loss) before Transfers	(233,136)	(866,740)	(1,099,876)	(220,957)
Transfers				
Transfers In/(Out)	198,018	198,018	396,036	(132,306)
Net Income (Loss)	(35,118)	(668,722)	(703,840)	(353,263)
Contributed Capital				
Plant Investment Fees	542,646	1,007,771	1,550,417	847,176
Change in Net Position	507,528	339,049	846,577	493,913
Net Position, Beginning	12,232,393	12,050,759	24,283,152	23,789,239
Net Position, Ending	\$12,739,921	\$12,389,808	\$25,129,729	\$24,283,152

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2022

With Comparative Totals for the Year Ended December 31, 2021

	<u>Business-type Activities</u>			
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	
	<u>Fund</u>	<u>Fund</u>	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 1,884,677	\$1,450,337	\$ 3,335,014	\$ 3,110,209
Cash Paid to Suppliers	(1,173,379)	(999,142)	(2,172,521)	(3,239,606)
Cash Paid to and for the Benefit of Employees	(468,206)	(631,333)	(1,099,539)	(953,425)
Net Cash Provided by Operating Activities	<u>243,092</u>	<u>(180,138)</u>	<u>62,954</u>	<u>(1,082,822)</u>
Cash Flows From Capital and Related Financing Activities:				
Tap Fees Received	542,646	1,007,771	1,550,417	847,176
Debt Principal Payments	(1,014,267)	-	(1,014,267)	(10,000)
Interest Payments	(356,592)	-	(356,592)	(351,038)
Proceeds of Capital Asset Sales	2,800	-	2,800	-
Acquisition of Capital Assets	(3,369,114)	(352,323)	(3,721,437)	(10,554,208)
Cash Flows Used by Capital and Related Financing Activities	<u>(4,194,527)</u>	<u>655,448</u>	<u>(3,539,079)</u>	<u>(10,068,070)</u>
Cash Flows (Uses) From Noncapital Financing Activities:				
Cash from Other Funds	198,018	198,018	396,036	(132,306)
Other Revenues (Expense)	11,775	960	12,735	26,236
Tax Revenue	<u>3,692,232</u>	-	<u>3,692,232</u>	<u>12,244,632</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,902,025</u>	<u>198,978</u>	<u>4,101,003</u>	<u>12,138,562</u>
Cash Flows (Uses) From Investing Activities:				
Interest Received	<u>(37,928)</u>	<u>19,054</u>	<u>(18,874)</u>	<u>(3,654)</u>
Net Increase (Decrease) in Cash	(87,338)	693,342	606,004	984,016
Cash - Beginning	<u>5,789,108</u>	<u>754,777</u>	<u>6,543,885</u>	<u>5,559,869</u>
Cash - Ending	<u>\$ 5,701,770</u>	<u>\$1,448,119</u>	<u>\$ 7,149,889</u>	<u>\$ 6,543,885</u>
Cash and Investments				
Cash and Investments	\$ 5,090,203	\$1,448,119	\$ 6,538,322	\$ 6,138,134
Restricted Cash and Investments	<u>611,567</u>	-	<u>611,567</u>	<u>405,751</u>
Total	<u>\$ 5,701,770</u>	<u>\$1,448,119</u>	<u>\$ 7,149,889</u>	<u>\$ 6,543,885</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:				
Operating Income (Loss)	\$ 138,476	\$ (886,754)	\$ (748,278)	\$ 107,291
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	610,300	714,910	1,325,210	913,008
Changes in Assets and Liabilities Related to Operations:				
(Increase) Decrease in:				
Utility Receivable	6,031	5,247	11,278	(12,508)
Prepaid Expenses	2,500	68,685	71,185	-
(Increase) Decrease in:				
Accounts Payable	(519,104)	(102,729)	(621,833)	(2,094,629)
Accrued Salaries and Benefits	6,013	8,912	14,925	3,326
Accrued Compensated Absences	(1,124)	11,591	10,467	690
Total Adjustments	<u>104,616</u>	<u>706,616</u>	<u>811,232</u>	<u>(1,190,113)</u>
Net Cash Used for Operating Activities	<u>\$ 243,092</u>	<u>\$ (180,138)</u>	<u>\$ 62,954</u>	<u>\$ (1,082,822)</u>

