

**MORRISON CREEK METROPOLITAN
WATER AND SANITATION DISTRICT**

Financial Statements

December 31, 2013

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	16

2155 Resort Drive, Suite 222
P.O. Box 883243
Steamboat Springs, CO 80488
970-870-0563 phone
970-870-6002 fax



Independent Auditor's Report

Board of Directors
Morrison Creek Metropolitan Water and Sanitation District
Routt County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the Morrison Creek Metropolitan Water and Sanitation District (the District), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morrison Creek Metropolitan Water and Sanitation District as of December 31, 2013, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Financial Information

We have previously audited the District's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2013. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-6 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 the 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.

Other 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 supplementary information consisting of the Enterprise Fund schedule of revenues, expenditures and changes in fund balance – budget and actual on page 16 is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement 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.

Catterson + Company, P.C.

Steamboat Springs, Colorado
March 18, 2014

**MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

The discussion and analysis of the Morrison Creek Metropolitan Water and Sanitation District's (the "District") financial performance provides readers with an overall review of the financial activities of the District for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the District's financial position as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded liabilities by \$ 4,052,252, an increase of \$23,485 from 2012.
- Total District's cash and investments increased by \$122,320
- The Districts reserve cash increased by \$26,729

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the District as a financial whole. The statements then proceed to provide an increasingly detailed look at our specific financial conditions.

OVERVIEW OF THE DISTRICTS FINANCIAL STATEMENTS

Fund Financial Statements

The *Statement of Net Position* presents information on all District assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected service fees and earned but unused vacation leave).

The *Statement of Cash Flows* presents information about the cash receipts and cash payments of the District during the current year. When used with related disclosures and information in the other financial statements, the information provided in this statement should help financial report users assess the District's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the District's financial position of its cash and its non-cash investing, capital and related financing transactions during the year.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 to 14 of this report.

Budgetary Comparisons. The District adopts an annual appropriated budget for the Enterprise Fund. A budgetary comparison statement has been provided for the Enterprise Fund on Page 15 of this report.

REPORTING THE DISTRICT AS A WHOLE

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position.

The following table presents a summary of the district’s net position for 2012 and 2013.

Assets	Business Type Activities	
	<u>2012</u>	<u>2013</u>
Current and other assets	\$2,001,753	2,042,023
Capital assets	2,469,058	2,436,432
Total assets	4,470,811	4,478,455
Liabilities		
Current and other liabilities	66,097	141,673
Deferred Inflow of resources	375,949	284,530
Total Liabilities	442,046	426,203
Net Position		
Net Investment in Capital Assets	2,469,058	2,436,432
Restricted Tabor	19,314	19,653
Unrestricted	1,540,393	1,596,167
Total Net Position	\$ 4,028,765	4,052,252

A significant portion of the District’s assets are unrestricted & designated for capital project funds totaling \$1,596,167 which can be used to meet the ongoing obligations to patrons and creditors.

Another significant portion of the District’s net position reflects its investment in capital assets. These assets include land, buildings plant, equipment and construction in progress. These capital assets are used to provide services to patrons; consequently they are not available for future spending.

The following table indicates the changes in net position for 2012 and 2013.

Revenues:	<u>2012</u>	<u>2013</u>
Program revenues:		
Charge for Services	\$254,323	259,215
Tap Fees	0	16,000
General Revenues:		
General property taxes	360,392	362,780
Specific ownership tax	19,719	23,689
Interest	9,382	9,415
Total Revenues	\$643,816	671,099
Expenses:	<u>2012</u>	<u>2013</u>
Payroll and employee benefits	\$ 256,232	258,372
Contractual Services	34,291	26,716
Professional Services	41,792	40,718
Operating expenses	50,934	58,397
Administration	56,408	53,397
Repairs & Maintenance	267,807	73,738
Depreciation	180,519	136,276
Total	887,983	647,614
Increase or decrease in net position	(244,167)	23,485

The District's net position increased by \$23,485 in 2013 as compared with a decrease of \$244,167 in 2012. This was primarily due to deferral of sewerline repair work which was scheduled to be completed in 2013 but was postponed until 2014 due to bad weather.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

Information about the District's operations begins on page 6. This fund is accounted for using the accrual basis of accounting.

