

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended
December 31, 2023**

Mt. Crested Butte Water & Sanitation District

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MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

2023 Management's Discussion and Analysis

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

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

DESCRIPTION OF FINANCIAL STATEMENTS

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

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

Basic Financial Statements

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

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

HIGHLIGHTS

- The value of assets decreased from \$48,746,881 in 2022 to \$47,701,848 at the end of December 2023. The main reason for the decrease was due to the depreciation of assets retained by the District. The liabilities decreased from, \$22,315,797 as of the year ended 2022 to \$20,707,585 as of the year ended 2023. The decrease is primarily due to the

paydown of the CWRPDA loan principal of \$1,034,395.

- The State of Colorado Legislature delayed the approval of the mill levy approval from December of 2023 to January of 2024. Due to the delay, the approval of the mill levy and property taxes by the District Board for the receivable for 2024 was approved in January of 2024 and the appropriate entries for property tax receivables and deferred property taxes have not been stated in the 2023 audit. The approval of the property taxes in January of 2024 was in the amount of \$1,149,514.

STATEMENTS OF NET POSITION

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
ASSETS						
Current and Other Assets	\$ 46,820	\$ 1,301,155	\$ 8,340,174	\$ 8,109,957	\$ 8,386,994	\$ 9,411,112
Capital Assets	-	-	38,165,342	39,335,569	38,165,342	39,335,569
Total Assets	46,820	1,301,155	46,505,516	47,445,526	46,552,336	48,746,681
LIABILITIES						
Current Liabilities	46,820	127,557	202,912	826,778	249,732	954,335
Noncurrent Liabilities	34,481	28,203	20,504,673	21,489,019	20,539,154	21,517,222
Total Liabilities	81,301	155,760	20,707,585	22,315,797	20,788,886	22,471,557
DEFERRED INFLOWS	-	1,173,598	-	-	-	1,173,598
NET POSITION						
Net Investment in Capital Assets	-	-	17,705,047	18,520,803	17,705,047	18,520,803
Restricted	24,000	23,000	597,158	611,567	621,158	634,567
Unrestricted	(58,481)	(51,203)	7,495,726	5,997,359	7,437,245	5,946,156
Total Net Position	\$ (34,481)	\$ (28,203)	\$ 25,797,931	\$ 25,129,729	\$ 25,763,450	\$ 25,101,526

STATEMENT OF ACTIVITIES

The table below shows the change in Net Position for the two activities and the totals for the fiscal years of 2023 and 2022.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
PROGRAM REVENUES						
Operating Revenues	\$ -	\$ -	\$4,564,143	\$4,874,153	\$4,564,143	\$4,874,153
Operating Expenses	(793,488)	(741,206)	(4,646,549)	(4,420,273)	(5,440,037)	(5,161,479)
Operating Income	(793,488)	(741,206)	(82,406)	453,880	(875,894)	(287,326)
Other Income (Expense)	787,210	737,346	750,608	392,697	1,537,818	1,130,043
Contributed Capital		-				
Change in Net Position	(6,278)	(3,860)	668,202	846,577	661,924	842,717
Net Position - Beginning	(28,203)	(24,343)	25,129,729	24,283,152	25,101,526	24,258,809
Net Position - Ending	(34,481)	(28,203)	25,797,931	25,129,729	25,763,450	25,101,526

CAPITAL ASSETS

The table below presents the changes in capital assets for the year 2023.

	<u>Balance</u> <u>1/1/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/23</u>
Business - Type Activities:				
Assets not being depreciated				
Land	\$ 32,248	\$ -	\$ -	\$ 32,248
Water Rights	212,405	-	-	212,405
Construction in Progress	<u>237,303</u>	-	-	<u>237,303</u>
Total assets not being depreciated	<u>481,956</u>	-	-	<u>481,956</u>
Assets being depreciated				
Buildings and Improvements	1,600,377	-	-	1,600,377
Treatment plants	48,184,652	-	-	48,184,652
Collection and distribution systems	8,198,370	250,199	-	8,448,569
Equipment	<u>1,387,870</u>	<u>121,762</u>	-	<u>1,509,632</u>
Total assets being depreciated	<u>59,371,269</u>	<u>371,961</u>	-	<u>59,743,230</u>
Less: Accumulated depreciation				
Buildings and Improvements	(351,338)	(42,228)	-	(393,566)
Treatment plants	(15,103,193)	(1,218,166)	-	(16,321,359)
Collection and distribution systems	(4,174,178)	(203,973)	-	(4,378,151)
Equipment	<u>(888,946)</u>	<u>(77,823)</u>	-	<u>(966,769)</u>
Total accumulated depreciation	<u>(20,517,655)</u>	<u>(1,542,189)</u>	-	<u>(22,059,844)</u>
Net Capital Assets	\$ 39,335,570	\$ (1,170,228)	\$ -	\$ 38,165,342

DEBT OUTSTANDING

The District in May of 2020 entered into a loan agreement for the construction of a new water treatment plant. The project was completed by December 31, 2022. Principal payments were made during 2023 to

reduce the balance of the note with CWRPDA. See Note 4, Long-Term Obligations, in the footnotes to the financial statements.

