

Meadowbrook Water District

Basic Financial Statements
and
Supplemental Information

Years Ended December 31, 2023 and 2022

with

Independent Auditor's Report

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COLORADO CPA COMPANY

Independent Auditor's Report

Board of Directors
Meadowbrook Water District
Jefferson County, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities of the Meadowbrook Water District (the "District"), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Meadowbrook Water District as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years 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"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for the purpose 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Colorado CPA Company PC

Highlands Ranch, Colorado
September 18, 2024

Meadowbrook Water District

Statements of Net Position

December 31, 2023 and 2022

	2023	2022
Assets		
	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 189,219	\$ 460,279
Investments - unrestricted	3,906,573	3,788,084
Investments - restricted	914,460	914,460
Accounts receivable	114,339	102,155
Receivable - County Treasurer	818	776
Property taxes receivable	203,110	184,516
Accrued interest	8,556	10,141
Prepaid Expenses	12,738	10,585
Total current assets	<u>5,349,813</u>	<u>5,470,996</u>
Capital assets, net of accumulated depreciation	<u>4,599,464</u>	<u>3,784,937</u>
Total assets	<u>\$ 9,949,277</u>	<u>\$ 9,255,933</u>
Liabilities, Deferred Inflows of Resources and Net Position		
	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts and taxes payable	\$ 59,261	\$ 187,732
Payable, sewer - Meadowbrook Fairview Metro. Dist.	110,624	30,078
Payable, other - Meadowbrook Fairview Metro. Dist.	300,000	-
Retainage payable	-	11,475
Fire hydrant deposits	4,600	2,300
Current and total liabilities	<u>474,485</u>	<u>231,585</u>
Deferred inflows of resources:		
Deferred property taxes	<u>203,110</u>	<u>184,516</u>
Total deferred inflows of resources	203,110	184,516
Net position:		
Net investment in capital assets	4,599,464	3,784,937
Restricted for:		
Emergencies	24,460	24,460
Capital reserves	890,000	890,000
Unrestricted	<u>3,757,758</u>	<u>4,140,435</u>
Total net position	<u>9,271,682</u>	<u>8,839,832</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,949,277</u>	<u>\$ 9,255,933</u>

Note: the accompanying notes are an integral part of these financial statements.

Meadowbrook Water District
Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating revenues:		
Water revenue	\$ 1,175,151	\$ 1,351,219
Inspection	1,700	700
Meter sales	6,341	2,985
Miscellaneous	2,992	2,171
Recovery fees	12,750	3,810
Total operating revenue	1,198,934	1,360,885
Operating expenses:		
Accounting and audit	50,360	48,300
Bank charges	23,227	25,437
Contract maintenance	204,154	179,620
Depreciation	148,425	147,787
Dues and seminars	1,238	1,182
Engineering	37,659	38,241
Insurance	9,347	8,243
Legal	8,719	6,383
Management	54,065	50,291
Miscellaneous	150	1,453
Office expenses	17,917	24,318
Repair, maintenance and supplies	66,432	66,796
Utilities and meter	4,154	4,087
Water Costs	667,733	823,995
Total operating expenses	1,293,580	1,426,133
Net operating income (loss)	(94,646)	(65,248)
Non-operating revenues (expenses):		
Property taxes	184,564	180,730
Specific ownership taxes	13,204	12,052
Treasurer's fees	(2,771)	(2,715)
Tap fees	102,000	90,000
Investment income (loss)	229,499	(318,467)
Total non-operating revenues (expenses)	526,496	(38,400)
Excess/(deficiency) before special items	431,850	(103,648)
Special item - remeasurement of accumulated depreciation for change of accounting estimate	-	319,836
Change in net position	431,850	216,188
Net position, beginning of year	8,839,832	8,623,644
Net position, end of year	\$ 9,271,682	\$ 8,839,832

Note: the accompanying notes are an integral part of these financial statements.

