

City of Edgewater, Colorado

Financial Statements

December 31, 2022

City of Edgewater, Colorado

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Edgewater
Edgewater, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, discretely presented component unit, and the aggregate remaining fund information of the City of Edgewater, Colorado (the "City") as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, discretely presented component unit, and the aggregate remaining fund information of the City as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 opinion.

Responsibilities of Management for the Financial Statements

The City's 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 City's ability to continue as a going concern for one year after the date that the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 City'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 City'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 required supplementary information, as listed in the table 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 City's basic financial statements. The supplementary information, as shown in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

ATLAS CPAs & Auditors PLLC

Longmont, Colorado

November 5, 2024

City of Edgewater, Colorado
Management's Discussion and Analysis
December 31, 2022

This discussion and analysis of the financial performance of the City of Edgewater, Colorado (City) provides an overview of the City's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The City of Edgewater's primary government (City) had a Net Position of \$23,699,313 at December 31, 2022.
- In addition, the City's component unit—the Edgewater Redevelopment Authority (ERA)—had a Net Position of \$1,791,193 at December 31, 2022.
- The Net Position of the City decreased by \$37,258 (-0.2%) during 2022.
- The Net Position of the ERA increased by \$25,333 (1.4%) during 2022.
- At December 31, 2022, the City's governmental funds reported combined ending fund balances of \$9,043,404. This marked a decrease of \$3,199,135 (26.1%) from the prior year's ending governmental fund balances due primarily to decreases in the Capital Improvements and Capital Equipment Funds.
- The General Fund increased its Fund Balance by \$1,780,660 (26.0%) during 2022.
- The Capital Improvement Fund decreased its fund balance available for future year spending by \$4,657,744 (103.0%).
- The City's Utility Funds decreased in Net Position by \$550,808 (-45.6%) during 2022.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the City of Edgewater's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the City's assets and liabilities and deferred inflows and outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee leave).

Both government-wide financial statements distinguish functions of the City of Edgewater that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (police), public works, and parks and recreation. The business-type activities of the City include water, sewer, and trash operations.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Edgewater, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds -- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds. The unrestricted balances left at year-end are available for spending in future years. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide detailed short-term views of cash, operations, and basic services provided. Governmental fund statements show the reader whether there are more or fewer financial resources available at the end of a fiscal year that can be spent in the near future to finance government programs and objectives.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The *Reconciliation of Balance Sheet of the Governmental Funds to the Statement of Net Position* and the *Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities* provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The City of Edgewater currently maintains five individual governmental funds. Information for these funds is presented by fund name in the *Governmental Fund Balance Sheet* and the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* for the three governmental funds that meet the criteria to be designated as major funds (General Fund, Open Space Fund, and Capital Improvements Fund). The other two (Conservation Trust Fund and Capital Equipment Fund) are combined in a column titled “Nonmajor Governmental Funds.” Individual fund data for these nonmajor governmental funds is provided in the back of this report in the section titled “Combining and Individual Fund Financial Statements and Schedules.”

Proprietary Funds -- The City's utility services are reported in proprietary funds; they focus on overall economic position rather than year-end fund balances. Enterprise funds are the type of proprietary funds used to account for the City's Water Fund, Sewer Fund, and Trash Fund. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements, only in a bit more detail.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because their resources are not available to support the City's programs or operations. The City's Firemen's Pension Plan falls in this fund category as a Pension Trust Fund. Its accounting method tracks additions and deductions to the pension fund assets. Funding progress for the fund's long-term pension obligations is shown in the Required Supplementary Information following the Notes to the Financial Statements

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately after the fund financial statements.

Other information

Budgetary comparison statements or schedules for all funds with budgeted expenditures/expenses are included following the “Notes to Financial Statements” to demonstrate each fund's compliance with adopted budgets and appropriations. For the year ended December 31, 2022, all funds had budgeted expenditures/expenses.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources totaling 23,699,313 at the close of 2022. As shown below, the City's financial position decreased by \$37,258 (-.16%) during 2022.

City's Condensed Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 12,905,785	\$ 14,019,865	\$ 217,417	\$ (119,329)	\$ 13,900,536	\$ 13,900,536
Capital assets, net	21,233,681	18,059,715	1,974,448	2,112,075	20,171,790	20,171,790
Total assets	\$ 34,139,466	\$ 32,079,580	\$ 2,191,865	\$ 1,992,746	\$ 34,072,326	\$ 34,072,326
Items Related to Pension	\$ 607,650	\$ 566,865	\$ -	\$ -	\$ 607,650	\$ 566,865
Total deferred outflows	\$ 607,650	\$ 566,865	\$ -	\$ -	\$ 607,650	\$ 566,865
Current and other liabilities	\$ 2,836,870	\$ 1,249,398	\$ 885,071	\$ 89,750	\$ 1,339,148	\$ 1,254,042
Long-term debt outstanding	8,212,220	8,771,453	650,674	696,068	8,862,894	10,029,347
Total liabilities	\$ 11,049,090	\$ 10,020,851	\$ 1,535,745	\$ 785,818	\$ 12,584,835	\$ 11,283,389
Items Related to Pension	\$ 654,833	\$ 95,951	\$ -	\$ -	\$ 654,833	\$ 95,951
Total deferred inflows	\$ 654,833	\$ 95,951	\$ -	\$ -	\$ 654,833	\$ 95,951
Net position:						
Net investment in capital assets	\$ 13,138,681	\$ 18,059,715	\$ 1,323,774	\$ 2,112,075	\$ 14,462,455	\$ 20,171,790
Restricted	985,137	1,103,713	-	-	985,137	1,103,713
Unrestricted	8,919,375	3,366,215	(667,654)	(905,147)	8,251,721	2,461,068
Total net position	\$ 23,043,193	\$ 22,529,643	\$ 656,120	\$ 1,206,928	\$ 23,699,313	\$ 23,736,571

61% of the City's total net position at December 31, 2022 is represented by its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment). The City uses these capital assets to provide services to residents and businesses; consequently, these assets are not available for future spending.

Approximately 4.2% (\$985,137) of the City's total net position at the end of 2022 represents resources that are subject to external restrictions on how they may be used. They are fund balance restrictions for parks (\$130,106), open space (\$566,031), and emergencies (\$289,000).

The remaining amount of the City's total net position at the end of 2022 (\$8,251,721) represents 34.8% of total net position and may be used to meet the City's other ongoing obligations to residents and creditors.

The following chart displays the changes in net position experienced by the City over the last two fiscal years. An analysis of these changes follows for both its Governmental and Business-type Activities.

City's Condensed Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<u>Program Revenues:</u>						
Charges for services	\$ 1,010,687	\$ 1,270,339	\$ 2,249,248	\$ 2,118,287	\$ 3,259,935	\$ 3,388,626
Operating grants & contributions	1,392,352	1,143,253	-	-	1,392,352	1,143,253
Capital grants & contributions	61,651	371,857	10,862	62,178	72,513	434,035
<u>General revenues:</u>						
Sales & use taxes	8,177,370	8,003,773	-	-	8,177,370	8,003,773
Franchise & other taxes	136,235	178,829	-	-	136,235	178,829
Other general revenues	459,275	682,528	-	-	459,275	682,528
Total Revenues	\$ 11,237,570	\$ 11,650,579	\$ 2,260,110	\$ 2,180,465	\$ 13,497,680	\$ 13,831,044
<u>Program Expenses:</u>						
General government	\$ 5,045,451	\$ 4,565,607	\$ -	\$ -	\$ 5,045,451	\$ 4,565,607
Public safety	3,129,113	2,851,673	-	-	3,129,113	2,851,673
Public works	1,398,687	1,090,871	-	-	1,398,687	1,090,871
Parks and Recreation	910,467	1,012,621	-	-	910,467	1,012,621
Interest on Long-Term Debt	240,302	254,547	-	-	240,302	254,547
Water	-	-	1,947,955	1,905,629	1,947,955	1,905,629
Sewer	-	-	522,161	521,627	522,161	521,627
Trash	-	-	340,802	329,900	340,802	329,900
Total Expenses	\$ 10,724,020	\$ 9,775,319	\$ 2,810,918	\$ 2,757,156	\$ 13,534,938	\$ 12,532,475
Other Sources (Uses)	-	(1,606,265)	-	-	\$ -	\$ (1,606,265)
Change in Net Position	\$ 513,550	\$ 268,995	\$ (550,808)	\$ (576,691)	\$ (37,258)	\$ 1,298,569
Net Position, Beginning	22,529,643	22,260,648	1,206,928	1,783,619	24,044,267	24,044,267
Net Position, Ending	\$ 23,043,193	\$ 22,529,643	\$ 656,120	\$ 1,206,928	\$ 24,007,009	\$ 25,342,836

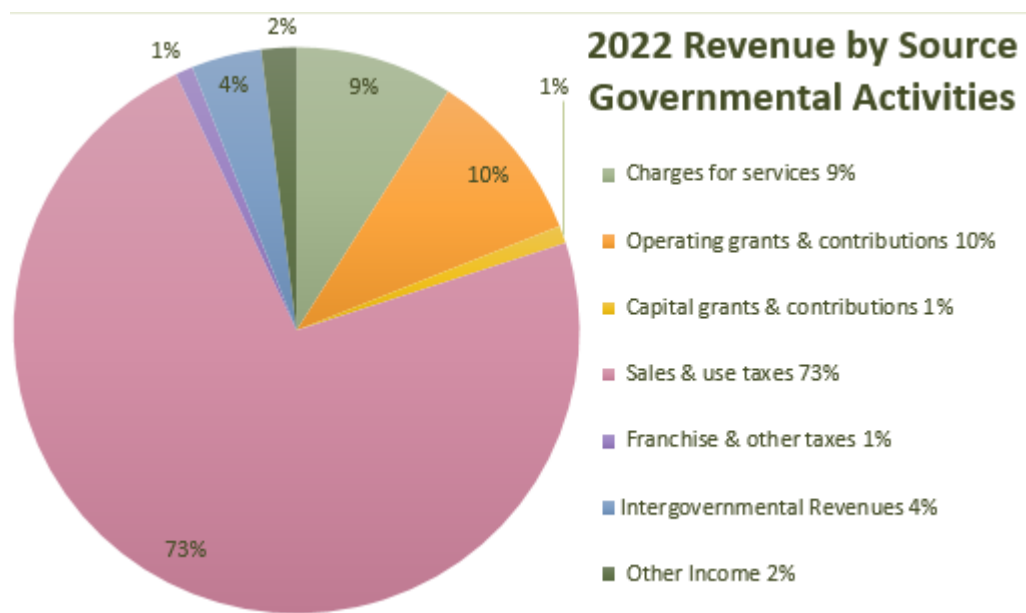
Governmental Activities

The City's Governmental Activities increased in net position by \$513,550 (2.3%) in 2022.

Key elements of the 2022 increases are as follows:

- Total revenues decreased by \$413,009. Mostly the offset between the decrease in services, franchise and capital grants but a noticeable increase in taxes and operating grants and Contributions.
- Total expenses increased by \$948,701 in 2022 due to general government, public safety and public works.

