

**MORRISON CREEK METROPOLITAN
WATER AND SANITATION DISTRICT**

Financial Statements

December 31, 2020

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT

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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, 2020, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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, 2020, and the respective changes in financial position, and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Financial Information

We have previously audited the District's December 31, 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 24, 2020. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles 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 U.S. generally accepted auditing standards, 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 17 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Steamboat Springs, Colorado
April 15, 2021

**MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

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, 2020. 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 \$5,255,309 an increase of \$114,528 from 2019.
- Total District's cash and investments increased by \$183,409. The new balance is \$2,575,823
- The Districts reserve cash increased by \$143,022. The new balance is \$1,776,562.
- Unrestricted Liquid Reserve Ratio = 1.0 or 12-months reserve

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 6 to 12 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 14 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 as of December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Assets:		
Current and Other Assets	\$ 3,087,710	\$ 2,887,248
Capital Assets	2,644,062	2,683,559
Total Assets	<u>\$ 5,731,772</u>	<u>\$ 5,570,807</u>
Liabilities:		
Current and Other Liabilities	\$ 105,965	\$ 74,509
Deferred Inflows of Resources	370,498	355,517
Total Liabilities and Deferred Inflows of Resources	<u>\$ 476,463</u>	<u>\$ 430,026</u>
Net Position:		
Net Investment in Capital Assets	\$ 2,644,062	\$ 2,683,559
Restricted - TABOR	29,972	30,498
Unrestricted	2,581,275	2,426,724
Total Net Position	<u>\$ 5,255,309</u>	<u>\$ 5,140,781</u>

A significant portion of the District’s net position are liquid & designated for capital project funds totaling \$2,317,905 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 the years ended December 31, 2020 and 2019.

Revenues:

Program Revenues:

Charges for Services	\$	562,642	\$	523,147
Tap Fees		32,000		64,000
Other		31,620		25,250

General Revenues:

Property Taxes, Net		345,718		330,185
Specific Ownership Taxes		22,908		23,011
Interest		27,738		51,002

Total Revenues	\$	1,022,626	\$	1,016,595
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Expenses:

Payroll and Employee Benefits	\$	378,150	\$	332,484
Repairs and Maintenance		60,754		22,834
Professional Services		33,470		15,917
Engineering		87,517		14,387
Electric		30,959		33,165
Supplies and Operation		59,564		43,306
Outside Services		72,441		26,501
Insurance		17,389		22,785
Water Storage		22,650		22,553
Depreciation		110,456		105,654
Other		34,748		24,552
Total Expenses	\$	908,098	\$	664,138

Change in Net Position	\$	114,528	\$	352,457
Net Position, Beginning of Year		5,140,781		4,788,324
Net Position, End of Year	\$	5,255,309	\$	5,140,781

The District's net position increased by \$114,528 in 2020 as compared with an increase of \$352,457 in 2019.

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, 2020, the total net position of the District's proprietary fund was \$5,255,309. Total cash & cash equivalents equal \$2,575,823. Approximately 31% of this or \$799,261 consists of unreserved cash which is available as working capital and for current spending in accordance with the purposes of the District. The remainder of the net position 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 \$29,972 and 2) capital project and replacement fund of \$1,779,562. The District had total revenue of \$1,022,626 and total expenses of \$908,098 including \$110,456 of depreciation.

BUDGETARY HIGHLIGHTS

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

2020 Budget	Budget	Actual
Beginning Fund Balance	\$ 5,170,781	\$ 5,140,781
Revenues and Other Financing Sources	\$ 1,027,467	\$ 1,022,626
Expenditures	\$ (1,457,149)	\$ (868,600)
Add: Capital Expenditures	\$ -	\$ 70,958
Less: Depreciation	\$ -	\$ (110,456)
Ending Fund Balance	\$ 4,741,099	\$ 5,255,309

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its business-type activities as of December 31, 2020 totaled \$2,644,062 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 \$39,497.