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

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mt. Crested Butte Water & Sanitation District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Reporting Entity

Mt. Crested Butte Water & Sanitation District is a political subdivision of the State of Colorado governed by a board of directors. As required by generally accepted accounting principles, these financial statements present the Mt. Crested Butte Water & Sanitation District (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the foregoing criteria, there are no component units included in the accompanying financial statements.

Nature of Operations

The District provides water and sanitation services to the residents of the District.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues. Internal activity has been eliminated within the function for the statement of activities presentation.

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

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes and specific ownership taxes are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

In the fund financial statements, the District reports the following major governmental fund:

General Fund

The General Fund uses the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal sources of revenues are property and specific ownership taxes. Principal expenditures are for District administration.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues include the District are charges to customers for sales and service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise funds are used to account for operations financed and operated similar to businesses using the accrual method of accounting. Enterprise fund revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

The District reports the following major proprietary funds:

Water and Sanitation Funds

These funds account for the activities related to the offering of the respective services to the District's residents.

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The District adopts an annual budget for all funds which are all prepared on the modified accrual basis of accounting. The District may authorize supplemental appropriations during the budget year. All budgetary appropriations lapse at year-end.

Colorado statutes provide the following timetable which is followed in the adoption of budgets:

- (1) Submission of the proposed budget to the local governing body by October 15 of each year.
- (2) Certification of mill levies to the Board of County Commissioners by December 15.
- (3) Final adoption of budget and appropriations by December 31 of each year.
- (4) Property taxes are due by April 30 of each year if paid in full, or in two installments due February 28 and June 15 of each year.

Encumbrances

The District does not utilize encumbrance accounting.

Cash and Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which is equal to fair value.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

Governmental funds report deferred inflows of resources, as further described below in connection with receivables for revenues that are deferred for use during the next fiscal year. At the end of the current year, these receivables consisted of property taxes levied in 2022 and due in 2023.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include land, buildings, vehicles and equipment, are reported in the governmental 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 \$25,000 and a useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

Plant and lines	15-40 years
Building and improvements	10-50 years
Equipment	5-15 years

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflows of financial resources and deferred inflows of financial resources, represent a usage or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until a future period. Deferred property taxes are reported as a deferred inflow for both the governmental activities presentation and governmental funds balance sheet.

The unavailable property taxes are deferred and will be recognized as an outflow or inflow of resources in the period that the amounts become recognizable as an expense or available, respectively. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

Long-Term Obligation

Long-term debt is reported at face value, net of applicable discounts and deferred charge on refunding. Costs related to the issuance of debt are expensed when incurred. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statements of net position or as part of the proprietary fund presentation.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance

In the government-wide financial statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as "nonspendable" include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Amounts are reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors, reported and at their highest level of action are reported as "committed" fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining governmental balances or deficits in the other governmental funds are presented as unassigned.

Net Position/Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Accumulated Unused Leave/Compensated Absences

The District permits an employee to carry over unused sick leave to the next calendar year. The District will compensate an employee for any unused vacation and compensatory time at their current rate of pay upon termination or resignation. The District does not payout unused sick leave upon termination.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

COMPARATIVE DATA

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. While we did adjust the prior year's presentation to align with this year presentation the Net Position did not change.