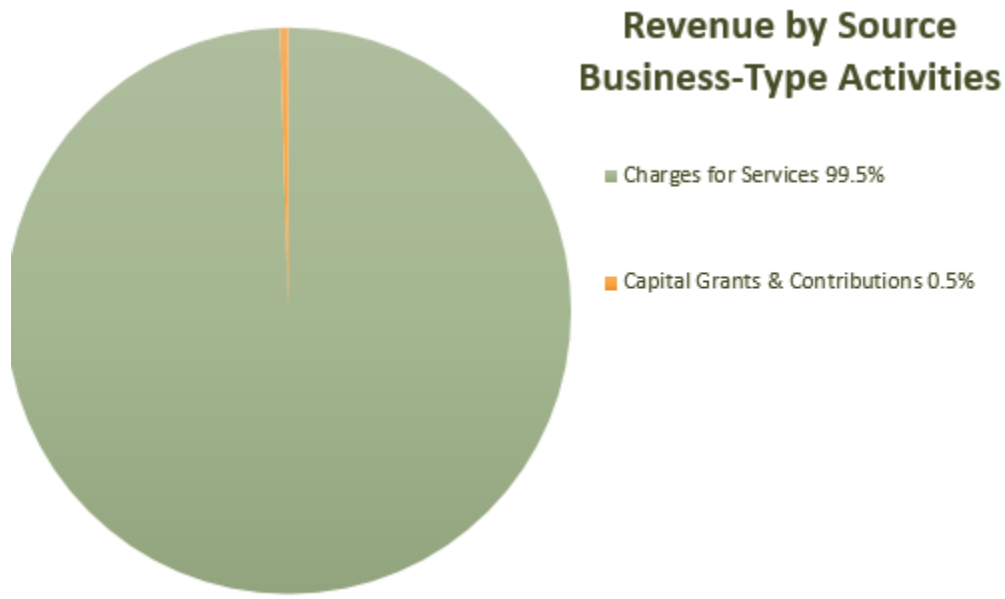
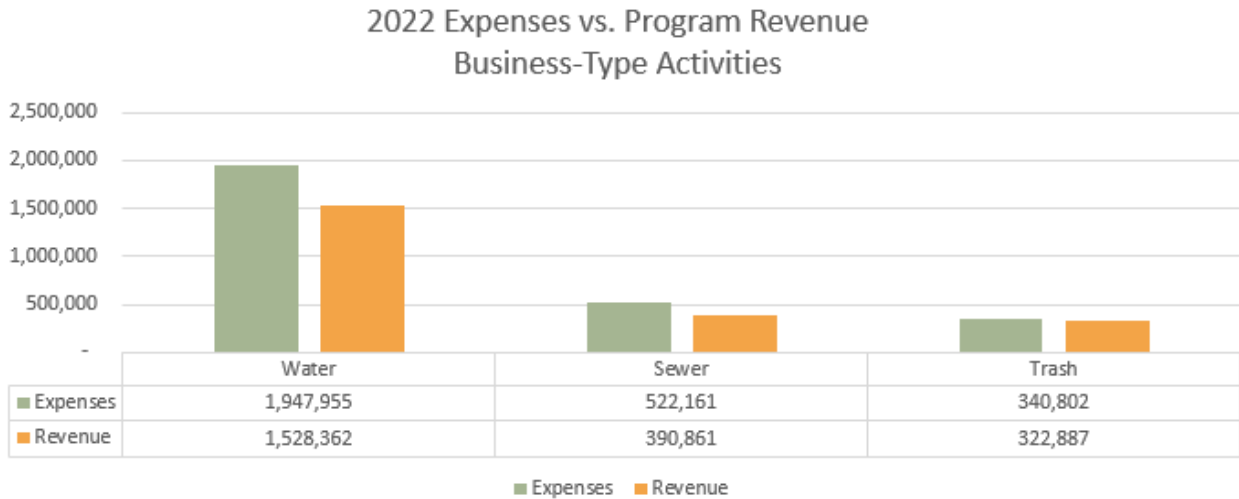
The following two charts illustrate the Governmental Activities revenues and expenses. As in most municipalities, the expenses of governmental activities are not fully supported through program revenues but are largely financed through taxes.



Business-type Activities

Business-type Activities decreased in net position by -\$550,808 (-45.6%) during 2022. This was a worsening trend from 2020 when net position decreased by -\$851,822 (-32.3%).

The following two charts illustrate the Business-type Activities revenues and expenses for 2022.

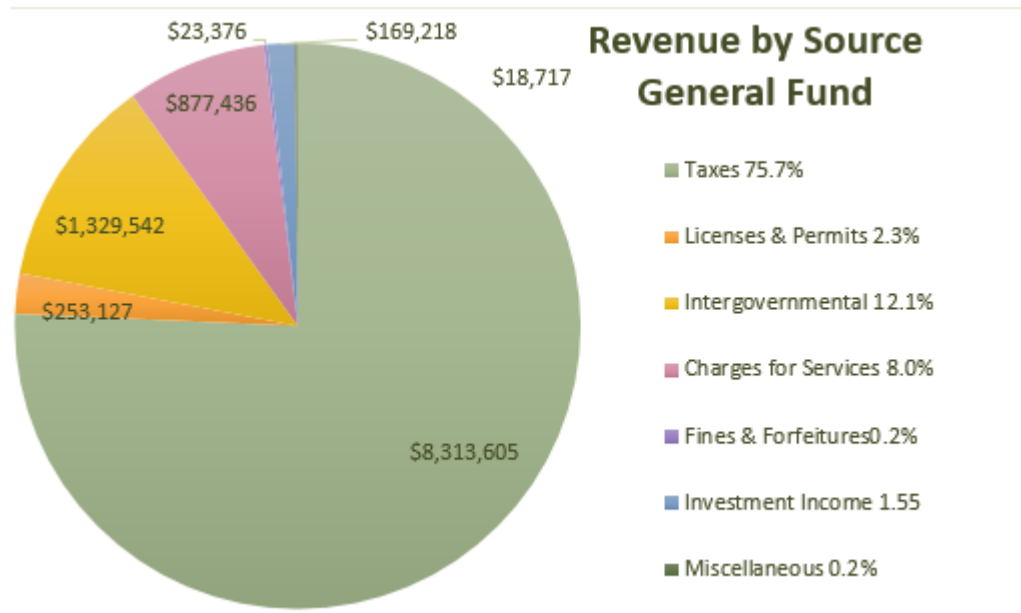


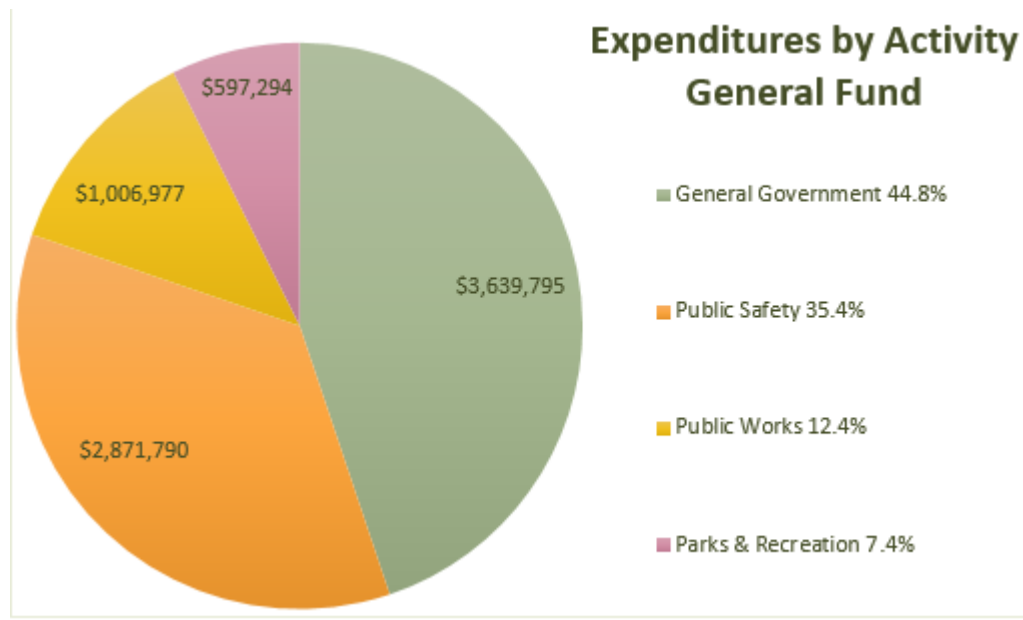
THE CITY'S FUNDS

As noted earlier, the City of Edgewater uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Governmental Funds utilize the modified accrual basis of accounting, and the balances of the spendable resources (unrestricted fund balance) in each fund are shown at year end. At December 31, 2022 the City's three major Governmental funds reported combined ending fund balances of \$9,054,619. These funds are discussed below.

General Fund. The General Fund is the chief operating fund of the City of Edgewater. It accounts for all the general services provided by the City. At the end of 2022, the fund balance of the General Fund totaled \$8,625,449. This was a \$1,780,660 (26%) increase over 2021. Expenditures in 2022 of \$8,115,856 were outpaced by revenues totaling \$10,985,021. The General Fund also transferred \$1,088,505 to the Capital Improvements and Capital Equipment funds.

The following two tables illustrate General Fund revenues and expenditures during 2022.





Open Space Fund. The Open Space Fund is utilized to account for the City's portion of Open Space Sales Tax revenues shared by Jefferson County. These revenues are legally restricted to use for open space, parks, trails, and associated outdoor recreation programs. In 2022, \$243,895 in current revenues and \$65,358 from prior year fund balances were spent on such programs.

Capital Improvements Fund. The City's Capital Improvements Fund was established to finance major capital improvements. During 2022, the City spent \$82,211 on various pieces of equipment and vehicles, \$751,513 on debt service payments for the Civic Center finance lease, \$3,780,614 in construction in progress on improvement projects, and \$143,966 on public safety vehicles. Parts of these projects were funded through a transfer from the General Fund (\$954,105) and contributions from other governments (\$61,651).

Water Fund. At December 31, 2022, the Net Position of the Water Fund was -\$310,029. This reflected a decrease of 382.96% (-\$419,593) during 2022.

Sewer Fund. At December 31, 2022 the Net Position of the Sewer Fund was \$895,292. This reflected a decrease of 11.23% (-\$113,300) during 2022.

Trash Fund. At December 31, 2022 the Net Position of the Trash Fund was \$70,857. This reflected a decrease of 20.18% (-\$17,915) in 2022.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At December 31, 2022, the City invested in a range of capital assets including land, buildings and improvements, equipment, and infrastructure such as streets, alleys, and sidewalks. A summary of these assets is shown below. Note 3 of the financial statements provides additional information.

Governmental Activities

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 1,167,628	\$ -	\$ -	\$ 1,167,628
Construction In Progress	614,473	3,780,614	-	4,395,087
Total Capital Assets, Not Being Depreciated	1,782,101	3,780,614	-	5,562,715
Capital Assets, Being Depreciated				
Buildings and Improvements	13,600,952	-	-	13,600,952
Equipment	2,258,997	226,177	(51,208)	2,433,966
Infrastructure	4,801,511	-	-	4,801,511
Total Capital Assets, Being Depreciated	20,661,460	226,177	(51,208)	20,836,429
Less: Accumulated Depreciation				
Buildings and Improvements	(1,347,860)	(343,738)	-	(1,691,598)
Equipment	(1,370,703)	(226,407)	51,208	(1,545,902)
Infrastructure	(1,665,284)	(262,679)	-	(1,927,963)
Total Accumulated Depreciation	(4,383,847)	(832,824)	51,208	(5,165,463)
Total Capital Assets, Being Depreciated, Net	16,277,613	(606,647)	-	15,670,966
Governmental Activities Capital Assets, Net	<u>\$ 18,059,714</u>	<u>\$3,173,967</u>	<u>\$ -</u>	<u>\$ 21,233,681</u>
Business-type Activities				
Capital Assets, Being Depreciated				
Water System	\$ 2,679,031	\$ -	\$ -	\$ 2,679,031
Sewer System	1,525,031	-	-	1,525,031
Total Capital Assets, Being Depreciated	4,204,062	-	-	4,204,062
Less: Accumulated depreciation				
Water System	(1,561,184)	(87,490)	-	(1,648,674)
Sewer System	(530,804)	(50,136)	-	(580,940)
Total Accumulated Depreciation	(2,091,988)	(137,626)	-	(2,229,614)
Business-type Activities Capital Assets, Net	<u>\$ 2,112,074</u>	<u>\$ (137,626)</u>	<u>\$ -</u>	<u>\$ 1,974,448</u>
Component Unit				
Capital Assets, Not Being Depreciated				
Land	\$ 134,000	\$ -	\$ -	\$ 134,000
Total Capital Assets, Not Being Depreciated	134,000	-	-	134,000
Capital Assets, Being Depreciated				
Buildings and Improvements	49,000	-	-	49,000
Less: Accumulated Depreciation	(14,700)	(4,900)	-	(19,600)
Total Capital Assets, Being depreciated, Net	34,300	(4,900)	-	29,400
Component Unit Capital Assets, Net	<u>\$ 168,300</u>	<u>\$ (4,900)</u>	<u>\$ -</u>	<u>\$ 163,400</u>

Debt Administration. Note 4 of the financial statements provides a summary of the City's long-term debt. At December 31, 2022, the City's Governmental Activities had an outstanding finance lease of \$8,095,000.

