

**MID VALLEY METROPOLITAN
DISTRICT**

**FINANCIAL STATEMENTS
December 31, 2023**



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mid Valley Metropolitan District
Basalt, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Mid Valley Metropolitan District, which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of revenues, expenses and changes in fund net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Mid Valley Metropolitan District as of December 31, 2023 and 2022, and the respective changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i – v 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 performed for the purpose of forming opinions on the financial statements and related notes to financial statements that collectively comprise the Mid Valley Metropolitan District's basic financial statements. The budgetary comparison schedule – (non-GAAP basis) with reconciliation to GAAP basis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule – (non-GAAP basis) with reconciliation to GAAP basis is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Logan and Associates, LLC

Aurora, Colorado
May 15, 2024

**MID VALLEY METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2023**

This management's discussion and analysis of the Mid Valley Metropolitan District's (MVMD) financial statements provide an overview of the District's financial activities for the fiscal year ending December 31, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial and operational performance.

Mid Valley Metropolitan District continues in a growth pattern as the Tree Farm PUD and Lake Modern / Parcel 5 of Willits infrastructure is completed and vertical development is well underway. In addition, the District reserves have benefitted from favorable interest rates from ColoTrust and district investments.

The first of many Lake Modern / Parcel 5 buildings is taking shape and a second building is scheduled to begin construction in 2024. The Tree Farm development, Phase 2 has experienced the completion of the 122 room Hoffman Hotel, has several apartment buildings nearing completion and the last block, The 72 unit "Terraces" is underway with anticipated completion in 2025. In addition, infill continues within the Sopris Meadows / Willits single family homes and the Aspen Ski Company is nearing completion of the "Tiny Home" village.

The District's balance sheet continues to improve allowing the district to plan and invest in the future stability of the district with employee housing and a new district office planned for 2024-2025.

The District continues in a healthy position.

Financial Highlights

The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,108,532 (the Statement of Net Position). Of this amount \$13,201,671 was invested in capital assets of the District and may not be used to meet the District's ongoing obligations to citizens and creditors.

In 2023, the District's total net position increased by \$3,731,930.

Overview of the Financial Statements

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*. The basic financial statements include *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements consist of the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. These statements report information about the District as a whole and include all assets and liabilities using the *accrual basis of accounting*,

which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, *increases or decreases* in the District's Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, however, such as changes in the district's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District.

The Statement of Revenues, Expenses, and Changes in Net position presents information showing how the District'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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods such as 'deferred property taxes'.

The District's activity is reported as a business-type fund, which distinguishes operating revenues and expenses from non-operating items. This one proprietary fund combines the revenues and expenses of the water and wastewater operations as operating revenues and expenses. Not all revenues and expenses are considered operating, including property and specific ownership taxes and interest income are also reported as non-operating revenues. In addition, system development fees are reported as capital contributions, following non-operating revenues and expenses.

Statement of Net Position

The second largest portion of the District's Net Position (49%) reflects its investment in capital assets (e.g., land, water rights, distribution/ collection systems, water augmentation, vehicles, irrigation systems and furniture and fixtures). The District uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending.

During the year, the District had increases in revenues while expenses remained below budget.

Comparative Statements of Net Position as of December 31:

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current and Other Assets	\$ 14,280,081	\$ 12,762,494
Capital Assets, Net	<u>13,201,671</u>	<u>11,038,769</u>
Total Assets	<u>27,481,752</u>	<u>23,801,263</u>
<u>LIABILITIES</u>		
Current Liabilities	<u>323,491</u>	<u>365,781</u>
Total Liabilities	<u>323,491</u>	<u>365,781</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Property Tax Revenue	<u>49,729</u>	<u>58,880</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	13,201,671	11,038,769
Restricted for Emergencies	64,600	54,900
Restricted for Conservation Trust	56,882	54,276
Unrestricted	<u>13,785,379</u>	<u>12,228,657</u>
Total Net Position	<u>\$ 27,108,532</u>	<u>\$ 23,376,602</u>