Meadowbrook Water District
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Receipts from customers	\$ 1,189,050	\$ 1,357,911
Payments to suppliers	(1,206,708)	(1,363,874)
Net cash from operating activities	(17,658)	(5,963)
Cash flows from noncapital financing activities:		
Taxes - property and specific ownership	197,768	192,782
Treasurer's fees	(2,813)	(2,715)
Funds advanced from Meadowbrook Fairview Metro. Di	300,000	
Net cash from noncapital financing activities	494,955	190,067
Cash flows from capital financing activities:		
Investment in capital assets	(962,952)	(300,817)
Tap fees received	102,000	90,000
Net cash from capital financing activities	(860,952)	(210,817)
Cash flows from investing activities:		
Interest received	271,673	32,127
Net (purchase) maturity of investments	(159,078)	(31,878)
Net cash from investing activities	112,595	249
Net increase (decrease) in cash and cash equivalents	(271,060)	(26,464)
Cash and cash equivalents - beginning of year	460,279	486,743
Cash and cash equivalents - end of year	\$ 189,219	\$ 460,279
Reconciliation of operating income (loss) to net cash from operating activities:		
Income (loss) from operations	\$ (94,646)	\$ (65,248)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation expense	148,425	147,787
(Increase) decrease in assets:		
Accounts receivable	(12,184)	(1,274)
Prepaid expenses	(2,153)	(1,160)
Increase (decrease) in liabilities:		
Accounts payable	(59,400)	(84,368)
Deposits	2,300	(1,700)
Net cash from operating activities	\$ (17,658)	\$ (5,963)

Note: the accompanying notes are an integral part of these financial statements.

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 1 – Definition of Reporting Entity

The Meadowbrook Water District (the “District”), is a quasi-municipal corporation and political subdivision of the State of Colorado, organized and created in 1963. The purpose of the District is to provide water services to the residents of the District. The District is governed by an elected Board of Directors.

As required by accounting principles generally accepted in the United States of America (“GAAP”), these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the Governmental Accounting Standards Boards (“GASB”) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District has no employees and all operation and administrative functions are provided under contract.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Note 2 – Summary of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The more significant accounting policies of the District are described as follows:

Basis of Accounting

The District's records are maintained on an “economic resources” measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets. Inclusion fees and tap fees are recorded as contributed capital when received unless the fees result from agreements which are subject to liens on the property and have interest bearing receivables.

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Management Estimates

The preparation of these financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budget and Budgetary Accounting

Budgets are adopted on a non-GAAP basis for governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget assuming it meets the notification and publication requirements. The appropriation can only be modified upon completion of notification and publication requirements.

Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits, certain money market and savings accounts at financial institutions. Repurchase agreements, certificates of deposit, and certain money market and U.S. Treasury Notes, are classified as investments and are not reflected as cash in the statement of cash flows.

Contributed Capital

Tap fees are recorded as non-operating revenue.

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The District's financial instruments include cash, cash equivalents, investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments as of December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash, cash equivalents and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments are reported at net asset value. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Accounts Receivable

Water billings are considered past due if not paid within 45 days. The District posts a 48-hour notice of shut off directly at the site and will charge a turn off fee if not paid within the 48 hours. Additional charges may include turn-on fees as necessary.

Accounts Payable, Sewer – Meadowbrook Fairview Metropolitan District

Sewer charges are collected from customers on behalf of the Meadowbrook Fairview Metropolitan District and are then remitted to Meadowbrook Fairview Metropolitan District. As of December 31, 2023 and 2022, the District held sewer billings of \$110,624 and \$30,078, respectively.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available or are collected.

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include property and infrastructure assets (e.g. streets and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical costs or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair value on the date donated.

Depreciation of all exhaustible property, plant and equipment used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheet. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water distribution system	40 years
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Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports the following categories of net position:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

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

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Restricted Net Position

The restricted balance for Capital Improvements in the amount of \$890,000 is to be used exclusively for the construction of infrastructure assets and related costs. Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. A portion of Net Position have been reserved in compliance with this requirement.

Property Taxes

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set during October or November by certification to the County Commissioners to put the tax lien on the individual properties as of December of each year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April, or at the taxpayers' election, in equal installments in February and June. Delinquent taxpayers are notified in August and the sales of the resultant tax liens on delinquent properties are generally held in November. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Note 3 – Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments as of December 31, 2023 and 2022, are classified in the accompanying financial statements as follows:

Statement of net position:	2023	2022
Cash and cash equivalents	\$ 189,219	\$ 460,279
Investments - unrestricted	3,906,573	3,788,084
Investments - restricted	914,460	914,460
Total	<u>\$ 5,010,252</u>	<u>\$ 5,162,823</u>