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2022**

NOTE 2: CASH AND INVESTMENTS

The District's cash and investment balances as of the year ended December 31, 2022 are as follows:

Cash	\$ 2,778,607
Investments	<u>4,493,280</u>
Total Cash and Investments	<u>\$ 7,271,887</u>

These balances are allocated in the financial statements as follows:

Restricted Cash and Investments	\$ 606,463
Unrestricted Cash and Investments	<u>6,665,425</u>
Total Cash and Investments	<u>\$ 7,271,887</u>

DEPOSITS

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and December 31, 2022, all of the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

At December 31, 2022 the District's deposits are categorized as follows:

	Bank Balance	Carrying Balance
FDIC Insured	\$ 673,844	\$ 673,844
PDPA Collateralized (not in District's name)	2,148,134	2,104,663
Cash on Hand	-	<u>100</u>
Total	<u>\$ 2,821,978</u>	<u>\$ 2,778,607</u>

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2022**

NOTE 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended June 30, 2022 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

	<u>Level 2</u>	<u>Uncategorized</u>	<u>Total</u>
U.S. Agencies	\$ 248,119	\$ -	\$ 248,119
Investment Pools	-	<u>4,245,161</u>	<u>4,245,161</u>
Total Investments	<u>\$ 248,119</u>	<u>\$ 4,245,161</u>	<u>\$ 4,493,280</u>

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

- **U.S. Agencies:** Valued at Quoted prices for similar assets or liabilities in active markets

The District recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2022, there were no changes in methods or assumptions utilized to derive the fair value of the District’s assets and liabilities.

The District has invested in securities offered through Peak Investment Management Services, as custodian of the District’s Bond Redemption Fund investments. These amounts are held for repayment of the District’s outstanding debt. The custodian's internal records identify the investments owned on behalf of the District. The District has also restricted other funds as shown above.

During the year ended December 31, 2022, the District invested funds in the Colostrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner. It invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a 2a-7-like money market fund with a share value equal to \$1.00, approximating market value, and a maximum weighted average maturity of 60 days. These funds are rated AAAM by the Standard and Poor’s Corporation. The balance of this investment at December 31, 2022 was \$4,172,162.

Credit Risk

Colorado statutes specify which instruments units of local government may invest, which include:

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

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2022**

NOTE 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

The District’s investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2022, the District did not have any investments requiring safekeeping.

RESTRICTED CASH

The District has restricted cash as follows:

Restricted Cash and Investments	\$ 606,463
Unrestricted Cash and Investments	6,665,425
Total Cash and Investments	<u>\$ 7,271,887</u>

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3: CAPITAL ASSETS

Changes in business-type activities capital assets for the year ended December 31, 2022 was as follows:

	Balance 1/1/22	Additions	Deletions	Balance 12/31/22
Business - Type Activities:				
Assets not being depreciated				
Land	\$ 32,248	\$ -	\$ -	\$ 32,248
Water Rights	212,405	-	-	212,405
Construction in Progress	<u>21,535,041</u>	<u>155,517</u>	<u>21,453,255</u>	<u>237,303</u>
Total assets not being depreciated	<u>21,779,694</u>	<u>155,517</u>	<u>21,453,255</u>	<u>481,956</u>
Assets being depreciated				
Buildings and Improvements	1,463,848	136,528	-	1,600,376
Treatment plants	25,542,992	22,641,660	-	48,184,652
Collection and distribution systems	6,434,078	1,764,292	-	8,198,370
Equipment	<u>1,303,701</u>	<u>84,169</u>	-	<u>1,387,870</u>
Total assets being depreciated	<u>34,744,619</u>	<u>24,626,649</u>	-	<u>59,371,268</u>
Less: Accumulated depreciation				
Buildings and Improvements	(298,185)	(53,153)	-	(351,338)
Treatment plants	(14,149,989)	(953,204)	-	(15,103,193)
Collection and distribution systems	(3,980,093)	(194,085)	-	(4,174,178)
Equipment	<u>(764,178)</u>	<u>(124,768)</u>	-	<u>(888,946)</u>
Total accumulated depreciation	<u>(19,192,445)</u>	<u>(1,325,210)</u>	-	<u>(20,517,655)</u>
Net Capital Assets	<u>\$37,331,868</u>	<u>\$23,456,956</u>	<u>\$21,453,255</u>	<u>\$39,335,569</u>

