

**MORRISON CREEK METROPOLITAN
WATER AND SANITATION DISTRICT**

Financial Statements

December 31, 2021

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 Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles (GAAP).

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Financial Information

We have previously audited the District's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2021. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis on pages 4-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 District's basic financial statements. The schedules of revenues, expenditures and changes in fund balance – budget and actual on pages 19-21 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 GAAS. 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
May 5, 2022

**MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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, 2021. 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 \$5,823,318 an increase of \$568,009 from 2020.
- Total District's cash and investments increased by \$19,168. The new balance is \$2,594,991
- The District's reserve cash increased by \$14,778. The new balance is \$1,791,340.
- 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.

Budgetary Comparisons. The District adopts an annual appropriated budget for each fund. A budgetary comparison statement has been provided for each fund in 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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Assets:		
Current and Other Assets	\$ 3,209,726	\$ 3,087,710
Capital Assets	3,129,178	2,644,062
Total Assets	<u>\$ 6,338,904</u>	<u>\$ 5,731,772</u>
Liabilities:		
Current and Other Liabilities	\$ 122,284	\$ 105,965
Deferred Inflows of Resources	393,302	370,498
Total Liabilities and Deferred Inflows of Resources	<u>\$ 515,586</u>	<u>\$ 476,463</u>
Net Position:		
Net Investment in Capital Assets	\$ 3,129,178	\$ 2,644,062
Restricted - TABOR	35,367	29,972
Unrestricted	2,658,773	2,581,275
Total Net Position	<u>\$ 5,823,318</u>	<u>\$ 5,255,309</u>

Approximately 46% of the District’s net position is liquid and 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, 2021 and 2020.

Revenues:

Program Revenues:

Charges for Services	\$	552,091	\$	562,642
Tap Fees and Vault Impact Fees		217,408		32,000
Capital Grants		223,556		-
Other		28,811		31,620

General Revenues:

Property Taxes, Net		361,345		345,718
Specific Ownership Taxes		26,621		22,908
Interest		6,566		27,738

Total Revenues	\$	1,416,398	\$	1,022,626
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Expenses:

Payroll and Employee Benefits	\$	382,767	\$	378,150
Repairs and Maintenance		41,452		60,754
Professional Services		19,296		33,470
Engineering		58,709		87,517
Electric		33,050		30,959
Supplies and Operation		40,327		59,564
Outside Services		42,922		72,441
Insurance		19,187		17,389
Water Storage		22,713		22,650
Depreciation		124,693		110,456
Other		63,273		34,748
Total Expenses	\$	848,389	\$	908,098

Change in Net Position	\$	568,009	\$	114,528
Net Position, Beginning of Year		5,255,309		5,140,781
Net Position, End of Year	\$	5,823,318	\$	5,255,309

The District's net position increased by \$568,009 in 2021 as compared with an increase of \$114,528 in 2020.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of December 31, 2021, the total net position of the District's proprietary funds was \$5,823,318. Total cash & cash equivalents equal \$2,594,991. Approximately 31% of this or \$803,651 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 \$35,367 and 2) capital project and replacement fund of \$1,791,340. The District had total revenue of \$1,416,398. and total expenses of \$848,389 including \$124,693 of depreciation.

BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado Statutes. The following is a summary of budget versus actual for the year ended December 31, 2021:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Administrative Fund:			
Revenues	\$ 410,383	\$ 406,183	\$ (4,200)
Expenditures	\$ 460,950	\$ 255,449	\$ 205,501
Net	\$ (50,567)	\$ 150,734	\$ 201,301
Water Distribution Fund:			
Revenues	\$ 228,615	\$ 293,554	\$ 64,939
Expenditures	\$ 351,500	\$ 244,794	\$ 106,706
Net	\$ (122,885)	\$ 48,760	\$ 171,645
Sewer Fund:			
Revenues	\$ 560,513	\$ 716,661	\$ 156,148
Expenditures	\$ 994,500	\$ 833,262	\$ 161,238
Net	\$ (433,987)	\$ (116,601)	\$ 317,386

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its business-type activities as of December 31, 2021 totaled \$3,129,178 after accumulated depreciation. This investment includes all land, buildings, plant, equipment and construction in progress. The total increase in investment in capital assets for the current year was \$485,116.