Cash, cash equivalents and investments as of December 31, 2023 and 2022, consist of the following:

	2023	2022
Petty cash	\$ 800	\$ 800
Deposits with financial institutions	188,419	459,479
Investments	4,821,033	4,702,544
Total	<u>\$ 5,010,252</u>	<u>\$ 5,162,823</u>

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 3 – Cash, Cash Equivalents and Investments (continued)

Cash Deposits

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

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2023 and 2022, the District’s total cash deposits had a bank balance of \$282,403 and \$544,179, respectively; and a carrying balance of \$189,219 and \$460,279, respectively, held with one institution insuring up to \$250,000. The District had \$32,403 and \$210,279 collateralized under PDPA as of December 31, 2023 and 2022, respectively.

Custodial Credit Risks – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. None of the District’s bank balance was exposed to custodial credit risk as of December 31, 2023 and 2022.

Investments

Investment Policies

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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 or sinking fund requirements. Colorado State statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 3 – Cash, Cash Equivalents and Investments (continued)

Investments (continued)

Investment Policies (continued)

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

Concentration Risk and Custodial Risk – Investments

The District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include money market funds, which record their investments at amortized cost.

Summary of Investments

As of December 31, 2023 and 2022, the District had the following investments:

Investments	Maturity	2023	2022
Colorado Liquid Asset Trust ("COLOTRUST"):			
COLOTRUST PLUS+	Less than 60 days	\$ 124	\$ 107,641
COLOTRUST Edge	Less than 95 days	639,861	606,919
Federal Home Loan Bank Notes	Between two and six years	3,516,137	3,374,272
U.S. Treasury Note	Less than two years	-	570,489
Wells Fargo Government Money Market	Less than one year	664,911	43,223
Total investments		<u>\$ 4,821,033</u>	<u>\$ 4,702,544</u>

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST offers shares in three portfolios: COLOTRUST Prime, COLOTRUST PLUS+, and COLOTRUST Edge.

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 3 – Cash, Cash Equivalents and Investments (continued)

Investments (continued)

COLOTRUST (continued)

COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments.

COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. It is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. Purchases and redemptions are available daily at a net asset value of \$1.00. There are no unfunded commitments and there is no redemption notice period.

COLOTRUST Edge may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. It is rated AAAs/S1 by FitchRatings with a weighted average maturity of 93 days. Purchases and redemptions are available daily at a net asset value of approximately \$10.00. There are no unfunded commitments and the redemption notice period is one business day.

Money Market Fund

Money that was included in the trust accounts at Wells Fargo Bank was invested in the SEI Daily Income Treasury Portfolio. These portfolios are money market funds with each share equal in value to \$1.00. The funds are AAA rated and invest exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 90 days or less.

Federal Home Loan Banks ("FHLB")

FHLB is a government-sponsored enterprise ("GSE") that provides stable, low-cost funding to U.S. financial institutions for home mortgage, small business, rural, and economic development lending. FHLB is the largest collective source of home mortgage and community credit in the U.S. There are twelve banks in the FHLB system, and the FHLB provide loans only to other banks. FHLB is rated AAA by Moody's and AA+ by Standard & Poor's.

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 3 – Cash, Cash Equivalents and Investments (continued)

Investments (continued)

U.S. Treasury Note

During 2021, the District invested in a U.S. Treasury Note (“T-Note”) with a coupon rate of 1.625% paying interest semi-annually. The T-Note matures in 2023. Obligations of the U.S. government are not considered to have credit risk.

Restricted Cash and Investments

As of December 31, 2023 and 2022, portions of cash and investments were restricted for capital projects and emergency reserves.

Note 4 – Capital Assets

Change of Accounting Estimate

During the year ended December 31, 2022, the District changed the useful life estimation of its plant and water mains assets. The change is being applied prospectively, beginning January 1, 2022. The effect of this change in the current period is a decrease in accumulated depreciation and a corresponding increase in net position for business-type activities.