It is payable from general sales and use tax revenues of the City. Accrued leave payable for compensated absences is also recorded.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City will continue to experience operating losses in the Water, Sewer, and Trash Funds until it fully recovers from the rate increases imposed on the City by our providers. The City opted for a modest rate increase to minimize the financial impact on our community. Meanwhile, the City expects the other funds to operate efficiently and maintain adequate reserves.

REQUESTS FOR INFORMATION

This financial report is designed to provide the City of Edgewater's residents, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the funds it receives and assets it maintains. If you have questions about this report, or should you desire additional financial information, contact the City's Finance Department at City of Edgewater, 1800 Harlan St., Edgewater, CO 80214 or call (720) 763-3033.

Basic Financial Statements

City of Edgewater, Colorado
Statement of Net Position
December 31, 2022

	Primary Government				Component
	Governmental	Business-type	Eliminations	Total	Unit
	Activities	Activities			Re development Authority
Assets					
Cash and Cash Equivalents	\$ 681,073	\$ 71,917	\$ -	\$ 752,990	\$ 531,287
Restricted Cash and Cash Equivalents	128,121	-	-	128,121	-
Investments, at fair value	8,768,112	-	-	8,768,112	-
Accounts Receivable	1,050,461	145,500	-	1,195,961	-
Interfund Receivable	800,000	-	(800,000)	-	1,100,000
Taxes Receivable	411,599	-	-	411,599	422,756
Prepaid Expenditures	21,860	-	-	21,860	-
Capital Assets, Not Being Depreciated	5,562,715	-	-	5,562,715	-
Capital Assets, Net of Accumulated Depreciation	15,670,966	1,974,448	-	17,645,414	163,400
Net Pension Asset	1,044,559	-	-	1,044,559	-
Total Assets	\$ 34,139,466	\$ 2,191,865	\$ (800,000)	\$ 35,531,331	\$ 2,217,443
Deferred Outflows of Resources					
Pensions, Net of Accumulated Amortization	\$ 607,650	\$ -	\$ -	\$ 607,650	\$ -
Total Deferred Outflows of Resources	607,650	-	-	607,650	-
Liabilities					
Accounts Payable	\$ 1,592,727	\$ 82,902	\$ -	\$ 1,675,629	\$ 3,494
Accrued Liabilities	114,045	-	-	114,045	-
Customer Deposits	11,050	-	-	11,050	-
Interfund Payable	1,100,000	800,000	(800,000)	1,100,000	-
Accrued Interest Payable	19,048	2,169	-	21,217	-
Noncurrent Liabilities					
Due Within One Year	586,722	46,307	-	633,029	-
Due in More Than One Year	7,625,498	604,367	-	8,229,865	-
Total Liabilities	11,049,090	1,535,745	(800,000)	11,784,835	3,494
Deferred Inflows of Resources					
Pensions, Net of Accumulated Amortization	654,833	-	-	654,833	-
Property Taxes	-	-	-	-	422,756
Total Deferred Inflows of Resources	654,833	-	-	654,833	422,756
Net Position					
Net Investment in Capital Assets	13,138,681	1,323,774	-	14,462,455	163,400
Restricted for:					
Emergencies	289,000	-	-	289,000	-
Parks and Open Space	696,137	-	-	696,137	-
Unrestricted	8,919,375	(667,654)	-	8,251,721	1,627,793
Total Net Position	23,043,193	656,120	-	23,699,313	1,791,193
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 34,747,116	\$ 2,191,865	\$ (800,000)	\$ 36,138,981	\$ 2,217,443

The accompanying notes are an integral part of the financial statements

City of Edgewater, Colorado
Statement of Activities
Year Ended December 31, 2022

Functions / Programs	Program Revenues				Net Revenue (Expense) and Change in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
					Governmental Activities	Business Type Activities	Totals	Redevelopment Authority
Primary Government								
Governmental Activities								
General Government	\$ 5,045,451	\$ 685,747	\$ 37,282	\$ -	\$ (4,322,422)	\$ -	\$ (4,322,422)	\$ -
Public Safety	3,129,113	2,761	5,804	-	(3,120,548)	-	(3,120,548)	-
Public Works	1,398,687	60,659	139,608	-	(1,198,420)	-	(1,198,420)	-
Parks and Recreation	910,467	261,520	1,209,658	61,651	622,362	-	622,362	-
Interest on Long Term Debt	240,302	-	-	-	(240,302)	-	(240,302)	-
Total Governmental Activities	10,724,020	1,010,687	1,392,352	61,651	(8,259,330)	-	(8,259,330)	-
Business Type Activities								
Water	1,947,955	1,528,362	-	-	-	(419,593)	(419,593)	-
Sewer	522,161	397,999	-	10,862	-	(113,300)	(113,300)	-
Trash	340,802	322,887	-	-	-	(17,915)	(17,915)	-
Total Business-Type Activities	2,810,918	2,249,248	-	10,862	-	(550,808)	(550,808)	-
Total Primary Government	\$ 13,534,938	\$ 3,259,935	\$ 1,392,352	\$ 72,513	(8,259,330)	(550,808)	(8,810,138)	-
Component Unit								
Redevelopment Authority	\$ 376,291	\$ -	\$ -	\$ -	-	-	-	(376,291)
General Revenues								
Property Tax					-	-	-	400,928
Sales and Use Taxes					8,177,370	-	8,177,370	-
Franchise Taxes					136,235	-	136,235	-
Intergovernmental Revenues not Restricted to Specific Programs					269,610	-	269,610	-
Investment Income					170,950	-	170,950	696
Miscellaneous					18,715	-	18,715	-
Total General Revenues					8,772,880	-	8,772,880	401,624
Change in Net Position					513,550	(550,808)	(37,258)	25,333
Net Position, Beginning					22,529,643	1,206,928	23,736,571	1,765,860
Net Position, Ending					23,043,193	656,120	23,699,313	1,791,193

The accompanying notes are an integral part of the financial statements

City of Edgewater, Colorado

Balance Sheet Governmental Funds December 31, 2022

	General	Open Space	Capital Improvements	Nonmajor Governmental Funds	Total
Assets					
Cash and Cash Equivalents	\$ 13,145	\$ 578,068	\$ 921	\$ 88,939	\$ 681,073
Restricted Cash and Cash Equivalents	-	-	128,121	-	128,121
Investments, at fair value	8,768,112	-	-	-	8,768,112
Accounts Receivable	953,935	44,526	-	52,000	1,050,461
Interfund Receivable	800,000	-	-	-	800,000
Taxes Receivable	411,599	-	-	-	411,599
Prepaid Expenditures	21,860	-	-	-	21,860
Total Assets	\$ 10,968,651	\$ 622,594	\$ 129,042	\$ 140,939	\$ 11,861,226
Liabilities					
Accounts Payable	\$ 1,118,107	\$ 56,563	\$ 265,903	\$ 152,154	\$ 1,592,727
Accrued Liabilities	114,045	-	-	-	114,045
Customer Deposits	11,050	-	-	-	11,050
Interfund Payable	1,100,000	-	-	-	1,100,000
Total Liabilities	2,343,202	56,563	265,903	152,154	2,817,822
Fund Balance					
Nonspendable Prepaid Expenditures	21,860	-	-	-	21,860
Restricted for:					
Emergencies	289,000	-	-	-	289,000
Parks and Open Space	-	566,031	-	130,106	696,137
Unrestricted, Unassigned	8,314,589	-	(136,861)	(141,321)	8,036,407
Total Fund Balances	8,625,449	566,031	(136,861)	(11,215)	9,043,404
Total Liabilities and Fund Balances	\$ 10,968,651	\$ 622,594	\$ 129,042	\$ 140,939	\$ 11,861,226

The accompanying notes are an integral part of the financial statements

City of Edgewater, Colorado
Reconciliation of the Balance Sheet of Government Funds to the
Statement of Net Position
December 31, 2022

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balances of Governmental Funds	\$ 9,043,404
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds	21,233,681
Net pension assets (liabilities) and the related deferred inflows and outflows are not current financial resources and, therefore, are not reported in governmental funds.	
Net Pension Asset	1,044,559
Pension-Related Deferred Outflow of Resources	607,650
Pension-Related Deferred Inflows of Resources	(654,833)
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Accrued Interest Payable	(19,048)
Finance Lease Payable	(8,095,000)
Compensated Absences	(117,220)
	<u>\$ 23,043,193</u>

The accompanying notes are an integral part of the financial statements

City of Edgewater, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2022

	General	Open Space	Capital Improvements	Nonmajor Governmental Funds	Total
Revenues					
Taxes	\$8,313,605	\$ -	\$ -	\$ -	\$ 8,313,605
Licenses and Permits	253,127	-	-	-	253,127
Intergovernmental	1,329,542	243,138	61,651	89,282	1,723,613
Charges for Services	877,436	-	-	-	877,436
Fines and Forfeitures	23,376	-	-	-	23,376
Investment Income	169,218	757	-	974	170,949
Miscellaneous	18,717	-	-	-	18,717
Total Revenues	10,985,021	243,895	61,651	90,256	11,380,823
Expenditures					
Current					
General Government	3,639,795	-	-	52,596	3,692,391
Public Safety	2,871,790	-	478	117,442	2,989,710
Public Works	1,006,977	-	351,197	4,007	1,362,181
Parks and Recreation	597,294	309,253	-	106,192	1,012,739
Capital Outlay	-	-	4,570,312	201,112	4,771,424
Debt Service					
Principal	-	-	510,000	-	510,000
Interest and Fiscal Charges	-	-	241,513	-	241,513
Total Expenditures	8,115,856	309,253	5,673,500	481,349	14,579,958
Excess of Revenues Over (Under) Expenditures	2,869,165	(65,358)	(5,611,849)	(391,093)	(3,199,135)
Other Financing Sources (Uses)					
Transfers In	-	-	954,105	134,400	1,088,505
Transfers Out	(1,088,505)	-	-	-	(1,088,505)
Net Change in Fund Balance	1,780,660	(65,358)	(4,657,744)	(256,693)	(3,199,135)
Fund Balance - Beginning	6,844,789	631,389	4,520,883	245,478	12,242,539
Fund Balance - Ending	\$8,625,449	\$ 566,031	\$ (136,861)	\$ (11,215)	\$ 9,043,404

The accompanying notes are an integral part of the financial statements

City of Edgewater, Colorado
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended December 31, 2022

Amounts reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds	\$ (3,199,135)
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Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual Depreciation expense in the statement of activities.

Capital Outlay	4,006,791
Depreciation Expense	(832,824)

Repayments of debt principal are expenditures in governmental funds, but they reduce long term liabilities in the statement of net position and do not affect the statement of activities.	510,000
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Some expenses reported in the statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following:

Accrued Interest Payable	1,210
Compensated Absences Payable	49,233
Net Pension Asset	496,372
Pension-Related Deferred Outflows and Inflows of Resources	(518,097)

Change in Net Position in Governmental Activities	\$ 513,550
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The accompanying notes are an integral part of the financial statements

City of Edgewater, Colorado

Statement of Net Position

Proprietary Funds

December 31, 2022

	Water	Sewer	Nonmajor Trash	Total
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 2,127	\$ 3,449	\$ 66,341	\$ 71,917
Accounts Receivable	75,337	39,797	30,366	145,500
Total Current Assets	77,464	43,246	96,707	217,417
Noncurrent Assets				
Capital Assets, Net of Accumulated	2,679,031	1,525,031	-	4,204,062
Depreciation	(1,648,674)	(580,940)	-	(2,229,614)
Total Noncurrent Assets	1,030,357	944,091	-	1,974,448
Total Assets	\$ 1,107,821	\$ 987,337	\$ 96,707	\$ 2,191,865
Liabilities				
Current Liabilities				
Accounts Payable	\$ 55,007	\$ 2,045	\$ 25,850	\$ 82,902
Accrued Interest Payable	2,169	-	-	2,169
Interfund Payable	710,000	90,000	-	800,000
Loans Payable, Current Portion	46,307	-	-	46,307
Total Current Liabilities	813,483	92,045	25,850	931,378
Noncurrent Liabilities				
Loans Payable	604,367	-	-	604,367
Total Noncurrent Liabilities	604,367	-	-	604,367
Total Liabilities	1,417,850	92,045	25,850	1,535,745
Net Position				
Net Investment in Capital Assets	379,683	944,091	-	1,323,774
Unrestricted	(689,712)	(48,799)	70,857	(667,654)
Total Net Position	\$ (310,029)	\$ 895,292	\$ 70,857	\$ 656,120