	<u>Balance 1/1/23</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance 12/31/23</u>	<u>Due Within One Year</u>	<u>Interest Expense</u>	<u>Accrued Interest</u>
<u>Governmental Activities:</u>							
Compensated Absences	\$ 28,203	\$ 6,278	\$ -	\$ 34,481	\$ -	\$ -	\$ -
<u>Business-type Activities:</u>							
2020 CWRPDA Note Payable	21,445,481	-	1,034,395	20,411,086	1,056,275	328,467	66,570
2020 CWRPDA Cont. Note Pay	-	49,209	-	49,209	-	-	-
Compensated Absences	43,538	841	-	44,379	-	-	-
Total Obligations	<u>\$ 21,517,222</u>	<u>\$ 56,328</u>	<u>\$ 1,034,395</u>	<u>\$ 20,539,155</u>	<u>\$ 1,056,275</u>	<u>\$ 328,467</u>	<u>\$ 66,570</u>

ECONOMIC AND OTHER FACTORS

The financial results for 2023 exceeded expectations of the District as capital projects for the year did not come into fruition.

New building starts in 2023 were strong for the year. There were several potential housing developments in the preliminary building phases brought to the District in 2023. The District is working through the potential acceptance of the projects with the developers. The current water and wastewater systems do not have the capacity to add these potential developments. The main sewer line will need to be replaced in order to accept any new developments.

Property tax valuations increased by double digits in 2023. Costs incurred by the District increased as well, especially with employee wages and benefits. The District continues to have concerns with rising wages and benefits and housing for employees.

Providing the best possible customer service is a major goal of the District to the customers and users of the water and wastewater services. We appreciate your business.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Kent Fulton, Finance Manager
Mt. Crested Butte Water & Sanitation District
100 Gothic Road/PO Box 5740
Mt. Crested Butte, CO 81225
Tel: 970-349-7575
www.mcbwsd.com

FINANCIAL SECTION

Mayberry & Company, LLC

Certified Public Accountants

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

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

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of Mt. Crested Butte Water & Sanitation District, as of and for the year ended December 31, 2023, and the related notes to the financial statements which collectively comprise Mt. Crested Butte Water & Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, and each major fund of the Mt. Crested Butte Water & Sanitation District as of December 31, 2023, and the respective changes in financial position and, where applicable, and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the Mt. Crested Butte Water & Sanitation District's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 5, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mt. Crested Butte Water & Sanitation District's basic financial statements. The combining nonmajor and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mayberry + Company, LLC

Englewood, Colorado
March 15, 2024

Basic Financial Statements

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MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION
DECEMBER 31, 2023

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash and Investments	\$ 40,909	\$ 7,368,592	\$ 7,409,501
Restricted Cash and Investments	-	597,158	597,158
Receivables			
Utility Receivable	-	363,488	363,488
Cash with Fiscal Agent	5,911	-	5,911
Prepaid Expenses	-	10,936	10,936
Total Current Assets	<u>46,820</u>	<u>8,340,174</u>	<u>8,386,994</u>
Noncurrent Assets			
Capital Assets not being Depreciated	-	481,956	481,956
Capital Assets being Depreciated	-	59,743,230	59,743,230
Accumulated Depreciation	-	(22,059,844)	(22,059,844)
Total Noncurrent Assets	<u>-</u>	<u>38,165,342</u>	<u>38,165,342</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 46,820</u>	<u>\$ 46,505,516</u>	<u>\$ 46,552,336</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 14,235	\$ 97,864	\$ 112,099
Accrued Liabilities	2,154	-	2,154
Accrued Salaries and Benefits	18,469	38,478	56,947
Deposits and Escrow	11,962	-	11,962
Accrued Interest Payable	-	66,570	66,570
Total Current Liabilities	<u>46,820</u>	<u>202,912</u>	<u>249,732</u>
Noncurrent Liabilities			
Due within one year	-	1,056,275	1,056,275
Due in more than one year	34,481	19,448,398	19,482,879
Total Noncurrent Liabilities	<u>34,481</u>	<u>20,504,673</u>	<u>20,539,154</u>
TOTAL LIABILITIES	<u>81,301</u>	<u>20,707,585</u>	<u>20,788,886</u>
NET POSITION			
Net Investment in Capital Assets	-	17,705,047	17,705,047
Restricted Net Position	24,000	597,158	621,158
Unrestricted Net Position	(58,481)	7,495,726	7,437,245
TOTAL NET POSITION	<u>(34,481)</u>	<u>25,797,931</u>	<u>25,763,450</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 46,820</u>	<u>\$ 46,505,516</u>	<u>\$ 46,552,336</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>PROGRAM REVENUES</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS</u>
FUNCTIONS/PROGRAMS			
Government Activities			
Current:			
General Government	\$ 793,488	\$ -	\$ -
Business-type Activities			
Current:			
Water	2,506,122	2,057,494	335,899
Sanitation	<u>2,140,427</u>	<u>1,542,121</u>	<u>628,629</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4,646,549</u>	<u>3,599,615</u>	<u>964,528</u>
TOTAL GOVERNMENT	<u>\$ 5,440,037</u>	<u>\$ 3,599,615</u>	<u>\$ 964,528</u>
GENERAL REVENUES			
Property Taxes			
Specific Ownership Taxes			
Other Taxes			
Interest Income			
Other Revenue			
Other Revenues			
TRANSFERS			
TOTAL GENERAL REVENUES AND TRANSFERS			
CHANGE IN NET POSITION			
NET POSITION - Beginning			
NET POSITION - Ending			