Comparative Statements of Revenues, Expenses, and Changes in Net Position as of December 31:

	<u>2023</u>	<u>2022</u>
<u>REVENUES</u>		
OPERATING REVENUES		
Charges for Services		
Water system	\$ 694,802	\$ 700,744
Waste Water System	1,023,863	1,014,298
Miscellaneous	<u>11,440</u>	<u>13,077</u>
Total Operating Revenues	<u>1,730,105</u>	<u>1,728,119</u>
OPERATING EXPENSES		
Water System	353,397	291,282
Waste Water System	276,745	254,525
Administration	836,381	700,332
Depreciation	<u>684,981</u>	<u>583,156</u>
Total Operating Expenses	<u>2,151,504</u>	<u>1,829,295</u>
Operating Income (Loss)	<u>(421,399)</u>	<u>(101,176)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	45,967	43,737
Specific Ownership Taxes	2,729	2,396
Conservation Trust Fund	20,997	19,248
Rental Income	11,340	8,921
Gain/(Loss) on Capital Asset Disposal	--	--
Investment Income	<u>608,255</u>	<u>142,385</u>
Total Non-Operating Revenues (Expenses)	<u>689,288</u>	<u>216,687</u>
Income (Loss) Before Capital Contributions	<u>267,889</u>	<u>115,511</u>
CAPITAL CONTRIBUTIONS		
System Development Fees - Water	343,752	534,342
System Development Fees - Waste Water	707,262	1,050,425
Capital Contribution – Developer	<u>2,413,027</u>	<u>587,864</u>
Total Capital Contributions	<u>3,464,041</u>	<u>2,172,631</u>
Change in Net Position	<u>3,731,930</u>	<u>2,288,142</u>
Net Position, Beginning of Year	<u>23,376,602</u>	<u>21,088,460</u>
NET POSITION, END OF YEAR	<u>\$ 27,108,532</u>	<u>\$ 23,376,602</u>

The District's three primary sources of revenues are from charges for services, system development fees and taxes. These revenues are used to pay the cost of the general government and the cost of the water and waste water systems. The District operated with an increase in Net Position in both 2023 and 2022.

Budgetary Highlights

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note 2* of the financial statements. The budget to actual comparison is presented in the supplemental information on pages 14 to 16 of the financial statements.

Resources (Inflows)

The District's final budgetary revenues and other financing sources in the amount of \$3,470,407 were more than budget expectations of \$2,575,636 by \$894,771, or 34.7%. The positive variance is the result of increased water system, waste water system development fees and service charges along with increased investment income.

Charges to Appropriations (Outflows)

The District's final budgetary expenditures and other financing uses in the amount of \$1,862,134 were \$3,565,299 less than the appropriated balance of \$5,427,433. Significant savings occurred in budgeted water system, waste water system and administrative capital expenditures.

Capital Assets

During 2023, the District had additions of \$2,847,883 to its capital assets. The significant additions included developer constructed water and sewer lines and the BLM Tank Raising. Current year depreciation of \$684,981 was an increase of \$101,825 from the prior year, primarily related to incorporation of new water lines and tank. Total capital assets balance at December 31, 2023 was \$13,201,671. See Note 4.

Contacting the District's Financial Management

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

Mid Valley Metropolitan District Manager
0031 Duroux Lane, Suite A
Basalt, CO 81621
Tel: (970) 927-4077
Fax: (970) 927-1017
Email: customer@mvmmdco.org