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, 2021 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, 2021
(with summarized financial information as of December 31, 2020)

	2021				2020 Total
	Administrative Fund	Water Distribution Fund	Sewer Fund	Total	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 462,764	\$ 244,672	\$ 96,215	\$ 803,651	\$ 799,261
Accounts receivable	657	52,312	85,351	138,320	102,475
Due from other government	1,759	-	33,685	35,444	8,625
Property taxes receivable	393,302	-	-	393,302	370,498
Prepaid expenses	-	11,412	21,194	32,606	14,500
Inventory	-	5,272	9,791	15,063	15,789
Total current assets	858,482	313,668	246,236	1,418,386	1,311,148
Noncurrent assets:					
Capital assets, net	-	992,288	2,136,890	3,129,178	2,644,062
Reserve cash	716,536	447,835	626,969	1,791,340	1,776,562
Total assets	1,575,018	1,753,791	3,010,095	6,338,904	5,731,772
Liabilities:					
Current liabilities:					
Accounts payable and accruals	186	5,719	10,621	16,526	33,452
Prebilled charges for services	-	30,925	69,841	100,766	67,560
Other liabilities	-	4,992	-	4,992	4,953
Total current liabilities	186	41,636	80,462	122,284	105,965
Total liabilities	186	41,636	80,462	122,284	105,965
Deferred Inflows of Resources:					
Deferred property tax revenues	393,302	-	-	393,302	370,498
Total deferred inflows of resources	393,302	-	-	393,302	370,498
Net Position:					
Net investment in capital assets	-	992,288	2,136,890	3,129,178	2,644,062
Restricted for:					
Emergencies	35,367	-	-	35,367	29,972
Unrestricted	1,146,163	719,867	792,743	2,658,773	2,581,275
Total net position	\$ 1,181,530	\$ 1,712,155	\$ 2,929,633	\$ 5,823,318	\$ 5,255,309

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, 2021
(with summarized financial information for the year ended December 31, 2020)

	2021				2020 Total
	Administrative Fund	Water Distribution Fund	Sewer Fund	Total	
Operating revenues:					
Charges for services	\$ -	\$ 225,411	\$ 326,680	\$ 552,091	\$ 562,642
Other	11,651	4,143	13,017	28,811	31,620
Total operating revenues	11,651	229,554	339,697	580,902	594,262
Operating expenses:					
Wages and benefits	191,383	95,692	95,692	382,767	378,150
Repairs and maintenance	-	39,294	2,158	41,452	60,754
Professional fees	19,296	-	-	19,296	33,470
Engineering	-	19,026	39,683	58,709	87,517
Electric	-	15,219	17,831	33,050	30,959
Supplies and operations	-	15,032	25,295	40,327	59,564
Outside services	-	15,023	27,899	42,922	72,441
Insurance	-	6,715	12,472	19,187	17,389
Water storage	-	22,713	-	22,713	22,650
Office	17,249	-	-	17,249	21,238
Directors fees	6,700	-	-	6,700	9,700
Other	20,821	16,080	2,423	39,324	3,810
Depreciation	-	51,882	72,811	124,693	110,456
Total operating expenses	255,449	296,676	296,264	848,389	908,098
Operating income (loss)	(243,798)	(67,122)	43,433	(267,487)	(313,836)

See accompanying notes to financial statements.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position (continued)
For the Year Ended December 31, 2021
(with summarized financial information for the year ended December 31, 2020)