The accompanying notes are an integral part of the financial statements

City of Edgewater, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2022

	Water	Sewer	Nonmajor Trash	Total
Operating Revenues				
Charges for Services	\$ 1,523,672	\$ 397,999	\$ 322,800	\$ 2,244,471
Miscellaneous	4,690	-	-	4,690
Total Operating Revenues	1,528,362	397,999	322,887	2,249,248
Operating Expenses				
Service Operating Expenses	1,846,921	472,025	340,802	2,659,748
Depreciation	87,490	50,136	-	137,626
Total Operating Expenses	1,934,411	522,161	340,802	2,797,374
Net Operating (Loss)	(406,049)	(124,162)	(17,915)	(548,126)
Nonoperating (Expenses)				
Interest Expense	(13,544)	-	-	(13,544)
Total Nonoperating (Expenses)	(13,544)	-	-	(13,544)
Total (Loss) Before Contributions	(419,593)	(124,162)	(17,915)	(561,670)
Capital Contributions				
Connection Fees	-	10,862	-	10,862
Change in Net Position	(419,593)	(113,300)	(17,915)	(550,808)
Net Position - Beginning	109,564	1,008,592	88,772	1,206,928
Net Position - Ending	\$ (310,029)	\$ 895,292	\$ 70,857	\$ 656,120

The accompanying notes are an integral part of the financial statements

City of Edgewater, Colorado

Statement of Cash Flows

Proprietary Funds

December 31, 2022

	Water	Sewer	Nonmajor Trash	Total
Cash Flows From Operating Activities				
Cash Received from Customers	\$ 1,493,641	\$ 402,895	\$ 322,898	\$ 2,219,434
Cash Paid to Suppliers	(1,834,215)	(476,021)	(335,002)	(2,645,238)
Investment Income	-	-	87	87
Payments from Other Funds	401,640	65,711	-	467,351
Cash Provided (Used) by Operating Activities	61,066	(7,415)	(12,017)	41,634
Cash Flows From Capital and Related Financing Activities				
Connection Fees Received	-	10,864	-	10,864
Debt Principal Payments	(45,394)	-	-	(45,394)
Debt Interest Payments	(13,545)	-	-	(13,545)
Cash Provided (Used) by Capital and Related Financing Activities	(58,939)	10,864	-	(48,075)
Net Change in Cash and Cash Equivalents	2,127	3,449	(12,017)	(6,441)
Cash and Cash Equivalents, Beginning	-	-	78,358	78,358
Cash and Cash Equivalents, Ending	\$ 2,127	\$ 3,449	\$ 66,341	\$ 71,917
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Net Operating Income (Loss)	\$ (406,049)	\$ (124,162)	\$ (17,915)	\$ (548,126)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	87,490	50,136	-	137,626
Changes in Assets and Liabilities				
Accounts Receivable	(34,721)	4,896	98	(29,727)
Inventories	16,650	-	-	16,650
Prepaid Expenses	2,539	-	-	2,539
Accounts Payable	(6,483)	(3,996)	5,800	(4,679)
Interfund Payable	401,640	65,711	-	467,351
Net Cash Provided (Used) by Operating Activities	\$ 61,066	\$ (7,415)	\$ (12,017)	\$ 41,634

The accompanying notes are an integral part of the financial statements

City of Edgewater, Colorado
Statement of Fiduciary Net Position
Firemen's Pension Trust Fund
December 31, 2022

	<u>Firemen's Pension</u>
Assets	
Cash and Investments	\$ 470,191
Investments	
US Agency Securities	250,178
Accounts Receivable	46,500
Prepaid Expenditures	<u>4,076</u>
Total Assets	<u><u>\$ 770,945</u></u>
Net Position	
Restricted for Pension Benefits	<u><u>\$ 770,945</u></u>

The accompanying notes are an integral part of the financial statements

City of Edgewater, Colorado
Statement of Changes in Fiduciary Net Position
Firemen's Pension Trust Fund
Year Ended December 31, 2022

	Firemen's Pension
Additions	
City Contributions	\$ 34,300
State Contributions	<u>22,500</u>
Total Additions	56,800
Deductions	
Pension Benefits	51,668
Investment Loss	<u>16,223</u>
Total Deductions	<u>67,891</u>
Change in Net Position	(11,091)
Net Position - Beginning	<u>782,036</u>
Net Position - Ending	<u><u>\$ 770,945</u></u>

The accompanying notes are an integral part of the financial statements

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies

The City of Edgewater (the City) adopted a home rule charter on June 24, 2008. The City is governed by a Mayor and seven-member council elected by the residents. The City provides the following services: public safety, public works, public improvements. Parks and recreation, planning and zoning, municipal court, water, sewer, trash and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government entities. 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 City's accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the City, organizations for which the City is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the City. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the City. Legally separate organizations for which the City is financially accountable are considered part of the reporting entity. Financial accountability exists if the City appoints a majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the City.

Based on the application of these criteria, the City included the following entity in its reporting entity.

The *Edgewater Redevelopment Authority* (the Authority) provided redevelopment within the City limits. The City Council approves appointments to the governing board of the Authority. Although the Authority is legally separate from the City, the Authority's primary revenue source, tax incremental financing, can only be established by the City. The Authority is discretely presented in the financial statements as a component unit entity and does not issue separate financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all nonfiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the City is financially accountable.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and trust 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.

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current year. Taxes, intergovernmental revenues and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the City. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds 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 nonoperating revenues and expenses.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (con't)

When both restricted and unrestricted resources are available for a specific use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources except those accounted for in another fund.

The *Open Space Fund* accounts for Jefferson County sales tax revenues that are shared with the City and restricted for open space and parks expenditures.

The *Capital Improvements Fund* accounts for the City's ongoing capital projects, which are financed primarily by General Fund transfers and debt proceeds.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the financial activities associated with the provision of water to City residents.

The *Sewer Fund* accounts for the financial activities associated with the provision of sewer services to City residents.

Additionally, the City reports the following fiduciary fund:

The Pension Trust Fund accounts for the activities of the Firemen's Pension Plan, which accumulates resources for benefits paid to qualified volunteer firefighters.

Assets, Liabilities and Net Position / Fund Balances

Cash Equivalents – Cash equivalents include investments with original maturities of three months or less. Investments in pooled cash are considered cash equivalents.

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

Interfund Receivables and Payables – During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet or statement of net position as interfund receivables and interfund payables.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position / Fund Balances (continued)

Inventory – Inventories are valued at cost, using the first-in, first-out method. The costs of inventories are recorded as expenses when consumed rather than when purchased.

Capital Assets – Capital assets, which include land, buildings, equipment, infrastructure and water and sewer systems owned by the City, are reported in the applicable governmental or business-type activities in the government-wide financial statements and in the proprietary funds in the fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. Infrastructure assets, which include streets, bridges, sidewalks, drainage systems and trails, purchased or constructed prior to January 1, 2004, have not been reported in the financial statements.

Capital assets of the City are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	40 years
Equipment	5 – 15 years
Infrastructure	10 – 20 years
Water and Sewer Systems	15 – 35 years

Long-Term Debt – In the government-wide financial statements and the proprietary funds in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable statement of net portion. Debt premiums, discounts, and losses resulting from debt refinancings are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of the debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Debt issuance costs, whether or not withheld from debt proceeds, are reported as current expenses or expenditures.

Compensated Absences – Employees of the City are allowed to accumulate unused vacation and sick time. Upon termination of employment from the City, an employee will be compensated for all accrued vacation time and, if the employee completed 5 years of continuous service, will be compensated for 10% of accrued sick time at their final hourly rate. This percentage increases 2% per year of service, to a maximum of 40% of accrued sick time. Effective January 1, 2013, the sick time payout was frozen and no additional amounts accrue.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position / Fund Balances (continued)

These compensated absences are expended when earned in the proprietary funds and when paid in the governmental funds. A liability for the accrued compensated absences has been reported in the government-wide financial statements.

Pensions – In November 2017, the City began participating in the Statewide Defined Benefit Plan, a cost sharing multiple employer defined benefit pension plan, and the Statewide Hybrid Plan, a cost sharing multiple employer combination defined benefit and money purchase pension plan. The plans are administered by the Fire & Police Pension Association of Colorado (FPPA). The net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from each plan's fiduciary net position have been determined using the accrual basis of accounting, the same basis used by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized in the year the contributions are due.

Postemployment Benefits Other Than Pensions (OPEB) – The City contributes to the Statewide Death & Disability Plan, a cost sharing multiple employer defined benefit death and disability plan administered by the Fire & Police Association of Colorado (FPPA). The plan is funded by member contributions or contributions made on behalf of members. The City has no requirement to contribute to the plan and does not receive contributions from a non-employer entity. Therefore, the City does not report a net OPEB liability, or deferred outflows of resources and deferred inflows of resources related to OPEB.

Net Position / Fund Balances – In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. As reported in the governmental fund financial statements, the City Council establishes a fund balance commitment through passage of an ordinance and is authorized to informally assign amounts to a specific purpose.

The City has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the City uses restricted fund balances first, followed by committed, assigned and unassigned balances.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Leases

Effective January 1, 2022, the City implemented GASB No. 87, Leases. As the lessee, the City determines whether a contract is, or contains a lease at inception. Lease agreements with a maximum lease term of twelve months or less, including options to extend, are accounted for as short-term leases. Lease agreements that transfer ownership of the underlying asset to the Town at the end of the contract are recorded as a finance purchase with a related lease liability. Lease agreements not classified as a short-term lease, or a finance purchase are accounted for as an intangible right to use lease asset. An Intangible right to use lease asset represents the City's right to use an underlying asset during the lease term and the lease liability represents the Town's obligation to make lease payments arising from the lease. Intangible right to use lease assets and lease liabilities are recognized at lease commencement based upon the estimate present value of unpaid lease payments over the lease term. The City uses its incremental borrowing rate based on information available at lease commencement in determining the present value of unpaid lease payments. As the lessor, the City applies the same criteria but recognizes a lease receivable and a deferred inflow of resources equal to the present value of the lease payments. The City did not have any material leases to be implemented under GASB 87, leases.

Coronavirus Disease (COVID-19)

On January 3, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The City may be adversely affected through governmental and business closures resulting in a reduction of labor demand or supplies shortages. The City will continue to monitor the situation surrounding COVID-19 and evaluate the impact it will have on future operations.

Note 2: Cash Equivalents and Investments

Cash and investments at December 31, 2022, consist of the following:

Petty Cash	\$ 1,200
Cash Deposits	1,753,266
Investments	9,018,290
Cash Held by Third Party	<u>128,121</u>
Total	<u>\$ 10,900,877</u>

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 2: Cash Equivalents and Investments

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 9,521,100
Restricted Cash and Investments	128,121
Pension Trust Fund Cash and Investments	720,369
Component Unit Cash and Investments	<u>531,287</u>
Total	<u>\$ 10,900,877</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2022, the City had bank deposits of \$783,987 collateralized with securities held by the financial institutions' agent but not in the City's name.

Investments

The City is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk. State statutes do not apply to public funds held or invested as part of a pension plan.

- Obligations of the United States and certain US Agency securities
- Certain international agency securities
- General obligation revenue bonds of US 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

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 2: Cash and Investments (continued)

Investments (continued)

The City had the following investments at December 31, 2022:

Investment Type	S&P Rating	Investment Maturities (in years)			Total
		Less than 1	1 - 5	More than 5	
Local Government Investment Pools	AAAm	\$ 8,768,112	\$ -	\$ -	\$ 8,768,112
US Agency Securities	NA	272	8,373	241,534	250,178
Total		<u>\$ 8,768,384</u>	<u>\$ 8,373</u>	<u>\$ 241,534</u>	<u>\$ 9,018,290</u>

Fair Value Measurements – The City reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2022, the City's investments in US Agency securities were measured utilizing quote prices in active markets for similar investments (Level 2 inputs). The City's investments in the local government investment pool were measured at the net asset value per share.

Interest Rate Risk – State statutes generally limit investment securities to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk – State Statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk – State statutes do not limit the amount the City may invest in a single issuer of investment securities, except for corporate securities. The Government National Mortgage Association (GNMA) securities are held by the Firemen's Pension Plan and represent 5% of total investments.