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

**NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION**

GOVERNMENT ACTIVITIES	BUSINESS - TYPE ACTIVITES	TOTAL
\$ (793,488)	\$ -	\$ (793,488)
-	(112,729)	(112,729)
-	30,323	30,323
-	(82,406)	(82,406)
(793,488)	(82,406)	(875,894)
1,172,342	-	1,172,342
73,263	-	73,263
3,308	-	3,308
75,336	184,185	259,521
-	29,115	29,115
269	-	269
(537,308)	537,308	-
787,210	750,608	1,537,818
(6,278)	668,202	661,924
(28,203)	25,129,729	25,101,526
\$ (34,481)	\$ 25,797,931	\$ 25,763,450

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

With Comparative Totals for December 31, 2022

	General	Total	
	Fund	2023	2022
ASSETS AND DEFERRED OUTFLOWS			
ASSETS			
Current Assets			
Cash and Investments			
Cash and Investments	\$ 40,909	\$ 40,909	\$ 121,998
Receivables			
Property Tax Receivable	-	-	1,173,598
Cash with Fiscal Agent	5,911	5,911	5,559
	<u>46,820</u>	<u>46,820</u>	<u>\$ 1,301,155</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS			
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ 14,235	\$ 14,235	\$ 104,998
Accrued Liabilities	2,154	2,154	2,125
Accrued Salaries and Benefits	18,469	18,469	18,016
Deposits and Escrow	11,962	11,962	2,418
Total Current Liabilities	<u>46,820</u>	<u>46,820</u>	<u>127,557</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES			
Deferred Property Taxes	-	-	1,173,598
FUND BALANCE			
Restricted Fund Balance	24,000	24,000	23,000
Unassigned Fund Balance	<u>(24,000)</u>	<u>(24,000)</u>	<u>(23,000)</u>
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 46,820</u>	<u>\$ 46,820</u>	<u>\$ 1,301,155</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO GOVERNMENTAL ACTIVITIES NET POSITION**
DECEMBER 31, 2023

Fund Balance - Governmental Funds	\$ -
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.	
Accrued compensated absences	<u>(34,481)</u>
Total Net Position - Governmental Activities	<u>\$ (34,481)</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	General	TOTAL	
	Fund	2023	2022
REVENUES			
Taxes	\$ 1,248,913	\$ 1,248,913	\$ 1,108,042
Investment Earnings	75,336	75,336	25,340
Other Revenues	269	269	-
TOTAL REVENUES	1,324,518	1,324,518	1,133,382
EXPENDITURES			
Current:			
General Government	787,210	787,210	737,346
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	537,308	537,308	396,036
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(537,308)	(537,308)	(396,036)
NET CHANGE IN FUND BALANCE - GAAP BASIS	-	-	-
FUND BALANCE, BEGINNING	-	-	-
FUND BALANCE, ENDING	\$ -	\$ -	\$ -

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS CHANGE IN FUND BALANCE
TO GOVERNMENTAL ACTIVITIES CHANGE IN NET POSITION**
FOR THE YEAR ENDED DECEMBER 31, 2023