Following is an analysis of the District’s changes in capital assets for the year ended December 31, 2022:

<u>Business type activities</u>	Balances 1/1/2022	Additions	Deletions	Remeasurement	Balances 12/31/2022
Capital assets not being depreciated:					
Land	\$ 3,416	\$ -	\$ -	\$ -	\$ 3,416
Construction in process	744,016	312,292	(721,164)	-	335,144
Total capital assets not being depreciated	747,432	312,292	(721,164)	-	338,560
Capital assets being depreciated:					
Plant, Mains, Equipment and Easements	5,205,431	721,164	-	-	5,926,595
Study, Water Projects	133,458	-	-	-	133,458
Total capital assets being depreciated	5,338,889	721,164	-	-	6,060,053
Accumulated depreciation	(2,785,725)	(147,787)	-	319,836	(2,613,676)
Capital assets being depreciated, net	\$ 2,553,164	\$ 573,377	\$ -	\$ 319,836	\$ 3,446,377
Business type assets, net	<u>\$ 3,300,596</u>	<u>\$ 885,669</u>	<u>\$ (721,164)</u>	<u>\$ 319,836</u>	<u>\$ 3,784,937</u>

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 4 – Capital Assets (continued)

Following is an analysis of the District’s changes in capital assets for the year ended December 31, 2023:

<u>Business type activities</u>	<u>Balances 1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 12/31/2023</u>
Capital assets not being depreciated:				
Land	\$ 3,416	\$ -	\$ -	\$ 3,416
Construction in process	335,144	962,952	(1,298,096)	-
Total capital assets not being depreciated	338,560	962,952	(1,298,096)	3,416
Capital assets being depreciated:				
Plant, Mains, Equipment and Easements	5,926,595	1,298,096	-	7,224,691
Study, Water Projects	133,458	-	-	133,458
Total capital assets being depreciated	6,060,053	1,298,096	-	7,358,149
Accumulated depreciation	(2,613,676)	(148,425)	-	(2,762,101)
Capital assets being depreciated, net	\$ 3,446,377	\$ 1,149,671	\$ -	\$ 4,596,048
Business type assets, net	<u>\$ 3,784,937</u>	<u>\$ 2,112,623</u>	<u>\$ (1,298,096)</u>	<u>\$ 4,599,464</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$148,425 and \$147,787, respectively.

Note 5 – Risk Management

The District is exposed to various risks of loss related to thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (the “Pool”) as of December 31, 2023 and 2022. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 6 – Tax, Spending and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer’s Bill of Rights (“TABOR”), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses 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 provision of TABOR.

The District, in accordance with C.R.S. 37-45.1-101 et. Seq., has adopted a policy to treat its operations as an enterprise fund. Because of this, the District does not feel it is subject to many of the requirements of the TABOR amendment.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Meadowbrook Water District
Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

Note 7 – Reconciliation of Revenues and Expenditures – GAAP Basis to Budgetary Basis

The District prepares its budget on an annual basis. The budget is legally enacted through passage of a resolution. The budgetary comparison in this report is on a non-GAAP budgetary basis. The following reconciliation is presented to reconcile to the GAAP basis financial statements for the years ended December 31, 2023 and 2022:

	2023	2022
Revenues:		
Operating revenues	\$ 1,198,934	\$ 1,360,885
Non-operating revenues/loss	529,267	(35,685)
Total revenues - GAAP basis and budgetary basis	\$ 1,728,201	\$ 1,325,200
Expenditures:		
Operating expenses	\$ 1,293,580	\$ 1,426,133
Non-operating expenses	2,771	2,715
Total expenditures - GAAP basis	1,296,351	1,428,848
Add (Less)		
Capital improvements	962,952	312,292
Depreciation	(148,425)	(147,787)
Total expenditures - budgetary basis	\$ 2,110,878	\$ 1,593,353

Note 8 – Commitments and Contingencies

Metropolitan Denver Water Authority

In 1985 the District joined the Metropolitan Denver Water Authority (the “Authority”), which was formed to enable the individual participants in the Platte and Colorado River Storage Projects Participation and Metropolitan Water Development Agreements to act together as a legal entity and accomplish mutual goals at the least possible cost. The District’s primary developer initially agreed to pay all costs of the District’s participation in the Authority. During 1990, the primary developer defaulted on the agreement and the District assumed responsibility for future cost which the Board determined would benefit the taxpayers in the District as a whole.

During 1990, the District entered into a Project Agreement organized by the Authority to pursue a lawsuit against the Denver Water Department. The suit seeks to force Denver to refund overcharges from previous years. The District is capitalizing costs incurred under this Agreement.