As of December 31, 2013 the total fund equity balance of the District's proprietary fund was \$4,052,252. Total cash & cash equivalents equals \$1,663,149. Approximately 24% of this or \$407,940 consists of unreserved fund equity, which is available as working capital and for current spending in accordance with the purposes of the District. The remainder of the fund equity is reserved to indicate it is not available for new spending because it is committed for the following purpose: 1) a state-constitution mandated emergency reserve of \$19,653 and 2) capital project and replacement fund of \$1,255,290 The District had total revenue of \$671,099 and total expense of \$647,614 of which \$136,276 was depreciation.

BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado Statutes.

	2013 Water & Sanitation Fund Budget	
	Budget	Actual
Beginning Fund Balance	\$4,028,767	\$4,028,767
Revenue & Other Sources	681,714	671,099
<u>Expenditures & Depreciation</u>	<u>(1,194,300)</u>	<u>614,988</u>
Ending Fund balance		\$4,052,252

Actual revenue was \$10,615 less than budgeted. This was primarily due to less than budgeted interest income. One tap fee and no vault impact fees were collected in 2013.

Expenditures were \$579,312 less than budget. \$170,000 of contracted sewerline rehabilitation was not completed or paid in 2013 but is scheduled to be finished in 2014.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its business-type activities as of December 31, 2013 totaled \$2,436,432 (net after accumulated depreciation). This investment includes all land, buildings, plant, equipment and construction in progress. The total decrease in investment in capital assets for the current year was \$32,626 or 1.3%.

The District uses the straight line depreciation method under GASB 34 for its capital assets, except for land which is not depreciated.

Long Term Debt. During the year ended December 31, 2013 the District had no long term debt.

ECONOMIC FACTORS AND OTHER MATTERS

Other Matters. The following factors are expected to have a significant effect on the District's financial position and results of operation and will have a significant effect on the District's future financial position and budget:

- A permanent reduction in property tax revenue due to the severe drop in the total assessed valuation in the District and the rejection by the electorate to allow an increase in the mill-levy.
- The rapidly accelerating need for capital replacement of the District's infrastructure -the majority of which is now 40 years old.
- No anticipated increase in tap fee revenue.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, 24490 Uncompahgre Road, Oak Creek, CO 80467.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Statement of Net Position
December 31, 2013
(with summarized financial information as of December 31, 2012)

	2013	2012
Assets:		
Current assets:		
Cash and cash equivalents	\$ 407,940	\$ 312,349
Accounts receivable	54,145	49,923
Due from other government	1,373	1,676
Accrued interest receivable	3,230	2,574
Property taxes receivable	284,530	375,949
Prepaid expenses	19,543	14,907
Inventory	16,053	15,895
Total current assets	786,814	773,273
Noncurrent assets:		
Capital assets, net of accumulated depreciation	2,436,432	2,469,058
Reserve cash	1,255,209	1,228,480
Total assets	4,478,455	4,470,811
Liabilities:		
Current liabilities:		
Accounts payable	99,502	5,957
Vault impact fee refund payable	-	14,818
Retainage payable	10,365	13,748
Prebilled charges for services	28,443	28,443
Other deferred revenue	3,363	3,131
Total current liabilities	141,673	66,097
Total liabilities	141,673	66,097
Deferred Inflows of Resources:		
Deferred property tax revenues	284,530	375,949
Total deferred inflows of resources	284,530	375,949
Net Position:		
Net investment in capital assets	2,436,432	2,469,058
Restricted for:		
Emergencies	19,653	19,314
Unrestricted	1,596,167	1,540,393
Total net position	\$ 4,052,252	\$ 4,028,765