Change in Fund Balance - Governmental Funds	\$ -
 Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long- term debt issuances are reported as revenues in the funds and increase liabilities at the activity level	
Change in accrued compensated absences	____ (6,278)
 Change in Net Position - Governmental Activities	 <u>\$ (6,278)</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	<u>Business-type Activities</u>			
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	
	<u>Fund</u>	<u>Fund</u>	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Current Assets				
Cash and Investments				
Cash and Investments	\$ 5,044,502	\$ 2,324,090	\$ 7,368,592	\$ 6,538,322
Restricted Cash and Investments	597,158	-	597,158	611,567
Receivables				
Utility Receivable	198,875	164,613	363,488	329,353
Cash with Fiscal Agent	-	-	-	630,715
Prepaid Expenses	5,468	5,468	10,936	-
Total Current Assets	<u>5,846,003</u>	<u>2,494,171</u>	<u>8,340,174</u>	<u>8,109,957</u>
Noncurrent Assets				
Capital Assets not being depreciated	354,039	127,917	481,956	481,956
Capital Assets being depreciated	36,338,210	23,405,020	59,743,230	59,371,268
Accumulated Depreciation	(8,902,548)	(13,157,296)	(22,059,844)	(20,517,655)
Total Noncurrent Assets	<u>27,789,701</u>	<u>10,375,641</u>	<u>38,165,342</u>	<u>39,335,569</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 33,635,704</u>	<u>\$ 12,869,812</u>	<u>\$ 46,505,516</u>	<u>\$ 47,445,526</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 24,947	\$ 72,917	\$ 97,864	\$ 261,516
Accrued Salaries and Benefits	17,170	21,308	38,478	35,605
Retainage Payable	-	-	-	454,962
Accrued Interest Payable	66,570	-	66,570	74,695
Total Current Liabilities	<u>108,687</u>	<u>94,225</u>	<u>202,912</u>	<u>826,778</u>
Noncurrent Liabilities				
Due within one year	1,056,275	-	1,056,275	1,034,395
Due in more than one year	19,419,924	28,474	19,448,398	20,454,624
TOTAL LIABILITIES	<u>20,584,886</u>	<u>122,699</u>	<u>20,707,585</u>	<u>22,315,797</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES				
NET POSITION				
Net Investment in Capital Assets	7,329,406	10,375,641	17,705,047	18,520,803
Restricted Net Position	597,158	-	597,158	611,567
Unrestricted Net Position	5,124,254	2,371,472	7,495,726	5,997,359
TOTAL NET POSITION	<u>13,050,818</u>	<u>12,747,113</u>	<u>25,797,931</u>	<u>25,129,729</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 33,635,704</u>	<u>\$ 12,869,812</u>	<u>\$ 46,505,516</u>	<u>\$ 47,445,526</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	<u>Business-type Activities</u>		<u>Total</u>	
	<u>Water</u>	<u>Sanitation</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
Operating Revenues				
Utility Charges	\$ 2,057,494	\$ 1,542,121	\$ 3,599,615	\$ 3,323,736
Operating Expenses				
Personnel Services	497,934	700,907	1,198,841	1,137,683
Administrative/Office Expenses	7,965	10,856	18,821	40,114
Insurance	56,851	56,198	113,049	166,737
Operating Supplies	199,859	240,995	440,854	449,333
Professional Fees	159,856	32,191	192,047	199,680
Repairs and Maintenance	210,136	245,185	455,321	367,409
Travel and Training	1,464	9,036	10,500	10,802
Engineering	3,895	-	3,895	26,884
Telephone and Utilities	149,823	161,482	311,305	306,805
Other Operating Expenses	18,888	12,372	31,260	41,357
Depreciation Expense	870,984	671,205	1,542,189	1,325,210
Total Expenditures	<u>2,177,655</u>	<u>2,140,427</u>	<u>4,318,082</u>	<u>4,072,014</u>
Operating Income (Loss)	<u>(120,161)</u>	<u>(598,306)</u>	<u>(718,467)</u>	<u>(748,278)</u>
Other Income (Expense)				
Investment Earnings	126,517	57,668	184,185	(18,874)
Other Revenue	28,455	660	29,115	12,735
Interest Expense	(328,467)	-	(328,467)	(348,259)
Gain (Loss) on Disposal of Assets	-	-	-	2,800
Total Other Income (Expense)	<u>(173,495)</u>	<u>58,328</u>	<u>(115,167)</u>	<u>(351,598)</u>
Net Income (Loss) before Transfers	<u>(293,656)</u>	<u>(539,978)</u>	<u>(833,634)</u>	<u>(1,099,876)</u>
Transfers				
Transfers In/(Out)	<u>268,654</u>	<u>268,654</u>	<u>537,308</u>	<u>396,036</u>
Net Income (Loss)	<u>(25,002)</u>	<u>(271,324)</u>	<u>(296,326)</u>	<u>(703,840)</u>
Contributed Capital				
Plant Investment Fees	<u>335,899</u>	<u>628,629</u>	<u>964,528</u>	<u>1,550,417</u>
Change in Net Position	<u>310,897</u>	<u>357,305</u>	<u>668,202</u>	<u>846,577</u>
Net Position, Beginning	<u>12,739,921</u>	<u>12,389,808</u>	<u>25,129,729</u>	<u>24,283,152</u>
Net Position, Ending	<u>\$13,050,818</u>	<u>\$ 12,747,113</u>	<u>\$ 25,797,931</u>	<u>\$ 25,129,729</u>

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

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2023

With Comparative Totals for the Year Ended December 31, 2022

	<u>Business-type Activities</u>			
	Water	Sanitation	Total	
	Fund	Fund	2023	2022
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 2,037,074	\$ 1,528,406	\$ 3,565,480	\$ 3,335,014
Cash Paid to Suppliers	(1,006,063)	(745,577)	(1,751,640)	(2,172,521)
Cash Paid to and for the Benefit of Employees	(498,274)	(696,854)	(1,195,128)	(1,099,539)
Net Cash Provided by Operating Activities	<u>532,737</u>	<u>85,975</u>	<u>618,712</u>	<u>62,954</u>
Cash Flows From Capital and Related Financing Activities:				
Tap Fees Received	335,899	628,629	964,528	1,550,417
Debt Principal Payments	(985,186)	-	(985,186)	(1,014,267)
Interest Payments	(336,592)	-	(336,592)	(356,592)
Proceeds of Capital Asset Sales	-	-	-	2,800
Acquisition of Capital Assets	(661,309)	(165,615)	(826,924)	(3,721,437)
Cash Flows Used by Capital and Related Financing Activities	<u>(1,647,188)</u>	<u>463,014</u>	<u>(1,184,174)</u>	<u>(3,539,079)</u>
Cash Flows (Uses) From Noncapital Financing Activities:				
Cash from Other Funds	268,654	268,654	537,308	396,036
Other Revenues (Expense)	28,455	660	29,115	12,735
Tax Revenue	630,715	-	630,715	3,692,232
Net Cash Provided (Used) by Noncapital Financing Activities	<u>927,824</u>	<u>269,314</u>	<u>1,197,138</u>	<u>4,101,003</u>
Cash Flows (Uses) From Investing Activities:				
Interest Received	<u>126,517</u>	<u>57,668</u>	<u>184,185</u>	<u>(18,874)</u>
Net Increase (Decrease) in Cash	(60,110)	875,971	815,861	606,004
Cash - Beginning	<u>5,701,770</u>	<u>1,448,119</u>	<u>7,149,889</u>	<u>6,543,885</u>
Cash - Ending	<u>\$ 5,641,660</u>	<u>\$ 2,324,090</u>	<u>\$ 7,965,750</u>	<u>\$ 7,149,889</u>
Cash and Investments	\$ 5,044,502	\$ 2,324,090	\$ 7,368,592	\$ 6,538,322
Restricted Cash and Investments	<u>597,158</u>	<u>-</u>	<u>597,158</u>	<u>611,567</u>
Total	<u>\$ 5,641,660</u>	<u>\$ 2,324,090</u>	<u>\$ 7,965,750</u>	<u>\$ 7,149,889</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:				
Operating Income (Loss)	\$ (120,161)	\$ (598,306)	\$ (718,467)	\$ (748,278)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	870,984	671,205	1,542,189	1,325,210
Changes in Assets and Liabilities Related to Operations:				
(Increase) Decrease in:				
Utility Receivable	(20,420)	(13,715)	(34,135)	11,278
Prepaid Expenses	(5,468)	(5,468)	(10,936)	71,185
(Increase) Decrease in:				
Accounts Payable	(191,858)	28,205	(163,653)	(621,833)
Accrued Salaries and Benefits	2,973	(99)	2,874	14,925
Accrued Compensated Absences	(3,313)	4,153	840	10,467
Total Adjustments	<u>652,898</u>	<u>684,281</u>	<u>1,337,179</u>	<u>811,232</u>
Net Cash Used for Operating Activities	<u>\$ 532,737</u>	<u>\$ 85,975</u>	<u>\$ 618,712</u>	<u>\$ 62,954</u>