Custodial Credit Risk – At December 31, 2022, the City's investments in US Agency securities were held by the counterparty (broker), but not in the City's name.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 2: Cash and Investments (continued)

Investments (continued)

Local Government Investment Pools – At December 31, 2022, the City had invested in the Colorado Local Government Liquid Asset Trust (ColoTrust) and the Colorado Surplus Asset Fund Trust (CSAFE). The pools are investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The pools are measured at the net asset value per share, with each share valued at \$1. The pools are rated AAAm by Standard and Poor's. Investments of the pools are limited to those allowed by State Statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At December 31, 2022, cash and investments of \$128,121, representing lease proceeds restricted for capital projects, were reported in the Capital Improvements Fund.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 3: Capital Assets

Capital Asset activity for the year ended December 31, 2022, is summarized below:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 1,167,628	\$ -	\$ -	\$ 1,167,628
Construction In Progress	614,473	3,780,614	-	4,395,087
Total Capital Assets, Not Being Depreciated	<u>1,782,101</u>	<u>3,780,614</u>	<u>-</u>	<u>5,562,715</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	13,600,952	-	-	13,600,952
Equipment	2,258,997	226,177	(51,208)	2,433,966
Infrastructure	4,801,511	-	-	4,801,511
Total Capital Assets, Being Depreciated	<u>20,661,460</u>	<u>226,177</u>	<u>(51,208)</u>	<u>20,836,429</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(1,347,860)	(343,738)	-	(1,691,598)
Equipment	(1,370,703)	(226,407)	51,208	(1,545,902)
Infrastructure	(1,665,284)	(262,679)	-	(1,927,963)
Total Accumulated Depreciation	<u>(4,383,847)</u>	<u>(832,824)</u>	<u>51,208</u>	<u>(5,165,463)</u>
Total Capital Assets, Being Depreciated, Net	<u>16,277,613</u>	<u>(606,647)</u>	<u>-</u>	<u>15,670,966</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,059,714</u>	<u>\$ 3,173,967</u>	<u>\$ -</u>	<u>\$ 21,233,681</u>
Business-type Activities				
Capital Assets, Being Depreciated				
Water System	\$ 2,679,031	\$ -	\$ -	\$ 2,679,031
Sewer System	1,525,031	-	-	1,525,031
Total Capital Assets, Being Depreciated	<u>4,204,062</u>	<u>-</u>	<u>-</u>	<u>4,204,062</u>
Less: Accumulated depreciation				
Water System	(1,561,184)	(87,490)	-	(1,648,674)
Sewer System	(530,804)	(50,136)	-	(580,940)
Total Accumulated Depreciation	<u>(2,091,988)</u>	<u>(137,626)</u>	<u>-</u>	<u>(2,229,614)</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,112,074</u>	<u>\$ (137,626)</u>	<u>\$ -</u>	<u>\$ 1,974,448</u>
Component Unit				
Capital Assets, Not Being Depreciated				
Land	\$ 134,000	\$ -	\$ -	\$ 134,000
Total Capital Assets, Not Being Depreciated	<u>134,000</u>	<u>-</u>	<u>-</u>	<u>134,000</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	49,000	-	-	49,000
Less: Accumulated Depreciation	(14,700)	(4,900)	-	(19,600)
Total Capital Assets, Being depreciated, Net	<u>34,300</u>	<u>(4,900)</u>	<u>-</u>	<u>29,400</u>
Component Unit Capital Assets, Net	<u>\$ 168,300</u>	<u>\$ (4,900)</u>	<u>\$ -</u>	<u>\$ 163,400</u>

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 3: Capital Assets (continued)

Depreciation expense was charged to programs of the City as follows:

Governmental Activities

General Government	\$ 637,660
Public Safety	117,679
Public Works	36,506
Parks & Recreation	<u>40,979</u>
Total	<u>\$ 832,824</u>

Note 4: Long-Term Debt

Governmental Activities

Following is a summary of long-term debt transaction of the governmental activities for the year ended December 31, 2022.

Governmental Activities	Balance 12/31/2021	Additions	Payments/ Reductions	Balance 12/31/2022	Due Within One Year
2017 Finance Lease	\$ 8,605,000	\$ -	\$ 510,000	\$ 8,095,000	\$ 575,000
Compensated Absences	<u>166,453</u>	<u>-</u>	<u>49,233</u>	<u>117,220</u>	<u>11,722</u>
Total	<u>\$ 8,771,453</u>	<u>\$ -</u>	<u>\$ 559,233</u>	<u>\$ 8,212,220</u>	<u>\$ 586,722</u>

Finance Lease

During 2017, the City entered into a finance lease in the amount of \$9,900,000 to finance the construction of a new City Hall and recreation center. The lease agreement requires annual principal payments beginning on December 1, 2018 and going through 2023. Interest accrues at 2.85% per annum and is payable semi-annually on June 1 and December 1, beginning on June 1, 2018. Building costs of \$12,904,700, net of depreciation of \$1,317,356, have been reported for this period.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 4: Long-Term Debt (continued)

Governmental Activities (continued)

Finance lease payments to maturity are as follows:

Year Ended, December 31	Principal	Interest	Total
2023	575,000	228,570	803,570
2024	645,000	212,183	857,183
2025	720,000	193,800	913,800
2026	795,000	173,280	968,280
2027	815,000	150,623	965,623
2028-2032	4,545,000	390,023	4,935,023
Total	<u>\$ 8,095,000</u>	<u>\$ 1,348,479</u>	<u>\$ 9,443,479</u>

Compensated Absences

Compensated absences are expected to be liquidated primarily with revenues of the General Fund.

Business-type Activities

A summary of long-term debt transactions of the business-type activities for the year ended December 31, 2022, follows:

Business-type Activities	Balance 12/31/2021	Additions	Payments/ Reductions	Balance 12/31/2022	Due Within One Year
Water Loan	<u>\$ 696,068</u>	<u>\$ -</u>	<u>\$ 45,394</u>	<u>\$ 650,674</u>	<u>\$ 46,307</u>
Total	<u>\$ 696,068</u>	<u>\$ -</u>	<u>\$ 45,394</u>	<u>\$ 650,674</u>	<u>\$ 46,307</u>

In January 2015, the City entered into a loan agreement with the Colorado Water Resources and Power Authority (CWRPDA). Loan proceeds were used for improvements to the water system. In October 2016, unused loan proceeds were used to pay down the loan balance and the agreement was modified. Semi-annual payments of \$29,545, including principal and interest accruing at 2% per annum are due on May 1 and November 1 through May 1, 2035.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 4: Long-Term Debt (continued)

Business-type Activities (continued)

Annual debt service requirements are as follows:

Year Ended, December 31	Principal	Interest	Total
2023	46,307	12,783	59,090
2024	47,238	11,852	59,090
2025	48,187	10,903	59,090
2026	49,156	9,934	59,090
2027	50,144	8,946	59,090
2028-2032	409,643	33,532	443,175
Total	<u>\$ 650,674</u>	<u>\$ 87,951</u>	<u>\$ 738,625</u>

Compensated Absences

The business-type activities have no employees, thus no wage expenses. Services are provided by City employees. The business-type activities are charged administrative fees for time spent processing their activities. All compensated absences are handled through the governmental funds.

Note 5: Interfund Balances and Transactions

At December 31, 2022, the Water Fund and Sewer Fund had a negative cash balances of \$709,319 and \$86,551, respectively. The General Fund established a loan to the Water Fund for \$710,000 and \$90,000 for the Sewer Fund to cover the short fall. The interfund receivables and interfund payables are reflected on the fund financial statements and are eliminated in the government-wide financial statements. During the year ended December 31, 2022, the General Fund transferred \$954,105 and \$134,400 to the Capital Improvements and Capital Equipment Funds, respectively, for capital projects and equipment purchases.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 6: Risk Management

Public Entity Risk Pool

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For these risks of loss, the City participates in the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provisions of 24-10-115.5, Colorado Revised Statutes and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property and workers compensation coverages and to assist member in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employee and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

Note 7: Retirement Commitments

Employee Pension Plan

The City contributes to a multiple-employer defined contribution retirement plan on behalf of City employees. All regular full-time employees are eligible to participate in the Plan with the exclusion of sworn police officers. The plan provisions and contribution requirements are established and may be amended by the City Council. The City is required to contribute 4% of each participating employee's compensation and each participating employee must contribute 4%. After one year of service, employees may contribute an additional 2% of compensation which the City will match. Employees may make additional voluntary contributions according to various plan documents. Employees fully vest in the City's contributions at a rate of 25% for each twelve months of participation after one year of participation.

During the year ended December 31, 2022, the City contributed \$102,579 to the Plan, equal to the required contributions. The Plan is administered by the Colorado County Officials and Employees Retirement Association (CCOERA).

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 7: Retirement Commitments (continued)

Police Pension Plans

General Information

Plan Description – The City contributes to the Statewide Defined Benefit Plan (SWDB Plan), a cost sharing, multiple employer defined benefit pension plan, and the Statewide Hybrid Plan (SWH Plan), a cost sharing, multiple employer combination defined benefit and money purchase pension plan. The plans are administered by the Fire & Police Pension Association of Colorado (FPPA).

The City's sworn police officers began participating in the plans on November 4, 2017. Upon entering the plans, each police officer could elect to participate in either plan. Police officers hired subsequently must participate in the SWDB Plan on the first day of employment.

Title 31, Article 31 of the Colorado Revised Statutes (CRS) grants the authority to establish and amend benefit terms to the FPPA Board of Directors. FPPA issues a publicly available financial report that includes information on the plans. That report may be obtained at www.fppaco.org.

Benefits Provided – A SWDB Plan member is eligible for a normal retirement pension once the member has completed twenty five years of credited service and has attained the age of 55. The annual normal retirement benefit is 2% of the average of the member's highest three years base salary for each year of credited service up to 10 years, plus 2.5% for each year of service thereafter. Benefits paid to retirees are evaluated and may be re-determined every October 1. The amount of any increase is based on the FPPA Board of Director's discretion and can range from zero to the higher of 3% or the Consumer Price Index. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50.

A member is eligible for early retirement at age 50 with at least five years of service, or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5% interest, returned as a lump sum distribution.

Alternatively, a member with at least five years of credited service may leave contributions with the SWDB Plan and remain eligible for a retirement pension at age 55 equal to 2% of the member's average highest three years base salary for each year of credited service up to ten years, plus 2.5% for each year of service thereafter.

A SWH Plan member is eligible for a normal retirement pension at any time after age 55, if the member has at least twenty five years of service. The annual normal retirement benefit of the defined benefit component is 1.5% of the average of the member's highest three years base salary for each year of credited service. Benefits paid to retirees of the defined benefit component are evaluated

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 7: Retirement Commitments (continued)

Police Pension Plans (continued)

General Information (continued)

and may be re-determined annually on October 1. The amount of any increase is based on the FPPA Board of Director's discretion and can range from zero to 3%.

A member is eligible for early retirement at age 50 with at least 5 years of service, or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with a 5% interest, returned as a lump sum distribution from the defined benefit component. Alternatively, a member with at least five years of credited service may leave contributions with the defined benefit component and remain eligible for a retirement pension at age 55 equal to 1.5% of the member's average highest three years base salary for each year of credited service. In addition, upon termination the vested account balance in the money purchase component becomes available to the member.

Plan members may elect to participate in the deferred retirement option plan (DROP) after reaching eligibility for normal retirement (25 years of service and age 55), early retirement (30 years of service and age 50), or vested retirement (5 years of service and age 55). A member can continue to work while participating in the DROP but must terminate employment within five years of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a life time monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Each member shall self-direct the investments in their DROP account, which are held by a custodian and not included in the plans' net position.

Contributions – The City and eligible employees hired after November 4, 2017 are required to contribute to the SWDB Plan at rates established by State statutes. Through December 31, 2021, employer contribution rates can only be amended by the State Legislature. Employee contribution rates can be amended by the State Legislature or by election of the membership. Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both employers and members.