	2021			Total	2020 Total
	Administrative Fund	Water Distribution Fund	Sewer Fund		
Nonoperating revenues:					
Property taxes, net of treasurer fees	361,345	-	-	361,345	345,718
Specific ownership taxes	26,621	-	-	26,621	22,908
Capital grants	-	-	223,556	223,556	-
Interest income	6,566	-	-	6,566	27,738
Total nonoperating revenues	394,532	-	223,556	618,088	396,364
Income before other revenues, expenses, gains and losses	150,734	(67,122)	266,989	350,601	82,528
Other revenues, expenses, gains and losses:					
Tap fees	-	64,000	64,000	128,000	32,000
Vault impact fees	-	-	89,408	89,408	-
Other revenues, expenses, gains and losses	-	64,000	153,408	217,408	32,000
Change in net position	150,734	(3,122)	420,397	568,009	114,528
Net position, beginning of year	1,030,796	1,715,277	2,509,236	5,255,309	5,140,781
Net position, end of year	<u>\$ 1,181,530</u>	<u>\$ 1,712,155</u>	<u>\$ 2,929,633</u>	<u>\$ 5,823,318</u>	<u>\$ 5,255,309</u>

See accompanying notes to financial statements.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2021
(with summarized financial information for the year ended December 31, 2020)

	2021				2020 Total
	Administrative Fund	Water Distribution Fund	Sewer Fund	Total	
Cash flows from operating activities:					
Cash received from customers	\$ -	\$ 236,475	\$ 318,748	\$ 555,223	\$ 558,432
Cash received from other sources	11,063	4,143	13,017	28,223	31,620
Cash payments to employees for services and benefits	(191,383)	(95,692)	(95,692)	(382,767)	(272,244)
Cash payments to other suppliers of goods or services	(63,880)	(161,138)	(150,186)	(375,204)	(485,238)
Net cash provided (used) by operating activities	<u>(244,200)</u>	<u>(16,212)</u>	<u>85,887</u>	<u>(174,525)</u>	<u>(167,430)</u>
Cash flows from noncapital financing activities:					
Taxes collected, net of treasurer fees	389,657	-	-	389,657	362,059
Net cash provided by noncapital financing activities	<u>389,657</u>	<u>-</u>	<u>-</u>	<u>389,657</u>	<u>362,059</u>
Cash flows from capital and related financing activities:					
Payments to acquire, construct, or improve capital assets	-	-	(609,809)	(609,809)	(70,958)
Proceeds from capital grants	-	-	189,871	189,871	-
Tap fees collected	-	64,000	64,000	128,000	32,000
Vault impact fees collected	-	-	89,408	89,408	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>64,000</u>	<u>(266,530)</u>	<u>(202,530)</u>	<u>(38,958)</u>
Cash flows from investing activities:					
Interest received	6,566	-	-	6,566	27,738
Net cash provided by investing activities	<u>6,566</u>	<u>-</u>	<u>-</u>	<u>6,566</u>	<u>27,738</u>
Net change in cash and cash equivalents	152,023	47,788	(180,643)	19,168	183,409
Cash and cash equivalents, beginning of year	1,027,277	644,719	903,827	2,575,823	2,392,414
Cash and cash equivalents, end of year	<u>\$ 1,179,300</u>	<u>\$ 692,507</u>	<u>\$ 723,184</u>	<u>\$ 2,594,991</u>	<u>\$ 2,575,823</u>

See accompanying notes to financial statements.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Statement of Cash Flows (continued)
For the Year Ended December 31, 2021
(with summarized financial information for the year ended December 31, 2020)