BASIC FINANCIAL STATEMENTS

MID VALLEY METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2023

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,016,658	\$ 2,490,671
Investments - Short-term	10,520,574	9,939,819
Accounts Receivable - Service Charges	644,071	187,860
Accounts Receivable - Other	-	187
Property Taxes Receivable	49,729	47,111
Prepaid Insurance	48,874	45,854
Security Deposits	175	175
Lease Receivable - Office Sublease	-	11,769
Leased Asset - Office, Net of Accumulated Amortization	-	39,048
Total Current Assets	<u>14,280,081</u>	<u>12,762,494</u>
Capital Assets		
Capital Assets, Not Being Depreciated	578,071	578,071
Capital Assets, Net of Accumulated Depreciation	<u>12,623,600</u>	<u>10,460,698</u>
Total Capital Assets	<u>13,201,671</u>	<u>11,038,769</u>
TOTAL ASSETS	<u>27,481,752</u>	<u>23,801,263</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	45,664	34,223
Accrued Salaries, Wages and Related Liabilities	40,360	39,547
Inspection, Line Extension and Rental Deposits	220,232	233,221
Lease Payable - Office	-	40,184
Compensated Absences Payable - Current Portion	<u>17,235</u>	<u>18,606</u>
TOTAL LIABILITIES	<u>323,491</u>	<u>365,781</u>
DEFERRED INFLOWS OF RESOURCES		
Office Sublease	-	11,769
Deferred Property Taxes	<u>49,729</u>	<u>47,111</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>49,729</u>	<u>58,880</u>
NET POSITION		
Investment in Capital Assets	13,201,671	11,038,769
Restricted for Emergency Reserve	64,600	54,900
Restricted for Conservation Trust Fund	56,882	54,276
Unrestricted	<u>13,785,379</u>	<u>12,228,657</u>
TOTAL NET POSITION	<u>\$ 27,108,532</u>	<u>\$ 23,376,602</u>

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

MID VALLEY METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

Year Ended December 31, 2023

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Charges for Services		
Water System	\$ 694,802	\$ 700,744
Waste Water System	1,023,863	1,014,298
Miscellaneous	11,440	13,077
	<u>1,730,105</u>	<u>1,728,119</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Water System	353,397	291,282
Waste Water System	276,745	254,525
Administration	836,381	700,332
Depreciation	684,981	583,156
	<u>2,151,504</u>	<u>1,829,295</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME (LOSS)	<u>(421,399)</u>	<u>(101,176)</u>
NON-OPERATING REVENUES (EXPENSES)		
Property Taxes	45,967	43,737
Specific Ownership Taxes	2,729	2,396
Conservation Trust Fund	20,997	19,248
Rental Income	11,340	8,921
Investment Income	608,255	142,385
	<u>689,288</u>	<u>216,687</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)		
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	267,889	115,511
CAPITAL CONTRIBUTIONS		
System Development Fees - Water	343,752	534,342
System Development Fees - Waste Water	707,262	1,050,425
Capital Contributions - Developer	2,413,027	587,864
	<u>3,464,041</u>	<u>2,172,631</u>
TOTAL CAPITAL CONTRIBUTIONS		
CHANGE IN NET POSITION	3,731,930	2,288,142
NET POSITION, Beginning	<u>23,376,602</u>	<u>21,088,460</u>
NET POSITION, Ending	<u>\$ 27,108,532</u>	<u>\$ 23,376,602</u>