The City and eligible employees contributed 8.5% and 11.5% of base salary, respectively, for the year ended December 31, 2021. SWDB Plan members elected to increase the employee contribution rate 0.5% annually from 2015 through 2022, to a total of 12% base salary. Employer contributions will increase 0.5% annually beginning in 2021 through 2030, to a total of 13% of base salary.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 7: Retirement Commitments (continued)

Police Pension Plans (continued)

General Information (continued)

Contributions from the City and employees entering the SWDB Plan on November 4, 2017 (the reentry group), are established by resolution of the FPPA Board of Directors. Employee contributions may not be less than 8% with the split or contributions between employees and the City determined by the City Council. The City and eligible employees contributed 11% and 12% of base salary, respectively, for the year ended December 31, 2021. The FPPA Board of Directors required member and the City contribution rates to increase annual from 2012 to 2030. During 2020, the City Council approved a resolution to allocate this increase between members and the City, with a contribution rate totaling 25.5% if base pay in 2030.

The City's contributions to the SWDB Plan for the year ended December 31, 2022 were \$110,733, equal to the required contributions.

The City and eligible employees are required to contribute to the SWH Plan at rates established by City Council. However, the amount allocated to the defined benefit component is set annually by the FPPA Board of Directors, which currently must be at least 8% of base salary for the employee and employer. Excess contributions are deposited to the money purchase component of the SWH Plan. For the year ended December 2021, the City Council established the contribution rate split at 11% of base salary for both City and employees.

Within the money purchase component, members are always fully vested in their contributions, as well as the earnings on those contributions. Vesting in the City's contributions within the money purchase component and the earnings on those contributions is 20% per year after the first year of service, with 100% vesting after five years of service. Unvested City contributions and earnings thereon are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the SWH Plan's administrative expenses. Any administrative expenses not covered by forfeitures are charged directly to member accounts.

An employee may elect to make voluntary after-tax contributions to the money purchase component of the SWH Plan. All contributions to the money purchase component are invested at the discretion of the member.

The City's contributions to the SWH Plan for the year ended December 31, 2022, were \$9,921, equal to the required contributions.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 7: Retirement Commitments (continued)

Police Pension Plans (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At December 31, 2022, the City reported a net pension asset of \$859,670 and \$184,889. Representing its proportionate share of the net pension asset of the SWDB and SWH Plans, respectively. The net pension asset was measured at December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2022. The City's proportion of the net pension asset was based on a projection of the City's contributions to the plans for the calendar year ended December 31, 2021, relative to the contributions of all employers.

At December 31, 2022, the City's proportion of the SWDB plan was 0.1586306%, which was a decrease of 0.0353554% from its proportion measured at December 31, 2021. The City's proportion of the SWH Plan was 0.487581%, which was an increase of 0.025692% from its measured proportion at December 31, 2021.

For the year ended December 31, 2022, the City recognized pension expense for the SWDB and SWH Plans of \$27,921 and \$(6,196), respectively. At December 31, 2022, The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Statewide Defined Benefit Plan		
Differences between expected and actual experience	\$ 246,169	\$ 20,050
Changes in assumptions	122,595	-
Net difference between projected and actual earnings on plan investments	-	575,339
Changes in proportion	76,758	-
Contributions subsequent to the measurement date	110,733	
Total Statewide Defined Benefit Plan	\$ 556,255	\$ 595,389
Statewide Hybrid Plan		
Differences between expected and actual experience	\$ 36,926	\$ -
Changes in assumptions	4,548	-
Net difference between projected and actual earnings on plan investments	-	52,377
Changes in proportion		7,067
Contributions subsequent to the measurement date	9,921	
Total Statewide Hybrid Plan	\$ 51,395	\$ 59,444
Total	\$ 607,650	\$ 654,833

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 7: Retirement Commitments (continued)

Police Pension Plans (continued)

City contributions to the SWDB and SWH Plans subsequent to the measurement date of \$110,733 and \$9,921, respectively, will be recognized as an increase or decrease to the net pension asset in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended December 31,</u>	<u>SWDB Plan</u>	<u>SWH Plan</u>
2023	\$ (77,617)	\$ 2,369
2024	(137,129)	(4,426)
2025	(76,948)	(5,896)
2026	(21,612)	(3,946)
2027	51,250	(6,113)
Thereafter	<u>112,189</u>	<u>43</u>
Total	<u>\$ (149,867)</u>	<u>\$ (17,969)</u>

Actuarial Assumptions – The actuarial valuations as of January 1, 2022, determined the total pension liability using the following actuarial assumptions as well as other inputs:

Inflation	2.5%
Projected salary increases, including inflation	4.25% - 11.25%
Investment rate of return, net of plan investment	
Expenses, including inflation	7.0%
Cost of living adjustments (COLA)	0.0%

Mortality rates for active members were based on the RP-2014 Mortality Tables for Blue Collar Employees projected to 2018 using the MP-2017 projection scales and using 50% multiplier for off duty mortality. The RP-2014 Mortality Tables for Blue Collar Employees were used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants were used. For post-retirement member ages 55 through 64, a blend of the previous tables was used. All tables were projected with Scale BB.

The Current actuarial methods and assumptions were approved by the FPPA Board of Directors in July 2018, for first use in the actuarial valuations beginning January 1, 2019, based upon the actuary's analysis and recommendations.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 7: Retirement Commitments (continued)

Police Pension Plans (continued)

The long term rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Global Equity	39%	8.23%
Equity Long/Short	8%	6.87%
Private Markets	26%	10.63%
Fixed Income	15%	9.26%
Absolute Return	10%	5.60%
Cash	<u>2%</u>	2.32%
Total	<u>100%</u>	

Discount Rate – The Discount Rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumes that contributions from participating employers will be made base in the actuarially determined rates in the FPPA Board of director's funding policy, which establishes the contractually required rates under State statutes. Based on this assumption, the plans' fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 7: Retirement Commitments (continued)

Police Pension Plans (continued)

Sensitivity of the Net Pension Asset (Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension asset (liability) calculated using the discount rate of 7%, as well as the City's proportionate share of the net pension asset (liability) if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate, as follows:

	1% Decrease <u>(6%)</u>	Current Discount Rate (7%)	1% Increase <u>(8%)</u>
Proportionate share of the SWDB Net pension asset (liability)	<u>\$ 118,554</u>	<u>\$ 859,670</u>	<u>\$ 1,473,643</u>
Proportionate share of the SWH Net pension asset	<u>\$ 141,078</u>	<u>\$ 184,889</u>	<u>\$ 221,469</u>

Pension Plan Net Fiduciary Position – Detailed information about the plans' fiduciary net position is available in FPPA's separately issued financial report, which may be obtained at www.fppaco.org.

Firemen's Pension Plan

Effective January 1, 2013, the City's fire protection services were merged with the Wheat Ridge Fire Protection District, which subsequently merged with the West Metro Fire Protection District. As such, the City no longer employs neither paid nor volunteer firefighters. However, individuals who previously served the City as volunteer firefighters may be eligible to participate in the Firemen's Pension Plan.

General Information

Plan Description – The City has established a single employer defined benefit pension plan for volunteer firefighters as authorized by State of Colorado statutes. The Plan is administered by a Board of Trustees composed of the Mayor, the City's Finance Director and three other members appointed by City Council in accordance with State statutes. This Board of Trustees also establishes and is allowed to amend contribution requirements of the City. The Plan does not publish a separate stand-alone report but is reported in these financial statements as a Pension Trust Fund.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 7: Retirement Commitments (continued)

Firemen's Pension Plan (continued)

Plan Membership – At December 31, 2022, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits 20

Benefits Provided – Any firefighter who has both attained the age of fifty and completed twenty years of active service shall be eligible for a monthly benefit of \$300. Surviving spouses receive a monthly benefit of \$150.

Contributions – As established by State statutes, the plan may receive contributions from the City in an amount not to exceed one-half mill of property tax revenue. The State of Colorado contributes 90% of the City's contribution. Plan members are not required to contribute to the plan. The contributions are not actuarially determined. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2021 indicated that the current level of contributions are adequate to support on an actuarially sound basis the prospective benefits, including administrative costs, for the present plan. For the year ended December 31, 2022, the City contributed \$34,300 to the plan. The State's contribution of \$22,500 was accrued pending the audit of the City's financial statements.

Investments

Investment Policy – The Board of Trustees has the authority to establish an investment policy for the plan but has not done so. City management currently makes all investment decisions.

Rate of Return – For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of investment expense, was approximately -2.05%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

At December 31, 2022, the City had an actuarially determined net pension asset of \$152,746.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 7: Retirement Commitments (continued)

Firemen's Pension Plan (continued)

Net Pension Liability (continued)

Actuarial Assumptions – The total pension liability as of the beginning of the measurement period was determined by an actuarial valuation as of January 1, 2021 using the following actuarial assumptions applied to all periods included in the measurement.

Investment Rate of Return – 3.25 %, net of investment expense, including inflation

Inflation – 2.5%

Salary increases – Not applicable

Mortality – RP-2014 Mortality Table, with fully generational mortality improvement using Scale MP-2021.

The long term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each asset class included in the plan's target asset allocation as of December 31, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Fixed Income	30%	2.26%
Cash	<u>70%</u>	0.00%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 3.25%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to follow the current funding practice. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on plan investments of 3.25% was applied to all periods of projected benefit payments to determine the total pension liability.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 7: Retirement Commitments (continued)

Firemen's Pension Plan (continued)

Net Pension Liability (continued)

For the year ended December 31, 2022, changes in the net pension liability of the City were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Beginning Balance	\$ 702,118	\$ 782,036	\$ (79,918)
Interest	23,670		23,670
Benefit Payments	(51,668)	(51,668)	-
City Contribution		34,300	(34,300)
Accrued State Contribution		22,500	(22,500)
Net Investment Income	(70,687)	(16,223)	(54,464)
Changes in Assumptions	14,766		14,766
Ending Balance	<u>\$ 618,199</u>	<u>\$ 770,945</u>	<u>\$ (152,746)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the City at December 31, 2022. Calculated using the discount rate of 3.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.25%) or one percentage point higher (4.5%) than the current rate, as follows:

	1% Decrease (2.25%)	Current Discount Rate (3.25%)	1% Increase (4.25%)
Net pension asset (liability)	<u>\$ 86,535</u>	<u>\$ 152,746</u>	<u>\$ 208,147</u>

Pension Expense, Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the City recognized pension expense (income) of \$(45,417). Since the plan consisted of only retired participants, differences between expected and actual experience and changes in assumptions are recorded as pension expense immediately. The net difference between projected and actual earnings on investments was recorded in pension expense. Because the difference was not significant, it will not be recognized as pension expense over multiple years.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 8: Other Postemployment Benefits

Statewide Death & Disability Plan

General Information

Plan Description – The City contributes to the Statewide Death & Disability Plan, a cost sharing multiple-employer defined benefit death and disability plan administered by the Fire & Police Pension Association of Colorado (FPPA). All police officers are members of the plan. Contributions to the plan are used solely for the payment of death & disability benefits. Benefits are established by State statutes and generally allow for benefits upon the death or disability of a plan member prior to retirement. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. The report may be obtained at www.fppaco.org.

Benefits Provided – The plan provides pre-retirement death benefits as follows:

Off-Duty: 40% of the base salary paid to the member prior to death, with an additional 10% of base salary if a surviving spouse has two or more dependent children.

On-Duty: 70% of the base salary paid to the member prior to death.

Disability benefits are as follows:

Total disability: 70% of the base salary preceding disability.

Permanent occupational disability: 50% of the base salary preceding disability.

Temporary occupational disability: 40% of the base salary preceding disability for up to 5 years.

Benefit adjustments are granted periodically at the discretion of the FPPA Board of Directors. Total disability retirees receive an automatic increase of 3%. For other annuitants, the increase may reflect CPI, but in no case may be higher than 3%.

Once a member is eligible to retire, all plan benefit obligations cease.

Contributions – The contribution requirements are established by State statutes. However, the FPPA Board of Directors, based on an annual actuarial valuation, may adjust the contribution rate.

Any decision regarding whether the employer or member contribute to the plan, or whether the contribution is paid jointly by the employer and the member is determined by the City Council.

No contributions are required for members hired prior to January 1, 1997. For members hired on or after January 1, 1997, the City contributed 2.8% of base salaries on behalf of the members during the year ended December 31, 2022. Contributions to the plan for the year ended December 31, 2022 were \$24,489, equal to the required contributions.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 8: Other Postemployment Benefits

Statewide Death & Disability Plan (continued)

General Information (continued)

Based on the 2018 actuarial results, the FPPA Board of Directors set the contribution rate effective January 1, 2021 at 3% of base salaries and may be increased 0.2% annually as determined by the FPPA Board of Directors.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City has no requirement to contribute to the plan and does not receive contributions from a non-employer entity. Therefore, the City does not report a net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB.