	2021				2020 Total
	Administrative Fund	Water Distribution Fund	Sewer Fund	Total	
Composition of cash and cash equivalents at year end:					
Cash and cash equivalents	\$ 462,764	\$ 244,672	\$ 96,215	\$ 803,651	\$ 799,261
Reserve cash	716,536	447,835	626,969	1,791,340	1,776,562
	<u>\$ 1,179,300</u>	<u>\$ 692,507</u>	<u>\$ 723,184</u>	<u>\$ 2,594,991</u>	<u>\$ 2,575,823</u>
Reconciliation of operating income (loss) to net cash provided by activities:					
Operating income (loss)	\$ (243,798)	\$ (67,122)	\$ 43,433	\$ (267,487)	\$ (313,836)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	51,882	72,811	124,693	110,456
(Increase) decrease in:					
Accounts receivable	(588)	(1,347)	(28,727)	(30,662)	(5,551)
Prepaid expenses	-	(6,337)	(11,768)	(18,105)	11,784
Inventory	-	254	472	726	(1,738)
(Decrease) increase in:					
Accounts payable, net of capital items	186	(5,992)	(11,129)	(16,935)	29,881
Prebilled charges for services	-	12,411	20,795	33,206	1,341
Other liabilities	-	39	-	39	233
Net cash provided (used) by operating activities	<u>\$ (244,200)</u>	<u>\$ (16,212)</u>	<u>\$ 85,887</u>	<u>\$ (174,525)</u>	<u>\$ (167,430)</u>

See accompanying notes to financial statements.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 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 (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of 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 engages entirely in business-type activities 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.

Financial Statement Presentation

The District reports the following major proprietary or business-type funds:

The *Administrative Fund* accounts for the management activities of all other District funds. The major source of revenue is from property taxes.

The *Water Distribution Fund* accounts for the activities of the water utilities provided to residents within the District's boundaries. The major sources of revenue are from charges for services and tap fees.

The *Sewer Fund* accounts for the activities of the wastewater utilities provided to residents within the District's boundaries. The major sources of revenue are from charges for services, tap fees and vault impact fees.

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, 2021 and 2020. 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.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows of Resources and Net Position (continued)

Inventories

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

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:

	<u>Years</u>
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 property tax revenues not available until the following year.

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 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 GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2020 from which the summarized financial information was derived.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 and for the year then ended)

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted on a non-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, 2021.

Compliance

The District did not have expenditures in excess of appropriations in any fund for the year ended December 31, 2021.

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 \$35,367 of the December 31, 2021 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, 2021
(with summarized financial information as of December 31, 2020 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, 2021 and 2020 was \$250,312 and \$212,653, respectively, and bank balances were \$263,780 and \$200,049, respectively. Of the bank balances, \$256,665 and \$192,419 as of December 31, 2021 and 2020, respectively, was covered by federal deposit insurance and \$7,115 and \$7,630, 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, 2021 and 2020, the District had \$2,346,337 and \$2,363,068, 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, 2021 is \$1,791,341.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 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, 2021 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;	3,732,049	609,809	-	4,341,858
Water systems	3,112,544	-	-	3,112,544
Furniture, fixtures and equipment	448,762	-	(11,375)	437,387
Total depreciable capital assets	7,293,355	609,809	(11,375)	7,891,789
Less accumulated depreciation:				
Sew age treatment plant and distribution systems;	(2,239,041)	(69,911)	-	(2,308,952)
Water systems	(2,215,747)	(39,719)	-	(2,255,466)
Furniture, fixtures and equipment	(390,043)	(15,063)	11,375	(393,731)
Total accumulated depreciation	(4,844,831)	(124,693)	11,375	(4,958,149)
Net depreciable capital assets	2,448,524	485,116	-	2,933,640
Total capital assets, net	<u>\$ 2,644,062</u>	<u>\$ 485,116</u>	<u>\$ -</u>	<u>\$ 3,129,178</u>

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 \$86.88 per acre foot of storage water for the year ended December 31, 2021.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2021
(with summarized financial information as of December 31, 2020 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 \$15,388 and \$15,541 during the years ended December 31, 2021 and 2020, respectively.

Subsequent Events

The District evaluated subsequent events through May 5, 2022, the date these financial statements were available to be issued.