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

MID VALLEY METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 1,249,153	\$ 1,676,382
Miscellaneous Receipts	11,440	13,077
Cash Payments to Employees	(477,000)	(401,607)
Cash Payments to Suppliers	(981,464)	(859,019)
Net Cash Provided (Used) by Operating Activities	(197,871)	428,833
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Property Taxes Received	45,967	43,737
Specific Ownership Taxes Received	3,228	2,356
Rental Income Received	11,340	8,921
Net Cash Provided by Non-Capital Financing Activities	60,535	55,014
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(434,856)	(687,892)
Lease Asset and Liability, Net Change	(1,332)	-
Cash Received from Conservation Trust Fund	20,997	19,248
System Development Fees Received	1,051,014	1,584,767
Net Cash Provided by Capital and Related Financing Activities	635,823	916,123
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	608,255	142,385
Increase in Cash and Cash Equivalents	1,106,742	1,542,355
CASH AND CASH EQUIVALENTS, Beginning	12,430,490	10,888,135
CASH AND CASH EQUIVALENTS, Ending	\$ 13,537,232	\$ 12,430,490
SUMMARY OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 3,016,658	\$ 2,490,671
Investments - Short-term	10,520,574	9,939,819
Total Cash and Cash Equivalents	\$ 13,537,232	\$ 12,430,490
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (421,399)	\$ (101,176)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Lease Amortization and Payments, Net	-	589
Lease Interest Expense	196	547
Depreciation	684,981	583,156
Changes in Assets and Liabilities		
Accounts Receivable - Service Charges	(456,523)	(17,038)
Prepaid Insurance	(3,020)	(11,141)
Accounts Payable	11,441	(31,912)
Accrued Salaries and Benefits	813	21,809
Inspection and Line Extension Deposits	(12,989)	(21,622)
Compensated Absences Payable	(1,371)	5,621
Net Cash Provided (Used) by Operating Activities	\$ (197,871)	\$ 428,833
NON-CASH CAPITAL ACTIVITIES		
Contributed Water & Sewer Lines - Developer	\$ 2,413,027	\$ 587,864

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

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mid Valley Metropolitan District (the "District"), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in eastern Garfield and western Eagle Counties including portions of western Basalt, Colorado. The District was established to provide water and waste water services to the District residents. The District is governed by an elected five-member Board of Directors.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of the criteria, the District does not include additional organizations in its reporting entity.

Fund Accounting

The District uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses a proprietary fund-type, an enterprise fund, to account for its activities of providing water and waste water collection, transmission and treatment services to District residents. The enterprise fund uses the economic resources measurement focus and the accrual basis of accounting for reporting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The fund distinguishes operating revenues and expenses from non-operating revenues and expenses, and capital contributions. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

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

Assets, Liabilities and Net Position

Cash Equivalents and Investments - Cash equivalents include cash deposits and highly liquid investments with original maturities of three months or less when purchased. Investments are reported at fair value.

Accounts Receivables - All receivables are reported at their gross value. An allowance for uncollectible accounts is not reported because the uncollectible amounts were determined to be immaterial by management.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets - Capital assets, which include land, rights of way, water rights, sewer transmission system, treatment plant, buildings and equipment are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the District as assets with an initial estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. All infrastructure assets owned by the District, which include sewer collection and transmission systems, have been capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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

Buildings, Collection and Transmission Systems and Treatment Plants	5 - 40 years
Vehicles	10 years
Furniture and Equipment	5 - 10 years

Compensated Absences - Employees of the District are allowed to accumulate unused vacation time and sick leave. Employees will be paid for all accrued vacation time up to a maximum limit upon separation of employment subject to restrictions set forth in the District's policy manual. These compensated absences are recognized as current salary costs when earned. Management has determined that the accrued compensated absences balances are due within one year. A current liability is reported in the financial statements for the accrued compensated absences.

Deferred Inflows of Resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has an item related to property taxes that is reported as deferred inflows of resources at December 31, 2023.

Net Position - Net position results from the accumulation of net earnings from operating income, non-operating revenues and expenses, and capital contributions and are classified in the financial statements as follows:

- Investment in Capital Assets - The investment in capital assets consists of capital assets, net of accumulated depreciation.
- Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This classification includes the residual net position that does not meet the classification of "net investment in capital assets" or "restricted."

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes attach as an enforceable lien on property on January 1 and are levied the following January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis. Since property taxes are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are reported at December 31.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2023 through May 15, 2024, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- The budget is legally adopted by the District. The budget is adopted on a non-GAAP budgetary basis. Capital outlay and long-term debt principal payments are budgeted as expenditures, and depreciation, and amortization of debt issue costs are not budgeted.
- In September, management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1.
- The operating budget includes proposed expenditures and the means of financing them.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any revisions that alter the total expenditures of the fund must be approved by the Board of Directors.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2023, follows:

Petty Cash	\$	150
Cash Deposits		3,016,508
Investments		<u>10,520,574</u>
Total	\$	<u>13,537,232</u>

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

Cash and Cash Equivalents	\$	3,016,658
Investments – Short-term		<u>10,520,574</u>
Total	\$	<u>13,537,232</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2023, the District had bank deposits totaling \$3,152,350 of which \$2,902,350, were collateralized with securities held by the financial institutions' agents but not in their name.