Depreciation is allocated to the District's operations as follows:

Water Fund	\$ 610,300
Sanitation Fund	<u>714,910</u>
Total	<u>\$ 1,325,210</u>

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 4: LONG-TERM OBLIGATIONS

The following is a schedule of changes in debt for the year ended December 31, 2022:

	<u>Balance</u> <u>1/1/22</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/22</u>	<u>Due Within</u> <u>One Year</u>	<u>Interest</u> <u>Expense</u>	<u>Accrued</u> <u>Interest</u>
<u>Governmental Activities:</u>							
Compensated Absences	\$ 24,343	\$ 3,860	\$ -	\$ 28,203	\$ -	\$ -	\$ -
<u>Business-type Activities:</u>							
2020 CWRPDA Note Payable	22,459,748	-	1,014,267	21,445,481	1,034,395	348,259	74,695
Compensated Absences	33,072	10,466	-	43,538	-	-	-
Total Obligations	<u>\$ 22,517,163</u>	<u>\$ 14,326</u>	<u>\$ 1,014,267</u>	<u>\$ 21,517,222</u>	<u>\$ 1,034,395</u>	<u>\$ 348,259</u>	<u>\$ 74,695</u>

In May 2020, the District entered into a 20-year loan agreement with Colorado Water Resource and Power Development Authority (CWRPDA) for debt not to exceed \$22,474,478 (and \$23,175,000 as the total funds available to be drawn and spent on the project - \$630,715 undrawn at year end). The net effective interest rate of the loan is 1.29%. The proceeds of this debt are to be used for a Water Treatment Plant Expansion Project to be completed in May 2022. Although the proceeds of the CWRPDA loan are being used for improvements to the District's water treatment functions, the Loan Agreement provides that repayment of the Loan is an obligation of both the Water and Wastewater Enterprise Funds of the District, payable from all legally available sources of those District Enterprises and is therefore reported as a noncurrent obligation of business-type activities. Loan payments are due semi-annually on February 1 and August 1. Semi-annual principal payments for this loan commenced August 1, 2021 in the amount of \$112,833 and the final payment will be due August 1, 2040. Debt service payments are made by the Enterprise Funds. The loan requires a three-month operations and maintenance reserve based on budgeted enterprise operating expenses or \$373,426. The District has restricted cash in the Water Fund for this purpose.

Scheduled payments on the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,034,395	\$ 336,592	\$ 1,370,987
2024	1,056,275	317,092	1,373,367
2025	1,073,001	298,092	1,371,093
2026	1,090,070	280,092	1,370,162
2027	1,106,408	262,842	1,369,250
2028-2032	5,780,728	1,076,885	6,857,613
2033-2037	6,297,415	557,501	6,854,916
2038-2040	4,007,189	102,442	4,109,631
Total	<u>\$ 21,445,481</u>	<u>\$ 3,231,538</u>	<u>\$ 24,677,019</u>

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 5: PENSION PLANS

The District is a member of the Colorado Retirement Association (CRA), which offers a defined contribution plan. Required contributions are established by the governing board of the Association.

Under a defined contribution plan the benefits a participant will receive depend solely on the amount contributed to the participant's account plus the investment returns of those contributions.

Participation is mandatory for all employees after one year of employment. Eligible employees contribute five percent (5%) of their base pay, which is matched by the District. The plan has a five year vesting period and is distributed upon the employee's termination or retirement. For 2021, the District amended the plan to allow an for an additional employer matching contribution of up to a 3% match of employee contributions to a separate I.R.C. Section 457 plan also managed by CRA (maximum 8% employer contributions).

During the fiscal years 2022, 2021 and 2020, the District's required contributions were \$51,343, \$47,007, and \$41,428. Covered payroll was which was 5%, 5% and 5% of covered payroll totaling \$1,033,519, \$940,140, and \$828,556, respectively. Total payroll for the years ending December 31, 2022, 2021 and 2020 was \$1,101,239, \$996,522, and \$939,611, on the cash basis, respectively.