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

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Nature of Operations

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

General Fund

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

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

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

The District reports the following major proprietary funds:

Water and Sanitation Funds

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

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

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

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

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

Encumbrances

The District does not utilize encumbrance accounting.

Cash and Equivalents

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

Investments

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

Receivables

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

Governmental funds report deferred inflows of resources, as further described below in connection with receivables for revenues that are deferred for use during the next fiscal year. As the District adopted the property tax mill levy for the 2024 budget subsequent to the end of the fiscal year, no property tax receivable was reported at December 31, 2023.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include land, buildings, vehicles and equipment, are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$25,000 and a useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Deferred Outflows and Inflows of Resources

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

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

Long-Term Obligation

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

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance

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

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

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

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

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

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

Net Position/Fund Balance Flow Assumptions

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

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Revenues

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

Property Taxes

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

Accumulated Unused Leave/Compensated Absences

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

Use of Estimates

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

COMPARATIVE DATA

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

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 2: CASH AND INVESTMENTS

The District’s cash and investment balances as of the year ended December 31, 2023 are as follows:

Cash	\$ 3,259,758
Investments	4,746,901
Total Cash and Investments	<u>\$ 8,006,659</u>

These balances are allocated in the financial statements as follows:

Restricted Cash and Investments	\$ 597,158
Unrestricted Cash and Investments	7,409,501
Total Cash and Investments	<u>\$ 8,006,659</u>

DEPOSITS

Custodial Credit Risk - Deposits

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

The institution’s internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and December 31, 2023, all of the District’s deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

At December 31, 2023 the District's deposits are categorized as follows:

	Bank Balance	Carrying Balance
FDIC Insured	\$ 695,019	\$ 695,019
PDPA Collateralized (not in District's name)	2,694,864	2,564,639
Cash on Hand	-	100
Total	<u>\$ 3,389,883</u>	<u>\$ 3,259,758</u>

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023**

NOTE 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended June 30, 2023 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

	<u>Level 2</u>	<u>Uncategorized</u>	<u>Total</u>
U.S. Agencies	\$ 257,254	\$ -	\$ 257,254
Investment Pools	-	4,489,647	4,489,647
Total Investments	<u>\$ 257,254</u>	<u>\$ 4,489,647</u>	<u>\$ 4,746,901</u>

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

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

The District recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2023, there were no changes in methods or assumptions utilized to derive the fair value of the District’s assets and liabilities.

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

During the year ended December 31, 2023, the District invested funds in the Colotrust. As an investment pool, it operates under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner. It invests in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a 2a-7-like money market fund with a share value equal to \$1.00, approximating market value, and a maximum weighted average maturity of 60 days. These funds are rated AAAM by the Standard and Poor’s Corporation. The balance of this investment at December 31, 2023 was \$4,489,647.

Credit Risk

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

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

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023**

NOTE 2: CASH AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

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

Concentration of Credit Risk

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

Interest Rate Risk

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

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2023, the District did not have any investments requiring safekeeping.

RESTRICTED CASH

The District has restricted cash as follows:

Restricted for Rate Stabilization	\$ 240,402
Restricted for Operations & Maintenance Reserve	356,756
Total Restricted Cash	<u>\$ 597,158</u>

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 3: CAPITAL ASSETS

Changes in business-type activities capital assets for the year ended December 31, 2023 was as follows:

	Balance 1/1/23	Additions	Deletions	Balance 12/31/23
Business - Type Activities:				
Assets not being depreciated				
Land	\$ 32,248	\$ -	\$ -	\$ 32,248
Water Rights	212,405	-	-	212,405
Construction in Progress	<u>237,303</u>	-	-	<u>237,303</u>
Total assets not being depreciated	<u>481,956</u>	-	-	<u>481,956</u>
Assets being depreciated				
Buildings and Improvements	1,600,377	-	-	1,600,377
Treatment plants	48,184,652	-	-	48,184,652
Collection and distribution systems	8,198,370	250,199	-	8,448,569
Equipment	<u>1,387,870</u>	<u>121,762</u>	-	<u>1,509,632</u>
Total assets being depreciated	<u>59,371,269</u>	<u>371,961</u>	-	<u>59,743,230</u>
Less: Accumulated depreciation				
Buildings and Improvements	(351,338)	(42,228)	-	(393,566)
Treatment plants	(15,103,193)	(1,218,166)	-	(16,321,359)
Collection and distribution systems	(4,174,178)	(203,973)	-	(4,378,151)
Equipment	<u>(888,946)</u>	<u>(77,823)</u>	-	<u>(966,769)</u>
Total accumulated depreciation	<u>(20,517,655)</u>	<u>(1,542,189)</u>	-	<u>(22,059,844)</u>
Net Capital Assets	<u>\$ 39,335,570</u>	<u>\$ (1,170,228)</u>	<u>\$ -</u>	<u>\$ 38,165,342</u>

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

Water Fund	\$ 870,984
Sanitation Fund	<u>671,205</u>
Total	<u>\$ 1,542,189</u>

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 4: LONG-TERM OBLIGATIONS

The following is a schedule of changes in debt for the year ended December 31, 2023:

	<u>Balance 1/1/23</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance 12/31/23</u>	<u>Due Within One Year</u>	<u>Interest Expense</u>	<u>Accrued Interest</u>
<u>Governmental Activities:</u>							
Compensated Absences	\$ 28,203	\$ 6,278	\$ -	\$ 34,481	\$ -	\$ -	\$ -
<u>Business-type Activities:</u>							
2020 CWRPDA Note Payable	21,445,481	-	1,034,395	20,411,086	1,056,275	328,467	66,570
2020 CWRPDA Cont. Note Pay	-	49,209	-	49,209	-	-	-
Compensated Absences	43,538	841	-	44,379	-	-	-
Total Obligations	\$ 21,517,222	\$ 56,328	\$ 1,034,395	\$ 20,539,155	\$ 1,056,275	\$ 328,467	\$ 66,570

In May 2020, the District entered into a 20-year loan agreement with Colorado Water Resource and Power Development Authority (CWRPDA) for debt not to exceed \$22,474,478 (and \$23,175,000 as the total funds available to be drawn and spent on the project - \$630,715 undrawn at year end). The net effective interest rate of the loan is 1.29%. The proceeds of this debt are to be used for a Water Treatment Plant Expansion Project to be completed in May 2022. Although the proceeds of the CWRPDA loan are being used for improvements to the District's water treatment functions, the Loan Agreement provides that repayment of the Loan is an obligation of both the Water and Wastewater Enterprise Funds of the District, payable from all legally available sources of those District Enterprises and is therefore reported as a noncurrent obligation of business-type activities. Loan payments are due semi-annually on February 1 and August 1. Semi-annual principal payments for this loan commenced August 1, 2021 in the amount of \$112,833 and the final payment will be due August 1, 2040. Debt service payments are made by the Enterprise Funds. The loan requires a three-month operations and maintenance reserve based on budgeted enterprise operating expenses or \$356,756. The District has restricted cash in the Water Fund for this purpose.

During 2023, the District accessed the additional contingency amounts originally approved in the May 2020 loan agreement in the amount of the \$49,209. Repayment terms related to the contingency loan funds have not been established.

Scheduled payments on the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,056,275	\$ 317,092	\$ 1,373,367
2025	1,073,001	298,092	1,371,093
2026	1,090,070	280,092	1,370,162
2027	1,106,408	262,842	1,369,250
2028	1,123,953	246,842	1,370,795
2029-2033	5,871,980	985,123	6,857,103
2034-2038	6,394,712	459,321	6,854,033
2039-2040	2,694,687	45,542	2,740,229
Total	\$ 20,411,086	\$ 2,894,946	\$ 23,306,032

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 5: PENSION PLANS

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

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

Participation is mandatory for all employees at the time of employment. The participation starts at day 1. Eligible employees contribute five percent (5%) of their base pay, which is matched by the District. The plan has a five year vesting period and is distributed upon the employee's termination or retirement. For 2021, the District amended the plan to allow an for an additional employer matching contribution of up to a 3% match of employee contributions to a separate I.R.C. Section 457 plan also managed by CRA (maximum 8% employer contributions).

During the fiscal years 2023, 2022 and 2021, the District's required contributions were \$57,175, \$51,343, and \$47,007. Covered payroll was which was 5% plus additional matching dollars, 5% and additional match, and 5% of covered payroll totaling \$1,141,336, \$1,026,850, and \$940,173, respectively. Total payroll for the years ending December 31, 2023, 2022 and 2021 was \$1,185,926, \$1,091,403, and \$984,747, on the cash basis, respectively.

NOTE 6: FUND BALANCE RESERVATIONS/APPROPRIATIONSFN

Emergency Reserve

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

The District's financial activity for the year ended December 31, 2023 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 2023, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retention of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

**MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 6: FUND BALANCE RESERVATIONS/APPROPRIATIONS (Continued)

Emergency Reserve (Continued)

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

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

The Article requires an emergency reserve be set aside for 2023 in the amount of 3% or more of its fiscal year spending. At December 31, 2023, the District has restricted the following for emergencies based on the General Fund activity that is subject to the amendment:

General Fund	<u>\$24,000</u>
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The District believes it is in compliance with the provisions of the TABOR Amendment.