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

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2013
(with summarized financial information for the year ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Charges for services	\$ 254,102	\$ 245,200
Other	<u>5,113</u>	<u>9,123</u>
Total operating revenues	<u>259,215</u>	<u>254,323</u>
Operating expenses:		
Wages and benefits	258,372	256,232
Repairs and maintenance	73,738	267,807
Professional fees	33,994	31,213
Engineering	6,724	10,579
Electric	30,707	30,429
Supplies and operations	27,690	20,505
Outside services	4,876	12,541
Insurance	18,899	24,582
Water storage	21,840	21,750
Office	14,770	11,763
Directors fees	6,100	5,500
Other	13,628	14,563
Depreciation	<u>136,276</u>	<u>180,519</u>
Total operating expenses	<u>647,614</u>	<u>887,983</u>
Operating income (loss)	<u>(388,399)</u>	<u>(633,660)</u>
Non-operating revenues (expenses):		
Property taxes, net of treasurer fees	362,780	360,392
Specific ownership taxes	23,689	19,719
Interest income	<u>9,415</u>	<u>9,382</u>
Total non-operating revenues	<u>395,884</u>	<u>389,493</u>
Income (loss) before other revenues, expenses, gains and losses	<u>7,485</u>	<u>(244,167)</u>
Other revenues, expenses, gains and losses:		
Tap fees	<u>16,000</u>	<u>-</u>
Other revenues, expenses, gains and losses	<u>16,000</u>	<u>-</u>
Change in net position	23,485	(244,167)
Net position, beginning of year	<u>4,028,767</u>	<u>4,272,932</u>
Net position, end of year	<u>\$ 4,052,252</u>	<u>\$ 4,028,765</u>

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

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2013
(with summarized financial information for the year ended December 31, 2012)

	2013	2012
Cash flows from operating activities:		
Cash received from customers	\$ 240,407	\$ 270,791
Cash payments to employees for services	(204,217)	(199,243)
Cash payments to other suppliers of goods or services	(325,403)	(504,128)
Net cash provided (used) by operating activities	(289,213)	(432,580)
Cash flows from noncapital financing activities:		
Taxes collected, net of treasurer fees	386,772	380,927
Net cash provided by noncapital financing activities	386,772	380,927
Cash flows from capital and related financing activities:		
Payments to acquire, construct, or improve capital assets	-	-
Tap fees collected	16,000	-
Net cash provided (used) by capital and related financing activities	16,000	-
Cash flows from investing activities:		
Interest received	8,761	6,808
Net cash provided by investing activities	8,761	6,808
Net change in cash and cash equivalents	122,320	(44,845)
Cash and cash equivalents, beginning of year	1,540,829	1,585,674
Cash and cash equivalents, end of year	\$ 1,663,149	\$ 1,540,829
Composition of cash and cash equivalents at year end:		
Cash and cash equivalents	\$ 407,940	\$ 312,349
Reserve cash	1,255,209	1,228,480
	\$ 1,663,149	\$ 1,540,829
Reconciliation of operating income (loss) to net cash provided by activities:		
Operating income (loss)	\$ (388,399)	\$ (633,660)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	136,276	180,519
(Increase) decrease in:		
Accounts receivable	(4,222)	(121)
Prepaid expenses	(4,636)	(8,600)
Inventory	(158)	(1,101)
(Decrease) increase in:		
Accounts payable	260	46
Vault impact fee refund payable	(14,818)	14,818
Retainage payable	(13,748)	13,748
Prebilled charges for services	-	1,538
Other deferred revenue	232	233
Net cash provided (used) by operating activities	\$ (289,213)	\$ (432,580)

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

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2013
(with summarized financial information as of December 31, 2012 and for the year then ended)

Note 1: Summary of Significant Accounting Policies

The Morrison Creek Metropolitan Water and Sanitation District (the District) was formed in 1972 to provide water and sanitation services for the Stagecoach Development located in Routt County, Colorado. Stagecoach is a rural community of approximately 500 residents located between the Town of Oak Creek and the City of Steamboat Springs. The District was formed as a special district pursuant to Title 32 of Colorado Revised Statutes (CRS).

The District's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (US GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of US GAAP in governmental entities. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District does not have any component units for which it is financially accountable.

Measurement Focus and Basis of Accounting

The District operates as an enterprise and the accompanying proprietary fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, this fund is maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

Assets, Liabilities and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits, short-term certificates of deposit, and highly liquid investment pool funds. Investments are stated at fair value.

Accounts Receivable

Amounts due to the District from charges for services provided are reported as accounts receivable. The District's management reviews accounts receivable periodically to consider the collectability of the balances. District management believes all accounts receivable to be fully collectible at December 31, 2013 and 2012. Therefore, no allowance for uncollectible accounts has been established.