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Administrative Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Taxes:			
General property	\$ 370,498	\$ 372,553	\$ 2,055
Specific ownership	19,000	26,621	7,621
Treasurer collection fees	(11,115)	(11,208)	(93)
Interest	25,000	6,566	(18,434)
Other	7,000	11,651	4,651
	<u>410,383</u>	<u>406,183</u>	<u>(4,200)</u>
Expenditures:			
Wages and benefits	322,950	191,383	131,567
Professional fees	82,000	19,296	62,704
Office	17,000	17,249	(249)
Directors fees	9,000	6,700	2,300
Election	20,000	-	20,000
Other	10,000	20,821	(10,821)
	<u>460,950</u>	<u>255,449</u>	<u>205,501</u>
Net income (loss) - budgetary basis	<u>\$ (50,567)</u>	150,734	<u>\$ 201,301</u>
Adjustments to GAAP basis:			
Depreciation		<u>-</u>	
Change in net position - GAAP basis		150,734	
Fund balance, beginning of year		<u>1,030,796</u>	
Fund balance, end of year		<u>\$ 1,181,530</u>	

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Water Distribution Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Charges for services:			
Water base	\$ 111,115	\$ 111,562	\$ 447
Water usage	100,000	113,849	13,849
Tap fees	16,000	64,000	48,000
Other	1,500	4,143	2,643
	<u>228,615</u>	<u>293,554</u>	<u>64,939</u>
Total revenues			
Expenditures:			
Wages and benefits	100,000	95,692	4,308
Repairs and maintenance	35,000	39,294	(4,294)
Engineering	45,000	19,026	25,974
Electric	14,000	15,219	(1,219)
Supplies and operations	32,550	15,032	17,518
Outside services	10,500	15,023	(4,523)
Insurance	14,000	6,715	7,285
Water storage	23,000	22,713	287
Other	7,450	16,080	(8,630)
Capital outlay	70,000	-	70,000
	<u>351,500</u>	<u>244,794</u>	<u>106,706</u>
Total expenditures			
Net income (loss) - budgetary basis	<u>\$ (122,885)</u>	48,760	<u>\$ 171,645</u>
Adjustments to GAAP basis:			
Depreciation		<u>(51,882)</u>	
Change in net position - GAAP basis		(3,122)	
Fund balance, beginning of year		<u>1,715,277</u>	
Fund balance, end of year		<u>\$ 1,712,155</u>	

MORRISON CREEK METROPOLITAN WATER AND SANITATION DISTRICT
Sewer Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Charges for services:			
Sewer	\$ 294,195	\$ 295,605	\$ 1,410
Dumping fees	35,000	31,075	(3,925)
Tap fees	16,000	64,000	48,000
Vault impact fees	15,318	89,408	74,090
Grants	200,000	223,556	23,556
Other	-	13,017	13,017
	<u> </u>	<u> </u>	<u> </u>
Total revenues	560,513	716,661	156,148
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Wages and benefits	100,000	95,692	4,308
Repairs and maintenance	65,000	2,158	62,842
Engineering	405,000	39,683	365,317
Electric	26,000	17,831	8,169
Supplies and operations	47,450	25,295	22,155
Outside services	19,500	27,899	(8,399)
Insurance	26,000	12,472	13,528
Other	25,550	2,423	23,127
Capital outlay	280,000	609,809	(329,809)
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	994,500	833,262	161,238
	<u> </u>	<u> </u>	<u> </u>
Net income (loss) - budgetary basis	<u>\$ (433,987)</u>	(116,601)	<u>\$ 317,386</u>
Adjustments to GAAP basis:			
Capitalized expenditures		609,809	
Depreciation		<u>(72,811)</u>	
Change in net position - GAAP basis		420,397	
Fund balance, beginning of year		<u>2,509,236</u>	
Fund balance, end of year		<u>\$ 2,929,633</u>	