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

Long Term Debt. During the year ended December 31, 2020 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 49 years old.
- Interest in development in Stagecoach appears to be on the rise which may result in an increase in tap and vault impact fee revenue. Tap fee revenue can be limited by the many pre-paid tap fees which exist.
- The COVID 19 Worldwide Pandemic and its severe impact of the National, State and Local Economies could have a profound effect on the District's future financial position.

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, 2020
(w with summarized financial information as of December 31, 2019)

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	\$ 799,261	\$ 758,874
Accounts receivable	102,475	96,924
Due from other government	8,625	2,057
Property taxes receivable	370,498	355,517
Prepaid expenses	14,500	26,284
Inventory	15,789	14,052
Total current assets	1,311,148	1,253,708
Noncurrent assets:		
Capital assets, net of accumulated depreciation	2,644,062	2,683,559
Reserve cash	1,776,562	1,633,540
Total assets	5,731,772	5,570,807
Liabilities:		
Current liabilities:		
Accounts payable	33,452	3,570
Prebilled charges for services	67,560	66,219
Other liabilities	4,953	4,720
Total current liabilities	105,965	74,509
Total liabilities	105,965	74,509
Deferred Inflows of Resources:		
Deferred property tax revenues	370,498	355,517
Total deferred inflows of resources	370,498	355,517
Net Position:		
Net investment in capital assets	2,644,062	2,683,559
Restricted for:		
Emergencies	29,972	30,498
Unrestricted	2,581,275	2,426,724
Total net position	\$ 5,255,309	\$ 5,140,781

See accompanying notes to financial statements.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	2020	2019
Operating revenues:		
Charges for services	\$ 562,642	\$ 523,147
Other	31,620	25,250
Total operating revenues	594,262	548,397
Operating expenses:		
Wages and benefits	378,150	332,484
Repairs and maintenance	60,754	22,834
Professional fees	33,470	15,917
Engineering	87,517	14,387
Electric	30,959	33,165
Supplies and operations	59,564	43,306
Outside services	72,441	26,501
Insurance	17,389	22,785
Water storage	22,650	22,553
Office	21,238	15,974
Directors fees	9,700	5,500
Other	3,810	3,078
Depreciation	110,456	105,654
Total operating expenses	908,098	664,138
Operating income (loss)	(313,836)	(115,741)
Nonoperating revenues:		
Property taxes, net of treasurer fees	345,718	330,185
Specific ownership taxes	22,908	23,011
Interest income	27,738	51,002
Total nonoperating revenues	396,364	404,198
Income before other revenues, expenses, gains and losses	82,528	288,457
Other revenues, expenses, gains and losses:		
Tap fees	32,000	64,000
Other revenues, expenses, gains and losses	32,000	64,000
Change in net position	114,528	352,457
Net position, beginning of year	5,140,781	4,788,324
Net position, end of year	\$ 5,255,309	\$ 5,140,781

See accompanying notes to financial statements.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	2020	2019
Cash flows from operating activities:		
Cash received from customers	\$ 558,432	\$ 524,547
Cash received from other sources	31,620	25,250
Cash payments to employees for services	(272,244)	(242,034)
Cash payments to other suppliers of goods or services	(485,238)	(326,030)
Net cash provided (used) by operating activities	(167,430)	(18,267)
Cash flows from noncapital financing activities:		
Taxes collected, net of treasurer fees	362,059	353,672
Net cash provided by noncapital financing activities	362,059	353,672
Cash flows from capital and related financing activities:		
Payments to acquire, construct, or improve capital assets	(70,958)	(70,197)
Tap fees collected	32,000	64,000
Net cash provided (used) by capital and related financing activities	(38,958)	(6,197)
Cash flows from investing activities:		
Interest received	27,738	51,002
Net cash provided by investing activities	27,738	51,002
Net change in cash and cash equivalents	183,409	380,210
Cash and cash equivalents, beginning of year	2,392,414	2,012,204
Cash and cash equivalents, end of year	\$ 2,575,823	\$ 2,392,414
Composition of cash and cash equivalents at year end:		
Cash and cash equivalents	\$ 799,261	\$ 758,874
Reserve cash	1,776,562	1,633,540
	\$ 2,575,823	\$ 2,392,414
Reconciliation of operating income (loss) to net cash provided by activities:		
Operating income (loss)	\$ (313,836)	\$ (115,741)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	110,456	105,654
(Increase) decrease in:		
Accounts receivable	(5,551)	395
Prepaid expenses	11,784	(7,291)
Inventory	(1,738)	(150)
(Decrease) increase in:		
Accounts payable, net of capital items	29,881	(2,371)
Prebilled charges for services	1,341	1,005
Other liabilities	233	232
Net cash provided (used) by operating activities	\$ (167,430)	\$ (18,267)