CWRPDA Restrictions

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

NOTE 7: RISK MANAGEMENT

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

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

The District has not materially changed its coverage from previous years. Based on the lack of previous loss occurrences, the District has not recorded any liability for unpaid claims at December 31, 2023.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 8: INTERNAL TRANSFERS

The District reports administrative activities in the General Fund, funded through a general operating mill levy with supplemental transfers from the Water and Sanitation Funds to cover operating expenses, or to those funds if taxes exceed administrative expenses. The operating mill levy is allocated equally against Water and Sanitation Fund administrative costs with the District tracking administrative costs separately for both activities. For the fiscal year, the District transferred excess taxes of \$537,307 from the General Fund split equally between the Water and Sanitation Funds.

NOTE 9: DEFICIT NET POSITION AND FUND BALANCE

As of December 31, 2023, the District had a deficit unassigned fund balance of \$(24,000) in the General Fund due to the requirement to the restricted equity related to the emergency reserve requirements of TABOR as described in Note 6. As the District intends to balance administrative costs reported in the General Fund through transfers to and from the Water and Sanitation Funds, this deficit is anticipated to continue. Should the District be required to utilize the emergency reserve required by TABOR, additional transfers can be made from the other operating funds.

The District has a deficit net position of \$(34,481) in the Governmental Activities specifically related to the inclusion of accrued compensated absences related to administrative employees. The deficit related to the accrued compensated absences is expected to continue with minor adjustment.

MT. CRESTED BUTTE WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 10: RATE MAINTENANCE

The 2020 Colorado Water Resources and Power Development Authority loan agreement requires that Net Revenues shall represent a sum equal to 110% of the amount necessary to pay when due the principal and interest on the loan and any parity debt coming due. During 2021, the District established a Rate Stabilization reserve account of \$280,000. The District added \$2,261 to this reserve for the 2023 fiscal year.

Charges for Services	\$	2,057,494
Plant Investment Fees		335,899
Operating Transfers (Property Taxes)		268,654
Investment Earnings		126,517
Other Revenue		<u>28,455</u>
Gross Revenue		<u>2,817,019</u>
Operating Expenses		(2,177,656)
Add Back: Depreciation		<u>870,984</u>
Net Operating Expenses		<u>(1,306,672)</u>
Net Revenue	\$	<u>1,510,347</u>
Debt Service:		
2020 CWRPDA Loan	\$	1,370,987
Required 110 % Coverage		<u>1,508,086</u>
Excess (Under) Coverage		2,261
Beginning Rate Stabilization		<u>238,141</u>
Ending Rate Stabilization	\$	<u>240,402</u>

NOTE 11: SUBSEQUENT EVENTS

In January 2024, the District adopted its property tax mill levy for the 2024 fiscal year in the amount of \$1,149,514. As this mill levy was not adopted until after year end, it was not recorded as a receivable and related deferred inflow as of December 31, 2023.

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Required Supplementary Information

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

BUDGETARY COMPARISON SCHEDULE

General Fund

FOR THE YEAR ENDED DECEMBER 31, 2023

With Comparative Totals for the Year Ended December 31, 2022

	2023		Variance With Final Budget	2022 Actual
	Original & Final Budget	Actual		
REVENUES				
Taxes				
Property Taxes	\$ 1,172,682	\$ 1,172,342	\$ (340)	\$ 1,032,317
Specific Ownership Taxes	-	73,263	73,263	72,943
Other Taxes	-	3,308	3,308	2,782
Total Tax Revenue	1,172,682	1,248,913	76,231	1,108,042
Investment Earnings	50,000	75,336	25,336	25,340
Other Revenues				
Other Miscellaneous Revenue	-	269	269	-
TOTAL REVENUES	<u>1,222,682</u>	<u>1,324,518</u>	<u>101,836</u>	<u>1,133,382</u>
EXPENDITURES				
General Government				
Personnel Services	634,893	556,316	78,577	494,426
Fuel and Automotive	1,800	2,681	(881)	1,983
Insurance	25,000	27,879	(2,879)	23,780
Professional Fees	142,000	93,471	48,529	90,718
Repairs and Maintenance	2,000	1,236	764	1,734
Supplies	50,000	23,643	26,357	45,742
Telephone and Utilities	12,000	12,754	(754)	12,772
Travel and Training	3,000	3,960	(960)	3,669
Other Expenses	69,000	65,270	3,730	62,522
TOTAL EXPENDITURES	<u>939,693</u>	<u>787,210</u>	<u>152,483</u>	<u>737,346</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	282,989	537,308	254,319	396,036
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	-	(537,308)	537,308	(396,036)
NET CHANGE IN FUND BALANCE - BUDGET BASIS	<u>\$ 282,989</u>	-	<u>\$ 791,627</u>	-
FUND BALANCE, BEGINNING	-	-	-	-
FUND BALANCE, ENDING	-	<u>\$ -</u>	-	<u>\$ -</u>

See accompanying Independent Auditors' Report.