Prepaid Expenses

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

Inventories

Inventories consist of meters, chemicals, liquids and supplies used in District operations and are valued at cost.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2013
(with summarized financial information as of December 31, 2012 and for the year then ended)

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position (continued)

Capital Assets

Capital assets include sewage treatment plant and distribution systems, water systems, and furniture, fixtures and equipment. Capital assets are defined by the District as assets with an initial cost of \$500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or fair value if contributed to the District. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

	Years
Sewage treatment plant and distribution systems	30-40
Water tank	30
Furniture, fixtures and equipment	5-7

Operating and Non-Operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the District. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

Property Taxes

Property taxes are levied on December 15 of each year 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 Routt County Treasurer's office collects property taxes and remits collections to the District on a monthly basis.

Use of Estimates

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

New Accounting Pronouncement

Effective January 1, 2013, the District adopted the provisions of the following GASB Statement:

- GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". The effect of this adoption is to establish accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities, as deferred outflows of resources or deferred inflows of resources.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative financial information in total. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2012 from which the summarized financial information was derived.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2013
(with summarized financial information as of December 31, 2012 and for the year then ended)

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures are budgeted and recorded as expenditures.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to January 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

The District did not adopt any supplemental appropriations during 2013.

Compliance

The District did not have expenditures in excess of appropriations during 2013.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments, excluding enterprises. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

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.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of current 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. The District has reserved \$19,653 of the December 31, 2013 fund balance for this purpose.

The District's voters passed a ballot question on November 4, 2003, authorizing the District to collect, retain and spend for any lawful purpose the full revenues generated from all sources in fiscal year 2003 and in each fiscal year thereafter.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2013
(with summarized financial information as of December 31, 2012 and for the year then ended)

Note 3: Detailed Notes on the Fund

Deposits

The carrying amount of the District's deposits at December 31, 2013 and 2012 was \$562,193 and \$659,480, respectively, and bank balances were \$612,611 and \$666,176, respectively. Of the bank balances, \$250,000 at both December 31, 2013 and 2012 was covered by federal deposit insurance and \$362,611 and \$416,176, respectively, was uninsured but collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (PDPA).

The 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 collateral 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 equal or exceed 102% of the aggregate uninsured deposits.

Investments

At December 31, 2013 and 2012, the District had \$1,100,855 and \$881,240, respectively, invested in the Colorado Government Liquid Trust (COLOTRUST) PLUS+ fund. COLOTRUST PLUS+ is a short-term money market fund organized in conformity with Part 7 of Article 75 of Title 24, CRS. The portfolio offers Colorado governmental entities a convenient and efficient means to pool their funds to take advantage of short-term investments and maximize net interest earnings. COLOTRUST PLUS+'s investment objective is to obtain as high a level of current income as is consistent with the preservation of capital and liquidity. The investment advisor for COLOTRUST PLUS+ is Public Trust Advisors LLC (PTA), a Colorado-based investment adviser, registered with the SEC. The portfolio manager is responsible for making all of the investment decisions for the portfolio. Wells Fargo Bank, N.A. is custodian of the portfolio's securities and cash. COLOTRUST+ portfolio invests in U.S. Treasury securities, federal instrumentality securities, agency securities, repurchase agreements, tri-party repurchase agreements, collateralized bank deposits, the highest rated commercial paper, and highly-rated corporate bonds. The PLUS+ fund holds a 'AAAm' rating by Standard and Poor's.

The District's investments are subject to interest rate, credit risk, and concentration of credit risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District currently invests only in investment pools which may be redeemed at any time.

Reserve Cash

The District's board of directors has designated a reserve cash balance for future capital improvements. The reserve cash balance at December 31, 2013 is \$1,255,209.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2013
(with summarized financial information as of December 31, 2012 and for the year then ended)

Note 3: Detailed Notes on the Fund (continued)

Capital Assets

Capital asset activity for the years ended December 31, 2013 and 2012 is summarized below:

	December 31, 2012 Balance	Additions	Deletions	December 31, 2013 Balance
Non-depreciable capital assets:				
Land easement	\$ 5,538	\$ -	\$ -	\$ 5,538
Engineering plans	190,000	-	-	190,000
Total non-depreciable capital assets	195,538	-	-	195,538
Depreciable capital assets:				
Sew age treatment plant and distribution systems; water systems	5,916,978	103,650	-	6,020,628
Furniture, fixtures and equipment	482,533	-	-	482,533
Total depreciable capital assets	6,399,511	103,650	-	6,503,161
Less: accumulated depreciation	(4,125,991)	(136,276)	-	(4,262,267)
Net depreciable capital assets	2,273,520	(32,626)	-	2,240,894
Total capital assets, net	\$ 2,469,058	\$ (32,626)	\$ -	\$ 2,436,432
	December 31, 2011 Balance	Additions	Deletions	December 31, 2012 Balance
Non-depreciable capital assets:				
Land easement	\$ 5,538	\$ -	\$ -	\$ 5,538
Engineering plans	190,000	-	-	190,000
Total non-depreciable capital assets	195,538	-	-	195,538
Depreciable capital assets:				
Sew age treatment plant and distribution systems; water systems	5,916,978	-	-	5,916,978
Furniture, fixtures and equipment	490,959	-	(8,426)	482,533
Total depreciable capital assets	6,407,937	-	(8,426)	6,399,511
Less: accumulated depreciation	(3,953,898)	(180,519)	8,426	(4,125,991)
Net depreciable capital assets	2,454,039	(180,519)	-	2,273,520
Total capital assets, net	\$ 2,649,577	\$ (180,519)	\$ -	\$ 2,469,058

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2013
(with summarized financial information as of December 31, 2012 and for the year then ended)

Note 4: Other Information

Intergovernmental Agreements

Stagecoach Reservoir Storage Agreement

The District entered into an agreement with the Upper Yampa Water Conservancy District (UYWCD) on December 5, 1986 to purchase annually on a "take or pay basis" 500 acre feet of storage water in Stagecoach Reservoir at a price of \$35.00 per acre foot for a term of thirty years. At the end of the thirty year period the District has five successive 10-year options to renew the right of purchase at the same price.

Yamcolo Reservoir Storage Agreement

The District entered into an extension and amendment agreement with the UYWCD effective July 15, 2011 for 60 acre feet of storage water in the Yamcolo Reservoir for thirty years terminating July 15, 2041. The initial purchase price for the storage water was \$68.38 per acre foot and is subject to an annual CPI increase thereafter. The District paid \$72.33 per acre foot of storage water for the year ended December 31, 2013.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains commercial insurance for these risks by participation in an insurance pool.

The District is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. The District has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Defined Compensation Plan

District employees may voluntarily contribute to a deferred compensation plan, an Internal Revenue Code Section 457 defined contribution plan administered by Lincoln Financial Group. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Plan assets are held in trust for the exclusive benefit of participating employees and are not accessible by the District or its creditors.

The District's contribution for each employee and investment earnings allocated to the employee's account are fully vested. The District contributes up to 6% of full-time employees' wages. The District's contributions to the plan were \$9,410 and \$9,136 during the years ended December 31, 2013 and 2012, respectively.

Subsequent Events

The District evaluated subsequent events through March 18, 2014, the date these financial statements were available to be issued.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Enterprise Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance
Revenues:			
Taxes:			
General property	\$ 375,949	\$ 373,998	\$ (1,951)
Specific ownership	20,000	23,689	3,689
Treasury collection fees	(11,278)	(11,218)	60
Charges for services:			
Water	132,915	131,994	(921)
Sewer	107,760	107,755	(5)
Dumping fees	15,000	14,353	(647)
Vault impact fees	14,818	-	(14,818)
Tap fees	-	16,000	16,000
Interest	20,000	9,415	(10,585)
Other	6,550	5,113	(1,437)
Total revenues	681,714	671,099	(10,615)
Expenditures:			
Wages and benefits	276,000	258,372	17,628
Professional fees	107,000	33,994	73,006
Repairs and maintenance	75,000	73,738	1,262
Engineering	40,000	6,724	33,276
Electric	40,000	30,707	9,293
Supplies and operations	39,000	27,690	11,310
Outside services	30,000	4,876	25,124
Insurance	25,000	18,899	6,101
Water storage	21,800	21,840	(40)
Office	16,000	14,770	1,230
Directors fees	7,000	6,100	900
Other	17,500	13,628	3,872
Capital outlay	500,000	103,650	396,350
Total expenditures	1,194,300	614,988	579,312
Net income (loss) - budgetary basis	\$ (512,586)	56,111	\$ 568,697
Adjustments to US GAAP basis:			
Capitalized expenditures		103,650	
Depreciation		(136,276)	
Change in net position - US GAAP basis		23,485	
Fund balance, beginning of year		4,028,767	
Fund balance, end of year		\$ 4,052,252	