See accompanying notes to financial statements.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of December 31, 2019 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 U.S. generally accepted accounting principles (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 this fund is maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

Assets, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments, including reserve balance, with a maturity of three months or less when purchased to be cash equivalents. The District's investment in the Colorado Local Government Liquid Asset Trust (COLOTRUST) PLUS+ fund is measured at net asset value, equal to \$1.00 per share.

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 as of December 31, 2020 and 2019. 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 reported at cost.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of December 31, 2019 and for the year then ended)

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows of Resources 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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources consist solely of unavailable revenues from property taxes.

Operating and Nonoperating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from nonoperating 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. Nonoperating 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.

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, 2019 from which the summarized financial information was derived.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of December 31, 2019 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 District Manager 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 December 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 for the year ended December 31, 2020.

Compliance

The District did not have expenditures in excess of appropriations for the year ended December 31, 2020.

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 \$29,972 of the December 31, 2020 fund net position 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, 2020
(with summarized financial information as of December 31, 2019 and for the year then ended)

Note 3: Detailed Notes on the Fund

Deposits

The carrying amount of the District's deposits as of December 31, 2020 and 2019 was \$212,653 and \$149,028, respectively, and bank balances were \$200,049 and \$155,9002, respectively. Of the bank balances, \$148,190 and \$148,190 as of December 31, 2020 and 2019, respectively, was covered by federal deposit insurance and \$7,630 and \$7,710, 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

As of December 31, 2020 and 2019, the District had \$2,363,068 and \$2,243,286, respectively, invested in the Colorado Local Government Liquid Asset 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. The investment objective of COLOTRUST PLUS+ is to obtain as high a level of current income as is consistent with the preservation of capital and liquidity. The investment adviser for COLOTRUST PLUS+ is Public Trust Advisors LLC, 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. The COLOTRUST PLUS+ 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 portfolio's weighted average maturity to reset is kept under 60 days, which helps to enhance liquidity and limits market price exposure. The COLOTRUST PLUS+ fund holds a 'AAAm' rating from Standard and Poor's.

The District's investments are subject to interest rate risk, 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 as of December 31, 2020 is \$1,776,562.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of December 31, 2019 and for the year then ended)

Note 3: Detailed Notes on the Fund (continued)

Capital Assets

Capital asset activity for the year ended December 31, 2020 is summarized below:

	Beginning Balance	Additions	Deletions	Ending 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 sytems	6,777,920	70,958	(4,285)	6,844,593
Furniture, fixtures and equipment	533,170	-	(84,408)	448,762
Total depreciable capital assets	7,311,090	70,958	(88,693)	7,293,355
Less: accumulated depreciation	(4,823,068)	(110,456)	88,693	(4,844,831)
Net depreciable capital assets	2,488,022	(39,498)	-	2,448,524
Total capital assets, net	\$ 2,683,560	\$ (39,498)	\$ -	\$ 2,644,062

Segment Information

The District accounts for its administrative, water distribution and sewer activities within one enterprise fund. Summary financial information for each activity is presented below.