During 2021, the District authorized an additional, up to 3%, match of employee contributions to a separate I.R.C. Section 457 plan also managed by CRA. Employee contributions to the 457 plan totaled \$60,011 for the fiscal year.

NOTE 6: FUND BALANCE RESERVATIONS/APPROPRIATIONS

Emergency Reserve

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado, all local governments, and special districts.

The District's financial activity for the year ended December 31, 2022 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 2022, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retention of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 6: FUND BALANCE RESERVATIONS/APPROPRIATIONS (Continued)

Emergency Reserve (Continued)

At a November 4, 1997 election, the electors of the District authorized the District to collect, retain and expend the full amount of the revenues from all sources during 1997, as well as the full amount of all revenues generated by all sources for each subsequent year. This election authorized the spending of such revenues in each year without limitation under Article X, Section 20 of the Colorado Constitution.

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

The Article requires an emergency reserve be set aside for 2022 in the amount of 3% or more of its fiscal year spending. At December 31, 2022, the District has restricted the following for emergencies based on the General Fund activity that is subject to the amendment:

General Fund	<u>\$23,000</u>
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The District believes it is in compliance with the provisions of the TABOR Amendment.

CWRPDA Restrictions

The District has established both the Operations and Maintenance reserve and the optional Rate Stabilization reserve as outlined in the 2020 CWRPDA loan agreement. The balances in these accounts are as noted in Note 2 with regards to Restricted Cash and as computed in Note 11 relating to the Rate Stabilization reserve.

NOTE 7: RISK MANAGEMENT

The District carries insurance coverage for all foreseeable risks of loss. These include, but are not necessarily limited to, worker's compensation, property and liability, bond, and errors and omissions.

The District carries liability, property and bond coverage through commercial insurance carriers. Risk of loss is transferred to these carriers.

The District has not materially changed its coverage from previous years. Based on the lack of previous loss occurrences, the District has not recorded any liability for unpaid claims at December 31, 2022.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 8: INTERNAL TRANSFERS

The District reports administrative activities in the General Fund, funded through a general operating mill levy with supplemental transfers from the Water and Sanitation Funds to cover operating expenses, or to those funds if taxes exceed administrative expenses. The operating mill levy is allocated equally against Water and Sanitation Fund administrative costs with the District tracking administrative costs separately for both activities. For the fiscal year, the District transferred excess taxes of \$198,018 from the General Fund to both the Water and Sanitation Funds.

NOTE 9: DEFICIT NET POSITION AND FUND BALANCE

As of December 31, 2022, the District had a deficit unassigned fund balance of \$(23,000) in the General Fund due to the requirement to the restricted equity related to the emergency reserve requirements of TABOR as described in Note 6. As the District intends to balance administrative costs reported in the General Fund through transfers to and from the Water and Sanitation Funds, this deficit is anticipated to continue. Should the District be required to utilize the emergency reserve required by TABOR, additional transfers can be made from the other operating funds.

The District has a deficit net position of \$(28,203) in the Governmental Activities specifically related to the inclusion of accrued compensated absences related to administrative employees. The deficit related to the accrued compensated absences is expected to continue with minor adjustment.

NOTE 10: CONSTRUCTION COMMITMENTS

The District has open construction commitments of \$1,936,131 with Moltz Construction, Inc. related to the Water Treatment Plant expansion project as of year-end.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 11: RATE MAINTENANCE

The 2020 Colorado Water Resources and Power Development Authority loan agreement requires that Net Revenues shall represent a sum equal to 110% of the amount necessary to pay when due the principal and interest on the loan and any parity debt coming due. During 2021, the District established a Rate Stabilization reserve account of \$280,000. In order to meet debt coverage, the District utilized \$41,859 of this reserve for the 2022 fiscal year.