Investments

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments. The District generally limits its concentration of investments to Local Government Investment Pools, obligation of the United States and certain U.S. government agency securities, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service reserve or sinking fund requirements.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following.

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

At December 31, 2023, the District had the following investment:

	<u>Maturity</u>	<u>2023</u>
Colorado Liquid Asset Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 10,939,819</u>

The District invested in the Colorado Government Liquid Asset Trust (COLOTRUST) (the “Trust”), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers share in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as the safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard and Poor’s. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023, is summarized below:

	Balances 12/31/2022	Additions	Deletions	Balances 12/31/2023
Capital Assets, not being depreciated				
Land	\$ 303,487	\$ -	\$ -	\$ 303,487
Water Rights	274,584	-	-	274,584
Total Capital Assets, not being depreciated	<u>578,071</u>	<u>-</u>	<u>-</u>	<u>578,071</u>
Capital Assets, being depreciated				
Water Treatment Plant	8,022,396	1,330,998	-	9,353,394
Waste Water Treatment Plant	12,402,714	1,516,885	-	13,919,599
Water Augmentation	166,683	-	-	166,683
Irrigation System	124,458	-	-	124,458
Vehicles	583,314	-	-	583,314
Furniture and Equipment	152,449	-	-	152,449
Total Capital Assets, being depreciated	<u>21,452,014</u>	<u>2,847,883</u>	<u>-</u>	<u>24,299,897</u>
Less accumulated depreciation				
Water Treatment Plant	(4,025,412)	(252,341)	-	(4,277,753)
Waste Water Treatment Plant	(6,246,226)	(380,922)	-	(6,627,148)
Water Augmentation	(113,617)	(7,600)	-	(121,217)
Irrigation System	(124,458)	-	-	(124,458)
Vehicles	(384,548)	(39,127)	-	(423,675)
Furniture and Equipment	(97,055)	(4,991)	-	(102,046)
Total accumulated depreciation	<u>(10,991,316)</u>	<u>(684,981)</u>	<u>-</u>	<u>(11,676,297)</u>
Total Capital Assets, being depreciated, net	<u>10,460,698</u>	<u>2,162,902</u>	<u>-</u>	<u>12,623,600</u>
Total Capital Assets, net	<u>\$ 11,038,769</u>	<u>\$ 2,162,902</u>	<u>\$ -</u>	<u>\$ 13,201,671</u>

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

Water System	\$ 252,341
Waste Water System	380,922
Administration	<u>51,718</u>
Total	<u>\$ 684,981</u>

NOTE 5: RETIREMENT COMMITMENTS

Defined Contribution Pension Plan

The District has a 403(b) single employer defined contribution pension plan available to its employees. The Plan is administered by Primerica Shareholder Services. Beginning January 1, 2023, the District will match employees contributions up to 4% of employees compensation to the Plan. Employees become 100% vested in the District's contributions and earnings immediately. For the year ended December 31, 2023, employee contributions were \$38,577 and the District recognized pension expense of \$13,647.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 6: RISK MANAGEMENT

Public Entity Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The District plans to provide for or restore the economic damages of those losses through risk transfer. The District participates in the Colorado Special Districts Property and Liability Pool and Workmen's Compensation Pool (the "Pool").

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

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs.