	Administrative Department	Water Distribution Department	Sewer Department
Condensed Statement of Net Position			
Assets:			
Current assets	\$ 656,262	\$ 299,567	\$ 355,319
Capital assets, net	-	1,044,170	1,599,892
Other assets	621,797	532,969	621,797
Total assets	1,278,059	1,876,706	2,577,008
Liabilities:			
Current liabilities	-	35,176	70,790
Total liabilities	-	35,176	70,790
Deferred inflows of resources	370,498	-	-
Net position:			
Net investment in capital assets	-	1,044,170	1,599,892
Restricted	29,972	-	-
Unrestricted	871,983	799,948	909,344
Total net position	\$ 901,955	\$ 1,844,118	\$ 2,509,236

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of December 31, 2019 and for the year then ended)

Note 3: Detailed Notes on the Fund (continued)

Segment Information (continued)

	Administrative Department	Water Distribution Department	Sewer Department
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues	\$ 6,357	\$ 242,810	\$ 345,095
Depreciation expense	-	(52,289)	(58,167)
Other operating expenses	(266,316)	(193,583)	(337,743)
Operating income (loss)	(259,959)	(3,062)	(50,815)
Nonoperating revenues:			
Tax revenues, net	368,626	-	-
Other nonoperating revenues	27,738	16,000	16,000
Total nonoperating revenues	396,364	16,000	16,000
Change in net position	136,405	12,938	(34,815)
Beginning net position	765,550	1,831,180	2,544,051
Ending net position	\$ 901,955	\$ 1,844,118	\$ 2,509,236

Condensed Statement of Cash Flows

Net cash provided (used) by:

Operating activities	\$ (319,485)	\$ 52,357	\$ 99,698
Noncapital financing activities	362,059	-	-
Capital and related financing activities	-	(5,742)	(33,216)
Investing activities	27,738	-	-
Net change in cash and cash equivalents	70,312	46,615	66,482
Beginning cash and cash equivalents	837,345	717,724	837,345
Ending cash and cash equivalents	\$ 907,657	\$ 764,339	\$ 903,827

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 purchase price for the storage water is subject to an annual CPI increase. The District paid \$85.83 per acre foot of storage water for the year ended December 31, 2020.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of December 31, 2019 and for the year then ended)

Note 4: Other Information (continued)

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.

Retirement 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. Plan provisions and contribution requirements are established and may be amended by the District.

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 \$15,541 and \$14,522 during the years ended December 31, 2020 and 2019, respectively.

Subsequent Events

The District evaluated subsequent events through April 15, 2021, 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, 2020

	Original and Final Budget	Actual	Variance
Revenues:			
Taxes:			
General property	\$ 355,517	\$ 356,595	\$ 1,078
Specific ownership	19,000	22,908	3,908
Treasurer collection fees	(10,686)	(10,877)	(191)
Charges for services:			
Water	210,000	241,093	31,093
Sewer	290,500	290,684	184
Dumping fees	32,000	30,865	(1,135)
Tap fees	48,000	32,000	(16,000)
Grants	-	23,546	23,546
Interest	40,000	27,738	(12,262)
Other	43,136	8,074	(35,062)
Total revenues	<u>1,027,467</u>	<u>1,022,626</u>	<u>(4,841)</u>
Expenditures:			
Wages and benefits	504,350	378,150	126,200
Professional fees	82,000	33,470	48,530
Repairs and maintenance	100,000	60,754	39,246
Engineering	75,000	87,517	(12,517)
Electric	40,000	30,959	9,041
Supplies and operations	43,000	59,564	(16,564)
Outside services	20,000	72,441	(52,441)
Insurance	40,000	17,389	22,611
Water storage	23,000	22,650	350
Office	17,000	21,238	(4,238)
Directors fees	7,000	9,700	(2,700)
Other	21,000	3,810	17,190
Capital outlay	484,799	70,958	413,841
Total expenditures	<u>1,457,149</u>	<u>868,600</u>	<u>588,549</u>
Net income (loss) - budgetary basis	<u>\$ (429,682)</u>	154,026	<u>\$ 583,708</u>
Adjustments to US GAAP basis:			
Capitalized expenditures		70,958	
Depreciation		<u>(110,456)</u>	
Change in net position - US GAAP basis		114,528	
Fund balance, beginning of year		<u>5,140,781</u>	
Fund balance, end of year		<u>\$ 5,255,309</u>	