Other Supplementary Information

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL

Water Fund

FOR THE YEAR ENDED DECEMBER 31, 2023

With Comparative Totals for the Year Ended December 31, 2022

	2023			2022
	Original & Final Budget	Actual	Variance with Final Budget	
Operating Revenues				
Utility Charges	\$ 2,036,761	\$ 2,057,494	\$ 20,733	\$ 1,878,646
Operating Expenses				
Personnel Services	615,702	497,934	117,768	471,971
Administrative/Office Expenses	11,250	7,965	3,285	13,002
Insurance	55,500	56,851	(1,351)	50,309
Operating Supplies	194,000	199,859	(5,859)	154,376
Professional Fees	229,750	159,856	69,894	35,060
Repairs and Maintenance	184,000	210,136	(26,136)	215,515
Travel and Training	-	1,464	(1,464)	2,325
Engineering	12,000	3,895	8,105	16,084
Telephone and Utilities	172,500	149,823	22,677	147,904
Other Operating Expenses	19,000	18,888	112	23,324
Other Capital Outlay	1,505,897	206,346	1,299,551	2,976,590
Total Expenditures	<u>2,999,599</u>	<u>1,513,017</u>	<u>1,486,582</u>	<u>4,106,460</u>
Operating Income (Loss)	<u>(962,838)</u>	<u>544,477</u>	<u>1,507,315</u>	<u>(2,227,814)</u>
Other Income (Expense)				
Investment Earnings	-	126,517	126,517	(37,928)
Other Revenue	25,000	28,455	3,455	11,775
Debt Service	(1,370,859)	(1,313,653)	57,206	(1,362,526)
Gain (Loss) on Disposal of Assets	-	-	-	2,800
Total Other Income (Expense)	<u>(1,345,859)</u>	<u>(1,158,681)</u>	<u>187,178</u>	<u>(1,385,879)</u>
Net Income (Loss) before Transfers & Contributions	<u>(2,308,697)</u>	<u>(614,204)</u>	<u>1,694,493</u>	<u>(3,613,693)</u>
Transfers				
Transfers In/(Out)	<u>170,000</u>	<u>268,654</u>	<u>98,654</u>	<u>198,018</u>
Net Income (Loss), Budget Basis	<u>(2,138,697)</u>	<u>(345,550)</u>	<u>1,793,147</u>	<u>(3,415,675)</u>
Contributed Capital				
Plant Investment Fees	<u>175,000</u>	<u>335,899</u>	<u>160,899</u>	<u>542,646</u>
Change in Net Position (Budget Basis)	<u>\$ (1,963,697)</u>	<u>(9,651)</u>	<u>\$ 1,954,046</u>	<u>(2,873,029)</u>
Budget to GAAP Reconciliation				
Principal Paid		985,186		1,014,267
Depreciation Expense		(870,984)		(610,300)
Capital Outlay		<u>206,346</u>		<u>2,976,590</u>
Change in Net Position - GAAP Basis		310,897		507,528
Net Position, Beginning		<u>12,739,921</u>		<u>12,232,393</u>
Net Position, Ending		<u>\$ 13,050,818</u>		<u>\$ 12,739,921</u>

See accompanying Independent Auditors' Report.

MT. CRESTED BUTTE WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
Sanitation Fund
FOR THE YEAR ENDED DECEMBER 31, 2023
With Comparative Totals for the Year Ended December 31, 2022

	2023		Variance with Final Budget	2022
	Original & Final Budget	Actual		Actual
Operating Revenues				
Utility Charges	\$ 1,504,314	\$ 1,542,121	\$ 37,807	\$ 1,445,090
Operating Expenses				
Personnel Services	712,187	700,907	11,280	665,712
Administrative/Office Expenses	11,250	10,856	394	27,112
Insurance	55,500	56,198	(698)	116,428
Operating Supplies	342,500	240,995	101,505	294,957
Professional Fees	151,750	32,191	119,559	164,620
Repairs and Maintenance	162,500	245,185	(82,685)	151,894
Travel and Training	-	9,036	(9,036)	8,477
Engineering	12,000	-	12,000	10,800
Telephone and Utilities	159,500	161,482	(1,982)	158,901
Other Operating Expenses	17,000	12,372	4,628	18,033
Other Capital Outlay	827,771	165,614	662,157	352,322
Total Expenditures	<u>2,451,958</u>	<u>1,634,836</u>	<u>817,122</u>	<u>1,969,256</u>
Operating Income (Loss)	<u>(947,644)</u>	<u>(92,715)</u>	<u>854,929</u>	<u>(524,166)</u>
Other Income (Expense)				
Investment Earnings	-	57,668	57,668	19,054
Other Revenue	<u>2,000</u>	<u>660</u>	<u>(1,340)</u>	<u>960</u>
Total Other Income (Expense)	<u>2,000</u>	<u>58,328</u>	<u>56,328</u>	<u>20,014</u>
Net Income (Loss) before Transfers & Contributions	(945,644)	(34,387)	911,257	(504,152)
Transfers				
Transfers In/(Out)	<u>170,000</u>	<u>268,654</u>	<u>98,654</u>	<u>198,018</u>
Net Income (Loss), Budget Basis	(775,644)	234,267	1,009,911	(306,134)
Contributed Capital				
Plant Investment Fees	<u>325,000</u>	<u>628,629</u>	<u>303,629</u>	<u>1,007,771</u>
Change in Net Position (Budget Basis)	<u>\$ (450,644)</u>	862,896	<u>\$1,313,540</u>	701,637
Budget to GAAP Reconciliation				
Depreciation Expense		(671,205)		(714,910)
Capital Outlay		<u>165,614</u>		<u>352,322</u>
Change in Net Position - GAAP Basis		357,305		339,049
Net Position, Beginning		<u>12,389,808</u>		<u>12,050,759</u>
Net Position, Ending		<u>\$12,747,113</u>		<u>\$12,389,808</u>

See accompanying Independent Auditors' Report.