All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Change in Accounting Principle - Leases

For the year ended December 31, 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB 87 enhances the relevance and consistency of information for the government's leasing activities. For lessees, the accounting standard established requirements for lease accounting based on the principle that leases are financings of the right to use a leased asset. The standard also established requirements for lessors to recognize a lease receivable and deferred inflow of resources. These changes were incorporated in the District's financial statements for the year ended December 31, 2022.

The District leases office space for its administrative operations. The original lease, dated September 17, 2002, several extensions have been executed between 2013 through 2021. On November 30, 2021 the lease was extended for a two year period, January 1, 2022 through December 31, 2023. Monthly lease payments of \$3,205 (\$1,430 for Suite A and \$1,775 for Suite B) were due the 1st day of each month through December 31, 2022, with an increase to

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Change in Accounting Principle - Leases

\$3,365 (\$1,501 for Suite A and \$1,864 for Suite B) per month through December 31, 2023. The value of the leased asset, based on the present value of future lease payments, was \$78,097, with accumulated amortization of \$39,049 for the year ended December 31, 2022. The total lease liability, based on the future value of lease payments, was \$78,097 with a balance of \$40,184 at December 31, 2022. The interest rate was based on the PIMCO municipal rates at 0.9% per annum. On December 31, 2023, the District entered into the Second Amendment and Extension of Commercial and Industrial Lease Agreement for a period of one year, ending December 31, 2024 in the total amount of \$67,272. Therefore, the District did not report a leased asset and leased liability as of December 31, 2023, because it no longer meets the requirements of GASB 87 *Leases* accounting standard.

On September 1, 2022, the District sub-leased a portion of the additional office space. The lease term coincided with the master lease agreement, through December 31, 2023. The District received monthly lease payments of \$900 through 2022, with an increase to \$986, effective January 1, 2023. At September 1, 2022, the District reported a lease receivable and a deferred inflows of resources – office sublease of \$15,327, each. The District reported lease rental income and interest income of \$3,558 and \$42, respectively. At December 31, 2022, the District reported a lease receivable and deferred inflows of resources – office sublease of \$11,769, each. The District reported lease rental income of \$11,340 for the year ended December 31, 2023. On January 1, 2024, the District entered into the Amendment and Extension of Sublease Agreement for a period of one year, ending December 31, 2024 in the amount of \$17,970. Therefore, the District did not report a leased receivable and deferred inflows of resources – office sublease at December 31, 2023, because it no longer meets the requirements of GASB 87 *Leases* accounting standard.

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District has made certain interpretations of the Amendment’s language in order to determine compliance.

MID VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

The District's management believes a significant portion of its operations qualifies for the "enterprise" exclusion allowed by the Amendment. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending, as required by the Amendment. At December 31, 2023, the emergency reserve of \$64,600, was reported as a restriction of net position in the statement of net position.

SUPPLEMENTARY INFORMATION

MID VALLEY METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS

Year Ended December 31, 2023

(With Comparative Actual Totals for the Year Ended December 31, 2022)

	2023			2022
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
REVENUES				
Water System				
Water Service Charges	\$ 669,412	\$ 694,802	\$ 25,390	\$ 700,744
System Development Fees	242,424	343,752	101,328	534,342
Waste Water System				
Sewer Service Charges	948,337	1,023,863	75,526	1,014,298
System Development Fees	484,848	707,262	222,414	1,050,425
Taxes				
Property Taxes	47,211	45,967	(1,244)	43,737
Specific Ownership Taxes	2,120	2,729	609	2,396
Conservation Trust Fund	10,000	20,997	10,997	19,248
Investment Income	151,084	608,255	457,171	142,385
Rental Income	10,200	11,340	1,140	8,921
Miscellaneous	10,000	11,440	1,440	13,077
TOTAL REVENUES	2,575,636	3,470,407	894,771	3,529,573
EXPENDITURES				
Water System				
Source of Supply	38,500	20,245	18,255	43,161
Treatment	150,500	85,965	64,535	140,685
Transmission and Distribution	122,490	65,026	57,464	65,634
Non-capital expenditures	60,000	182,161	(122,161)	41,802
Capital Outlay	1,090,000	390,585	699,415	640,616
Contingency	60,000	-	60,000	-
Total Water System	1,521,490	743,982	777,508	931,898
Waste Water System				
Collection and Transmission	35,495	20,946	14,549	29,587
Treatment	156,150	171,085	(14,935)	155,857
Sludge	120,500	57,435	63,065	62,972
Non-capital expenditures	50,000	27,279	22,721	6,109
Capital Outlay	520,000	44,271	475,729	47,276
Contingency	50,000	-	50,000	-
Total Waste Water System	932,145	321,016	611,129	301,801