Charges for Services	\$ 1,878,646
Plant Investment Fees	542,646
Operating Transfers (Property Taxes)	198,018
Investment Earnings	(37,928)
Other Revenue	11,775
Gain (Loss) on Disposal of Assets	<u>2,800</u>
Gross Revenue	<u>2,595,957</u>
Operating Expenses	(1,740,171)
Add Back: Depreciation	<u>610,300</u>
Net Operating Expenses	<u>(1,129,871)</u>
Net Revenue	1,466,086
Debt Service:	
2020 CWRPDA Loan	1,370,859
110 % Coverage	<u>1,507,945</u>
Excess (Under) Coverage	(41,859)
Beginning Rate Stabilization	<u>280,000</u>
Ending Rate Stabilization	<u>\$ 238,141</u>

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Required Supplementary Information

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE

General Fund

FOR THE YEAR ENDED DECEMBER 31, 2022

With Comparative Totals for the Year Ended December 31, 2021

	2022			2021
	Original & Final Budget	Actual	Variance With Final Budget	
REVENUES				
Taxes				
Property Taxes	\$ 1,025,983	\$ 1,032,317	\$ 6,334	\$ 1,174,023
Specific Ownership Taxes	-	72,943	72,943	89,603
Other Taxes	-	2,782	2,782	2,724
Total Tax Revenue	<u>1,025,983</u>	<u>1,108,042</u>	<u>82,059</u>	<u>1,266,350</u>
Intergovernmental Revenues				
Federal Grants	-	-	-	63,586
Investment Earnings	8,000	25,340	17,340	1,484
Other Revenues				
Other Miscellaneous Revenue	-	-	-	2,454
TOTAL REVENUES	<u>1,033,983</u>	<u>1,133,382</u>	<u>99,399</u>	<u>1,333,874</u>
EXPENDITURES				
General Government				
Personnel Services	581,095	494,426	(86,669)	570,056
Fuel and Automotive	1,200	1,983	(783)	46,472
Insurance	25,000	23,780	1,220	81,642
Professional Fees	100,500	90,718	9,782	167,523
Repairs and Maintenance	2,000	1,734	266	1,555
Supplies	41,500	45,742	(4,242)	92,481
Telephone and Utilities	12,000	12,772	(772)	21,582
Travel and Training	2,500	3,669	(1,169)	9,381
Other Expenses	60,500	62,522	(2,022)	94,682
Total General Government	<u>826,295</u>	<u>737,346</u>	<u>(84,389)</u>	<u>1,085,374</u>
Capital Outlay				
General Government Capital Outlay	50,000	-	50,000	2,500
Debt Service				
Principal	-	-	-	361,364
Interest	-	-	-	16,943
Total Debt Service	-	-	-	378,307
TOTAL EXPENDITURES	<u>876,295</u>	<u>737,346</u>	<u>(34,389)</u>	<u>1,466,181</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	157,688	396,036	65,010	(132,307)
OTHER FINANCING SOURCES (USES)				
Transfers In (net)	-	-	-	132,307
Transfers (Out)	207,688	(396,036)	188,348	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>207,688</u>	<u>(396,036)</u>	<u>188,348</u>	<u>132,307</u>
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ 365,376</u>	-	<u>\$ 253,358</u>	-
FUND BALANCE, BEGINNING	-	-	-	-
FUND BALANCE, ENDING	-	<u>\$ -</u>	-	<u>\$ -</u>

See accompanying Independent Auditors' Report.