OPEB Plan Fiduciary Net Position – Detailed information about the plan’s fiduciary net position is available in FPPA’s separately issued financial report which may be obtained at www.fppaco.org.

Note 9: Commitments and Contingencies

Litigation

The City is periodically involved in various threatened or pending litigation. The outcomes of this litigation cannot be determined at this time.

Enhanced Sales Tax Incentive Program

The City has entered into various agreements to increase economic development within the City limits.

In 2005, the City agreed to rebate a portion of the sales tax generated by Target. The agreement terminates at the earlier of September 30, 2027, or upon reaching the cumulative maximum rebate amount of \$10,890,767. During the year ended December 31, 2022, Target earned \$1,003,177 under this agreement. Payments since inception totaled \$8,606,977 at December 31, 2022.

City of Edgewater, Colorado

Notes to Financial Statements

December 31, 2022

Note 9: Commitments and Contingencies (continued)

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of State and Local governments.

On June 24, 2008, voters within the City authorized the City to collect, retain and expend all of the sales and use tax revenues and all revenues generated by the City, subject only to those limitations previously approved by the voters, notwithstanding any limitation contained in the Amendment or any other law. The City's management believes it is in compliance with the provisions of the Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

In accordance with the Amendment, the City has established an emergency reserve representing 3% of qualifying expenditures. At December 31, 2022, the reserve was reported as restricted fund balance in the General Fund in the amount of \$289,000.

Note 10: Future GASB Pronouncements

The Governmental Accounting Standards Board (GASB) has approved the following:

- GASB Statement No. 91, Conduit Debt Obligations
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements
- GASB Statement No. 99, Omnibus 2022
- GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62
- GASB Statement No. 101, Compensated Absences

Note 11: Subsequent Events

In preparing the financial statements, the City has evaluated transactions for potential disclosure through November 5, 2024, the date the financial statements were available to be issued. Management has noted no events have occurred subsequent to December 31, 2022, that would require disclosure.

Required Supplementary Information

City of Edgewater, Colorado
Required Supplementary Information
Schedule of proportionate Share in the Net Pension Asset
(Liability) and Contributions
Fire & Police Pension Association of Colorado Statewide Defined Benefit Plan
Year Ended December 31, 2022

	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net Pension Asset (Liability)					
City's Proportion of the Net Pension Asset (Liability)	0.15863060%	0.19398598%	0.19481325%	0.19949772%	0.20586880%
City's proportionate Share of the Net Pension Asset (Liability)	\$ 859,673	\$ 421,144	\$ 110,179	\$ (252,220)	\$ 296,175
City's Covered Payroll	\$ 1,020,300	\$ 1,246,572	\$ 1,119,549	\$ 1,019,723	\$ 109,778
City's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll	84%	34%	10%	-25%	270%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	107%	107%	102%	95%	106%
	12/31/22	12/31/21	12/31/20	12/31/19	12/31/18
City Contributions					
Statutorily Required Contribution	\$ 110,733	\$ 108,546	\$ 124,649	\$ 114,867	\$ 106,908
Contributions in Relation to the Statutorily Required Contribution	110,733	108,546	124,649	114,867	106,908
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 1,052,752	\$ 1,020,300	\$ 1,246,572	\$ 1,119,549	\$ 1,019,723
Contributions as a percentage of Covered Payroll	10.52%	10.64%	10.00%	10.26%	10.48%

This schedule is presented to show information for 10 years. Until information for the full 10 year period is available, information will be presented for the years available.

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado
Required Supplementary Information
Schedule of proportionate Share in the Net Pension Asset
(Liability) and Contributions
Fire & Police Pension Association of Colorado Statewide Hybrid Plan
Year Ended December 31, 2022

	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net Pension Asset (Liability)					
City's Proportion of the Net Pension Asset (Liability)	0.48758101%	0.46188900%	0.46696762%	0.41423560%	0.41967838%
Plan Net Pension Asset (Liability)	\$ 37,919,679	\$ 27,505,090	\$ 19,474,018	\$ 13,803,497	\$ 19,552,830
City's proportionate Share of the Net Pension Asset (Liability)	\$ 184,889	\$ 127,043	\$ 90,937	\$ 57,179	\$ 82,059
City's Covered Payroll	\$ 75,013	\$ 71,318	\$ 67,750	\$ 60,019	\$ 6,730
City's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll	246%	178%	134%	95%	1219%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	138%	138%	130%	123%	139%

	12/31/22	12/31/21	12/31/20	12/31/19	12/31/18
City Contributions					
Statutorily Required Contribution	\$ 9,921	\$ 8,255	\$ 7,845	\$ 7,452	\$ 6,602
Contributions in Relation to the Statutorily Required Contribution	9,921	8,255	7,845	7,452	6,602
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 90,188	\$ 75,013	\$ 71,318	\$ 67,750	\$ 60,019
Contributions as a percentage of Covered Payroll	11.00%	11.00%	11.00%	11.00%	11.00%

This schedule is presented to show information for 10 years. Until information for the full 10 year period is available, information will be presented for the years available.

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Firemans Pension Plan
Year Ended December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Interest	\$ 23,670	\$ 25,733	\$ 27,315	\$ 28,363	\$ 30,592	\$ 31,806	\$ 41,683	\$ 43,009	\$ 50,939
Differences Between Expected and Actual Experience	(70,687)	-	(42,589)	-	(30,521)	-	(13,652)	-	(119,098)
Changes in Assumptions	14,766	16,488	(25,307)	-	-	-	115,019	-	115,136
Benefit Payments	51,668	(52,658)	(54,608)	(61,958)	(65,558)	(67,435)	(68,490)	(70,590)	(74,790)
Net Change in Total Pension Liability	19,417	(10,437)	(95,189)	(33,595)	(65,487)	(35,629)	74,560	(27,581)	(27,813)
Total Pension Liability, Beginning	702,118	712,555	807,744	841,339	906,826	942,455	867,895	895,476	923,289
Total Pension Liability, Ending	721,535	702,118	712,555	807,744	841,339	906,826	942,455	867,895	895,476
Plan Fiduciary Net Position									
Employer Contributions	\$ 34,300	\$ 34,300	\$ 34,300	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
State of Colorado Contributions	22,500	22,500	22,500	22,500	22,500	22,500	19,535	19,536	18,658
Net Investment Income	(16,223)	(2,126)	28,255	44,935	7,590	24,885	949	23,271	20,378
Benefit Payments	51,668	(52,658)	(54,608)	(61,958)	(65,558)	(67,435)	(68,490)	(70,590)	(74,790)
Administrative Expenses	-	-	(2,500)	(11,200)	-	-	-	(4,200)	-
Net Change in Plan Fiduciary Net Position	92,245	2,016	27,947	19,277	(10,468)	4,950	(23,006)	(6,983)	(10,754)
Plan Fiduciary Net Position Beginning	782,036	780,020	752,073	732,796	743,264	738,314	761,320	768,303	779,057
Plan Fiduciary Net Position Ending	\$ 874,281	\$ 782,036	\$ 780,020	\$ 752,073	\$ 732,796	\$ 743,264	\$ 738,314	\$ 761,320	\$ 768,303
City's Net Pension Asset (Liability)	\$ 152,746	\$ 79,918	\$ 67,465	\$ (55,671)	\$ (108,543)	\$ (163,562)	\$ (204,141)	\$ (106,575)	\$ (127,173)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	121%	111%	109%	93%	87%	82%	78%	88%	86%
Investment Returns									
Annual Money-Weighted Rate of Return, Net of Investment Expense	-2.05%	-0.27%	3.72%	6.18%	4.03%	4.05%	0.13%	2.54%	2.69%
City Contributions									
Actuarially Determined Contribution	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Contributions in Relation to the Actuarially Determined Contribution	34,300	34,300	34,300	25,000	25,000	25,000	25,000	25,000	25,000
Contribution Deficiency (Excess)	\$ (9,300)	\$ (9,300)	\$ (9,300)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

This schedule is presented to show information for 10 years. Until the full 10 year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Budgetary Comparison Schedule

General Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	\$ 8,360,975	\$ 8,360,975	\$ 8,313,605	\$ (47,370)
Licenses and Permits	280,000	280,000	253,127	(26,873)
Intergovernmental	1,311,837	1,311,837	1,329,542	17,705
Charges for Services	413,205	413,205	877,436	464,231
Fines and Forfeitures	30,000	30,000	23,376	(6,624)
Investment Income	20,000	20,000	169,218	149,218
Miscellaneous	20,000	20,000	18,717	(1,283)
Total Revenues	10,436,017	10,436,017	10,985,021	549,004
Expenditures				
Current				
General Government	4,217,407	4,217,407	3,639,795	577,612
Public Safety	3,021,893	3,021,893	2,871,790	150,103
Public Works	976,945	1,004,945	1,006,977	(2,032)
Parks and Recreation	690,851	690,851	597,294	93,557
Total Expenditures	8,907,096	8,935,096	8,115,856	819,240
Excess of Revenues Over Expenditures	1,528,921	1,500,921	2,869,165	1,368,244
Other Financing (Uses)				
Transfers Out	(705,505)	(705,505)	(1,088,505)	(383,000)
Net Change in Fund Balance	823,416	795,416	1,780,660	985,244
Fund Balance - Beginning	2,221,098	2,221,098	6,844,789	4,623,691
Fund Balance - Ending	\$ 3,044,514	\$ 3,016,514	\$ 8,625,449	\$ 5,608,935

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Budgetary Comparison Schedule

Open Space Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental	\$ 190,000	\$ 190,000	\$ 243,138	\$ 53,138
Investment Income	1,500	1,500	757	(743)
Total Revenues	191,500	191,500	243,895	52,395
Expenditures				
Current				
Parks and Recreation	511,450	511,450	309,253	202,197
Total Expenditures	511,450	511,450	309,253	202,197
Excess of Revenues (Under) Expenditures	(319,950)	(319,950)	(65,358)	254,592
Net Change in Fund Balance	(319,950)	(319,950)	(65,358)	254,592
Fund Balance - Beginning	310,151	310,151	631,389	321,238
Fund Balance - Ending	\$ (9,799)	\$ (9,799)	\$ 566,031	\$ 575,830

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Budgetary Comparison Schedule

Capital Improvements

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 61,651	\$ 61,651
Miscellaneous	1,500,000	1,500,000	-	(1,500,000)
Total Revenues	1,500,000	1,500,000	61,651	(1,438,349)
Expenditures				
Current				
Public Safety	-	-	478	(478)
Public Works	781,927	4,781,927	351,197	4,430,730
Capital Outlay	160,000	160,000	4,570,312	(4,410,312)
Debt Service				
Principal	510,000	510,000	510,000	-
Interest and Fiscal Charges	243,105	243,105	241,513	1,592
Total Expenditures	1,695,032	5,695,032	5,673,500	21,532
Excess of Revenues (Under) Expenditures	(195,032)	(4,195,032)	(5,611,849)	(1,416,817)
Other Financing Sources				
Transfers In	578,105	578,105	954,105	376,000
Net Change in Fund Balance	383,073	(3,616,927)	(4,657,744)	(1,040,817)
Fund Balance - Beginning	2,643,659	2,643,659	4,520,883	1,877,224
Fund Balance - Ending	\$ 3,026,732	\$ (973,268)	\$ (136,861)	\$ 836,407

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Notes to Required Supplementary Information December 31, 2022

Note 1: Firemen's Pension Plan

Contributions

The City made a contribution of \$34,300 to the Firemen's Pension Plan during the year ended December 31, 2022. The Plan recognized a Receivable of \$22,500 representing the State of Colorado's anticipated contribution to the Plan for the year ended December 31, 2022. The Plan members consist only of volunteer firefighters and, therefore, employee payroll information is not applicable.

Actuarial Assumptions

Significant actuarial methods and assumptions used to determine the contribution rates for the Firemen's Pension Plan are as follows:

Valuation Date	January 1, 2019
Actuarial Cost Method	Age Entry Normal
Amortization Method	Level annual payments
Remaining Amortization Period	20 years
Asset Valuation Method	Fair Value
Investment Return	3.5%, net of investment expenses, compounded annually
Inflation Rate	2.5%
Retirement Age	50 years
Mortality	RP-2014 Mortality Table, with fully generational mortality improvement, using Scale MP-2018

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Budgets are legally adopted for all funds of the City, except the pension trust fund. Budgets are presented on a basis consistent with generally accepted accounting principles except for the enterprise funds which budget using a non-GAAP basis, whereby capital outlay is budgeted as an expenditure but depreciation is not budgeted. Budgets for the Edgewater Redevelopment Authority are adopted by the Authority's governing board.