Funds Advanced from Meadowbrook Fairview Metropolitan District

During 2023, Meadowbrook Fairview Metropolitan District advanced funds of \$300,000 to the District for the purpose of short-term operational cash flows. In addition, as of December 31, 2023, the District was holding \$110,624 of sewer billings that were owed to Meadowbrook Fairview Metropolitan District. The full amount owed was repaid subsequent to year-end in the amount of \$410,624.

Supplemental Information

Meadowbrook Water District

Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual For the Year Ended December 31, 2023

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Water revenue	\$ 1,435,345	\$ 1,175,151	\$ (260,194)
Inspection	1,700	1,700	-
Meter sales	5,534	6,341	807
Miscellaneous	1,850	2,992	1,142
Recovery fees	12,750	12,750	-
Property taxes	184,517	184,564	47
Specific ownership taxes	12,000	13,204	1,204
Tap fees	102,000	102,000	-
Investment income (loss)	59,385	229,499	170,114
Total revenues	<u>1,815,081</u>	<u>1,728,201</u>	<u>(86,880)</u>
Expenditures:			
Accounting and audit	50,100	50,360	(260)
Bank charges	33,300	23,227	10,073
Contract maintenance	252,222	204,154	48,068
Directors' fees and expenses	7,536	-	7,536
Dues and seminars	2,770	1,238	1,532
Election	5,000	-	5,000
Engineering	50,000	37,659	12,341
Insurance	9,900	9,347	553
Legal	36,500	8,719	27,781
Management	54,065	54,065	-
Miscellaneous	2,500	150	2,350
Office expenses	30,750	17,917	12,833
Repair, maintenance and supplies	140,750	66,432	74,318
Treasurer's fees	2,862	2,771	91
Utilities and meter	4,555	4,154	401
Water costs	779,383	667,733	111,650
Capital purchases	850,000	962,952	(112,952)
Total expenditures	<u>2,312,193</u>	<u>2,110,878</u>	<u>201,315</u>
Excess of revenues over (under) expenditures	<u>\$ (497,112)</u>	<u>(382,677)</u>	<u>\$ 114,435</u>
Beginning funds available		<u>5,054,895</u>	
Ending funds available		<u>\$ 4,672,218</u>	
Funds available are defined as follows:			
Current assets		5,349,813	
Less current liabilities and deferred inflows of resources		(677,595)	
Funds available		<u>\$ 4,672,218</u>	

Note: the accompanying notes are an integral part of these financial statements.

Meadowbrook Water District

Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual
For the Year Ended December 31, 2022

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Water revenue	\$ 1,290,798	\$ 1,351,219	\$ 60,421
Inspection	2,800	700	(2,100)
Meter sales	9,114	2,985	(6,129)
Miscellaneous	1,150	2,171	1,021
Recovery fees	21,000	3,810	(17,190)
Property taxes	175,567	180,730	5,163
Specific ownership taxes	12,000	12,052	52
Tap fees	168,000	90,000	(78,000)
Investment income (loss)	23,975	(318,467)	(342,442)
Total revenues	1,704,404	1,325,200	(379,204)
Expenditures:			
Accounting and audit	49,500	48,300	1,200
Bank charges	28,275	25,437	2,838
Contract maintenance	234,618	179,620	54,998
Directors' fees and expenses	7,536	-	7,536
Dues and seminars	2,620	1,182	1,438
Election	5,000	-	5,000
Engineering	48,000	38,241	9,759
Insurance	9,441	8,243	1,198
Legal	36,120	6,383	29,737
Management	50,289	50,291	(2)
Miscellaneous	2,500	1,453	1,047
Office expenses	29,845	24,318	5,527
Repair, maintenance and supplies	130,600	66,796	63,804
Treasurer's fees	2,808	2,715	93
Utilities and meter	4,315	4,087	228
Water costs	809,784	823,995	(14,211)
Capital purchases	244,500	312,292	(67,792)
Total expenditures	1,695,751	1,593,353	102,398
Excess of revenues over (under) expenditures	\$ 8,653	(268,153)	\$ (276,806)
Beginning funds available		5,323,048	
Ending funds available		\$ 5,054,895	
Funds available are defined as follows:			
Current assets		5,470,996	
Less current liabilities and deferred inflows of resources		(416,101)	
Funds available		\$ 5,054,895	

Note: the accompanying notes are an integral part of these financial statements.