Other Supplementary Information

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL

Water Fund

FOR THE YEAR ENDED DECEMBER 31, 2022

With Comparative Totals for the Year Ended December 31, 2021

	2022		Variance with Final Budget	2021
	Original & Final Budget	Actual		Actual
Operating Revenues				
Utility Charges	\$ 1,881,029	\$ 1,878,646	\$ (2,383)	\$ 1,765,409
Operating Expenses				
Personnel Services	589,611	471,971	117,640	463,914
Administrative/Office Expenses	8,000	13,002	(5,002)	-
Insurance	40,000	50,309	(10,309)	-
Operating Supplies	196,500	154,376	42,124	141,818
Professional Fees	112,250	35,060	77,190	17,078
Repairs and Maintenance	104,000	215,515	(111,515)	169,753
Travel and Training	-	2,325	(2,325)	-
Engineering	12,000	16,084	(4,084)	-
Telephone and Utilities	146,000	147,904	(1,904)	108,878
Other Operating Expenses	12,750	23,324	(10,574)	76
Other Capital Outlay	6,556,556	2,976,590	3,579,966	10,854,479
Total Expenditures	7,777,667	4,106,460	3,671,207	11,755,996
Operating Income (Loss)	(5,896,638)	(2,227,814)	3,668,824	(9,990,587)
Other Income (Expense)				
Investment Earnings	-	(37,928)	(37,928)	(4,081)
Other Revenue	25,000	11,775	(13,225)	24,271
Debt Service	(1,370,859)	(1,362,526)	8,333	(360,830)
Total Other Income (Expense)	4,994,141	(1,385,879)	(6,380,020)	(340,640)
Net Income (Loss) before Transfers & Contributions	(902,497)	(3,613,693)	(2,711,196)	(10,331,227)
Transfers				
Transfers In/(Out)	103,844	198,018	94,174	27,185
Net Income (Loss), Budget Basis	(798,653)	(3,415,675)	(2,617,022)	(10,304,042)
Contributed Capital				
Plant Investment Fees	175,000	542,646	367,646	269,236
Change in Net Position (Budget Basis)	\$ (623,653)	(2,873,029)	\$ (2,249,376)	(10,034,806)
Budget to GAAP Reconciliation				
Principal Paid		1,014,267		10,000
Depreciation Expense		(610,300)		(248,103)
Capital Outlay		2,976,590		10,854,479
Change in Net Position - GAAP Basis		507,528		581,570
Net Position, Beginning		12,232,393		11,650,823
Net Position, Ending		\$ 12,739,921		\$ 12,232,393

See accompanying Independent Auditors' Report.

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Sanitation Fund
FOR THE YEAR ENDED DECEMBER 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	2022		2021
	Original & Final Budget	Actual	
Operating Revenues			
Utility Charges	\$ 1,384,002	\$ 1,445,090	\$ 61,088
Operating Expenses			
Personnel Services	607,837	665,712	(57,875)
Administrative/Office Expenses	9,000	27,112	(18,112)
Insurance	40,000	116,428	(76,428)
Operating Supplies	299,000	294,957	4,043
Professional Fees	272,500	164,620	107,880
Repairs and Maintenance	129,000	151,894	(22,894)
Travel and Training	-	8,477	(8,477)
Engineering	7,000	10,800	(3,800)
Telephone and Utilities	137,000	158,901	(21,901)
Other Operating Expenses	10,500	18,033	(7,533)
Other Capital Outlay	1,244,000	352,322	891,678
Total Expenditures	2,755,837	1,969,256	786,581
Operating Income (Loss)	(1,371,835)	(524,166)	847,669
Other Income (Expense)			
Investment Earnings	-	19,054	19,054
Other Revenue	2,000	960	(1,040)
Total Other Income (Expense)	2,000	20,014	18,014
Net Income (Loss) before Transfers & Contributions	(1,369,835)	(504,152)	865,683
Transfers			
Transfers In/(Out)	103,844	198,018	94,174
Net Income (Loss), Budget Basis	(1,265,991)	(306,134)	959,857
Contributed Capital			
Plant Investment Fees	325,000	1,007,771	682,771
Change in Net Position (Budget Basis)	\$ (940,991)	701,637	\$1,642,628
Budget to GAAP Reconciliation			
Depreciation Expense		(714,910)	(664,905)
Capital Outlay		352,322	210,027
Change in Net Position - GAAP Basis		339,049	(87,657)
Net Position, Beginning		12,050,759	12,138,416
Net Position, Ending		\$12,389,808	\$12,050,759

See accompanying Independent Auditors' Report.