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado
Notes to Required Supplementary Information
December 31, 2022

Note 2: Stewardship, Compliance and Accountability (continued)

Budgets and Budgetary Accounting (continued)

The City follows these procedures to establish the budgetary information reflected in the financial statements:

- Management submits to the City Council a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain constituent comments.
- Prior to December 31, the budget is legally enacted through the passage of an ordinance.
- City management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- All appropriations lapse at the year end.

For the year ended December 31, 2022, all Fund expenditures were less than budgeted amounts.

See the accompanying Independent Auditors' Report

Supplementary Information

City of Edgewater, Colorado

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2022

	Conservation Trust	Capital Equipment	Total
Assets			
Cash and Cash Equivalents	\$ 88,615	\$ 324	\$ 88,939
Accounts Receivable	52,000	-	52,000
Total Assets	\$ 140,615	\$ 324	\$ 140,939
Liabilities			
Accounts Payable	\$ 10,509	\$ 141,645	\$ 152,154
Total Liabilities	10,509	141,645	152,154
Fund Balance			
Parks and Open Space	130,106	-	130,106
Assigned to Capital Outlay	-	(141,321)	(141,321)
Total Fund Balances	130,106	(141,321)	(11,215)
Total Liabilities and Fund Balances	\$ 140,615	\$ 324	\$ 140,939

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended December 31, 2022

	Conservation Trust	Capital Equipment	Total
Revenues			
Intergovernmental	\$ 52,000	\$ 37,282	\$ 89,282
Investment Income	974	-	974
Total Revenues	52,974	37,282	90,256
Expenditures			
Current			
General Government	-	52,596	52,596
Public Safety	-	117,442	117,442
Public Works	-	4,007	4,007
Parks and Recreation	106,192	-	106,192
Capital Outlay	-	201,112	201,112
Total Expenditures	106,192	375,157	481,349
Excess of Revenues (Under) Expenditures	(53,218)	(337,875)	(391,093)
Other Financing Sources			
Transfers In	-	134,400	134,400
Net Change in Fund Balance	(53,218)	(203,475)	(256,693)
Fund Balance - Beginning	183,324	62,154	245,478
Fund Balance - Ending (Deficit)	\$ 130,106	\$ (141,321)	\$ (11,215)

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Budgetary Comparison Schedule

Conservation Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental	\$ 58,000	\$ 58,000	\$ 52,000	\$ (6,000)
Investment Income	-	-	974	974
Total Revenues	58,000	58,000	52,974	(5,026)
Expenditures				
Current				
Parks and Recreation	160,190	160,190	106,192	53,998
Total Expenditures	160,190	160,190	106,192	53,998
Excess of Revenues Over (Under) Expenditures	(102,190)	(102,190)	(53,218)	48,972
Net Change in Fund Balance	(102,190)	(102,190)	(53,218)	48,972
Fund Balance - Beginning	357,162	357,162	183,324	(173,838)
Fund Balance - Ending	\$ 254,972	\$ 254,972	\$ 130,106	\$ (124,866)

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Budgetary Comparison Schedule

Capital Equipment

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 37,282	\$ (2,718)
Miscellaneous	5,000	5,000	-	(5,000)
Total Revenues	45,000	45,000	37,282	(7,718)
Expenditures				
Current				
General Government	8,000	8,000	52,596	(44,596)
Public Safety	50,000	182,990	117,442	65,548
Public Works	5,000	5,000	4,007	993
Capital Outlay	229,900	229,900	201,112	28,788
Total Expenditures	292,900	425,890	375,157	50,733
Excess of Revenues Over (Under) Expenditures	(247,900)	(380,890)	(337,875)	43,015
Other Financing Sources				
Transfers In	127,400	127,400	134,400	7,000
Net Change in Fund Balance	(120,500)	(253,490)	(203,475)	50,015
Fund Balance - Beginning	27,187	27,187	62,154	34,967
Fund Balance - Ending (Deficit)	\$ (93,313)	\$ (226,303)	\$ (141,321)	\$ 84,982

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Budgetary Comparison Schedule

Water Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for Services	\$ 1,477,100	\$ 1,477,100	\$ 1,523,672	\$ 46,572
Investment Income	500	500	-	(500)
Miscellaneous	1,050,000	1,050,000	4,690	(1,045,310)
Total Revenues	2,527,600	2,527,600	1,528,362	(999,238)
Expenditures				
Service Operating Expenses	2,349,190	2,349,190	1,784,741	564,449
Capital Outlay	75,000	75,000	62,180	12,820
Debt Service - Interest and Fiscal Charges	16,000	16,000	13,544	2,456
Total Expenditures	2,440,190	2,440,190	1,860,465	579,725
Net Change in Net Position, Budgetary Basis	<u>\$ 87,410</u>	<u>\$ 87,410</u>	(332,103)	<u>\$ (419,513)</u>
Reconcillation to GAAP Basis				
Depreciation			(87,490)	
Net Change in Net Position, GAAP Basis			<u>\$ (419,593)</u>	

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Budgetary Comparison Schedule

Sewer Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for Services	\$ 460,062	\$ 460,062	\$ 397,999	\$ (62,063)
Connection Fees	25,000	25,000	10,862	(14,138)
Investment Income	500	500	-	(500)
Total Revenues	485,562	485,562	408,861	(76,701)
Expenditures				
Service Operating Expenses	611,716	611,716	472,025	139,691
Total Expenditures	611,716	611,716	472,025	139,691
Net Change in Net Position, Budgetary Basis	<u>\$ (126,154)</u>	<u>\$ (126,154)</u>	(63,164)	<u>\$ 62,990</u>
Reconciliation to GAAP Basis				
Depreciation			(50,136)	
Net Change in Net Position, GAAP Basis			<u>\$ (113,300)</u>	

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Budgetary Comparison Schedule

Trash Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Charges for Services	\$ 321,495	\$ 321,495	\$ 322,800	\$ 1,305
Investment Income	500	500	87	(413)
Total Revenues	321,995	321,995	322,887	892
Expenditures				
Service Operating Expenses	316,292	341,292	340,802	490
Total Expenditures	316,292	341,292	340,802	490
Net Change in Net Position, Budgetary Basis	<u>\$ 5,703</u>	<u>\$ (19,297)</u>	(17,915)	<u>\$ 1,382</u>
Net Change in Net Position, GAAP Basis			<u>\$ (17,915)</u>	

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Balance Sheet

Edgewater Renewal Authority

December 31, 2022

	<u>Actual</u>
Assets	
Cash and Cash Equivalents	\$ 531,287
Interfund Receivable	1,100,000
Taxes Receivable	<u>422,756</u>
Total Assets	<u><u>\$ 2,054,043</u></u>
Liabilities	
Accounts Payable	<u>\$ 3,494</u>
Total Liabilities	<u>3,494</u>
Deferred Inflows of Resources	
Property Taxes	422,756
Fund Balance	
Restricted for:	
Unrestricted, Unassigned	<u>1,627,793</u>
Total Fund Balances	<u>1,627,793</u>
Total Liabilities and Fund Balances	<u><u>\$ 2,054,043</u></u>

Amounts Reported for the Component Unit in the Statement of Activities are Different Because:

Total Fund Balance of Component Unit	\$ 1,627,793
ERA Electric Sign	183,000
ERA Accumulated Depreciation	(19,600)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	<u>163,400</u>
Total Net Position of Component Unit	<u><u>\$ 1,791,193</u></u>

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado
Statement of Revenues, Expenditures and Change in Fund Balance
Component Unit - Edgewater Redevelopment Authority
Year Ended December 31, 2022

	Edgewater Redevelopment Authority
Revenues	
Property Tax	\$ 400,928
Investment Income	696
Total Revenues	401,624
Expenditures	
Current	
General Government	371,391
Total Expenditures	371,391
Excess of Revenues Over Expenditures	30,233
Net Change in Fund Balance	30,233
Fund Balance - Beginning	1,597,560
Fund Balance - Ending	\$ 1,627,793
Amounts Reported for the Component Unit in the Statement of Activities are Different Because:	
Net Change in Fund Balance of Component Unit	\$ 30,233
Governmental Funds Report Capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.	
Depreciation Expense	(4,900)
Change in Net Position of Component Unit	\$ 25,333

See the accompanying Independent Auditors' Report

City of Edgewater, Colorado

Budgetary Comparison Schedule

Edgewater Renewal Authority

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	\$ 175,000	\$ 175,000	\$ 400,928	\$ 225,928
Investment Income	1,000	1,000	696	(304)
Miscellaneous	941,000	941,000	-	(941,000)
Total Revenues	1,117,000	1,117,000	401,624	(715,376)
Expenditures				
Current				
General Government	1,862,150	1,862,150	371,391	1,490,759
Total Expenditures	1,862,150	1,862,150	371,391	1,490,759
Excess of Revenues Over (Under) Expenditures	(745,150)	(745,150)	30,233	775,383
Net Change in Fund Balance	(745,150)	(745,150)	30,233	775,383
Fund Balance - Beginning	944,420	944,420	1,597,560	653,140
Fund Balance - Ending	\$ 199,270	\$ 199,270	\$ 1,627,793	\$ 1,428,523

See the accompanying Independent Auditors' Report

Supplemental Data for Oversight Agencies

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT	City or County: City of Edgewater
	YEAR ENDING : December 2022
This Information From The Records Of (example - City of _ or County of _ City of Edgewater	Prepared By: Ariany Young, Finance Director Phone: 720-763-3033

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	3,780,614
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	870,089
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	220,745
2. General fund appropriations	5,312,856	b. Snow and ice removal	36,022
3. Other local imposts (from page 2)	0	c. Other	0
4. Miscellaneous local receipts (from page 2)	39,797	d. Total (a. through c.)	256,767
5. Transfers from toll facilities		4. General administration & miscellaneous	38,888
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	506,106
a. Bonds - Original Issues		6. Total (1 through 5)	5,452,464
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	0
7. Total (1 through 6)	5,352,653	b. Redemption	0
B. Private Contributions		c. Total (a. + b.)	0
C. Receipts from State government (from page 2)	99,811	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	0
E. Total receipts (A.7 + B + C + D)	5,452,464	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		C. Payments to State for highways	0
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	5,452,464

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	0	0	0	0
1. Bonds (Refunding Portion)				
B. Notes (Total)	0	0	0	0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		5,452,464	5,452,464		

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2022	
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	0	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	0	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	0	g. Other Misc. Receipts	0
6. Total (1. through 5.)	0	h. Other	39,797
c. Total (a. + b.)	0	i. Total (a. through h.)	39,797
	(Carry forward to page 1)		(Carry forward to page 1)
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	99,811	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	0	d. Federal Transit Admin	0
d. Other -	0	e. U.S. Corps of Engineers	0
e. Other (Specify) Road & Bridge/Mineral Leasing/Severance	0	f. Other Federal	0
f. Total (a. through e.)	0	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	99,811	3. Total (1. + 2.g)	
			(Carry forward to page 1)
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs	0	0	0
b. Engineering Costs	0	0	0
c. Construction:			
(1). New Facilities	0	0	0
(2). Capacity Improvements	0	0	0
(3). System Preservation	0	3,780,614	3,780,614
(4). System Enhancement & Operation	0	0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	3,780,614	3,780,614
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	3,780,614	3,780,614
			(Carry forward to page 1)
Notes and Comments:			



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council
City of Edgewater, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, discretely presented component unit, and the aggregate remaining fund information of the City of Edgewater, Colorado (the “City”) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 5, 2024.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

City of Edgewater's Response to Findings

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

Purpose of this Report

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

ATLAS CPAs & Auditors PLLC

Longmont, Colorado
November 5, 2024

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2022-001

Significant Deficiencies in Internal Control over Financial Reporting—Inadequate Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the City's assets and ensure accurate financial reporting.

Condition: Presently, the same individuals perform all duties at the City.

Context: We observed inadequate segregation of duties by reviewing an organizational chart, observing the small number of staff present at the City, and through interviews of personnel and management.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Cause: The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.