(Continued)

See the accompanying Independent Auditor's Report.

MID VALLEY METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS

Year Ended December 31, 2023

(With Comparative Actual Totals for the Year Ended December 31, 2022)

	2023			2022
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	ACTUAL
EXPENDITURES (Continued)				
Administration				
Salaries and Benefits	\$ 547,598	\$ 476,442	\$ 71,156	\$ 429,037
Advertising	5,000	705	4,295	4,518
Accounting and Auditing	27,950	20,179	7,771	17,514
Bank and Credit Card Fees	16,000	14,867	1,133	13,471
Communications	6,500	10,715	(4,215)	6,485
County Treasurers Fees	1,413	1,356	57	1,289
Directors Fees	7,500	5,400	2,100	5,400
Dues and Subscriptions	9,000	19,099	(10,099)	14,490
Engineering and Consulting	40,000	11,872	28,128	20,063
Health Insurance	54,500	31,160	23,340	27,445
Insurance and Bonds	38,177	45,342	(7,165)	30,645
Legal Fees	30,000	29,071	929	34,121
Miscellaneous	18,700	3,628	15,072	2,141
Office Expenses	13,500	15,982	(2,482)	10,439
Rent	38,460	5,574	32,886	-
Utilities	2,500	2,302	198	3,008
Vehicle Expenses	17,000	19,934	(2,934)	13,457
Non-capital expenditures	1,990,000	65,043	1,924,957	22,913
Conservation Trust Fund	10,000	18,465	(8,465)	-
Contingency	100,000	-	100,000	-
Total Administration	2,973,798	797,136	2,176,662	656,436
TOTAL EXPENDITURES	5,427,433	1,862,134	3,565,299	1,890,135
CHANGE IN NET POSITION, Budgetary Basis	\$ (2,851,797)	\$ 1,608,273	\$ 4,460,070	\$ 1,639,438

(Continued)

See the accompanying Independent Auditor's Report.

MID VALLEY METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE - (Non-GAAP BASIS)
WITH RECONCILIATION TO GAAP BASIS

Year Ended December 31, 2023

(With Comparative Actual Totals for the Year Ended December 31, 2022)

	2023		VARIANCE Positive (Negative)	2022
	ORIGINAL AND FINAL BUDGET	ACTUAL		ACTUAL
CHANGE IN NET POSITION, Budgetary Basis	<u>\$ (2,851,797)</u>	\$ 1,608,273	<u>\$ 4,460,070</u>	\$ 1,639,438
ADJUSTMENTS TO GAAP BASIS				
Capital Contributions - Developer		2,413,027		587,864
Capital Outlay				
Water System		390,585		640,616
Waste Water System		44,271		47,276
Bad Debts		-		(4,300)
Amortization - Office Lease		(39,049)		(39,049)
Interest Expense - Office Lease		(196)		(547)
Depreciation				
Water System		(252,341)		(191,530)
Waste Water System		(380,922)		(341,934)
Administration		(51,718)		(49,692)
CHANGE IN NET POSITION, GAAP Basis		3,731,930		2,288,142
NET POSITION, Beginning		<u>23,376,602</u>		<u>21,088,460</u>
NET POSITION, Ending		<u>\$ 27,108,532</u>		<u>\$ 23,376,602</u>

See the accompanying Independent Auditor's Report.