

**LEADVILLE SANITATION DISTRICT  
LEADVILLE, COLORADO**

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FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORT

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DECEMBER 31, 2022 and 2021

**LEADVILLE WATER DISTRICT  
LEADVILLE, COLORADO**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Leadville Sanitation District  
Leadville, Colorado

### ***Opinion***

We have audited the financial statements of the business-type activities of Leadville Sanitation District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Leadville Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Leadville Sanitation District as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Leadville Sanitation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

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

## ***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 Leadville Sanitation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Leadville Sanitation District's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Leadville Sanitation District's basic financial statements. The Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Report on Summarized Comparative Information***

We have previously audited Leadville Sanitation District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Watson Coon Ryan, LLC*

Watson Coon Ryan, LLC  
Centennial, Colorado  
July 24, 2023

**Leadville Sanitation District  
Management’s Discussion and Analysis  
Years ended December 31, 2022**

As management of the Leadville Sanitation District, we offer readers of the Leadville Sanitation District’s financial statements this narrative overview and analysis of the financial activities of the Leadville Sanitation District for the fiscal year ended December 31, 2022. The District provides wastewater collection and treatment to residential, commercial, and industrial customers in the City of Leadville and adjacent incorporated area.

The Management’s Discussion and Analysis (MD&A) should be read in conjunction with the District’s financial statement.

**Financial Highlights**

The assets of the Leadville Sanitation District exceeded its liabilities at the close of the most recent fiscal year by \$9,019,581 (net position). Of this amount, \$3,830,177 (unrestricted net assets) may be used to meet the government’s ongoing obligations to citizens and creditors.

Total assets for the Leadville Sanitation District are \$9,567,283 of this amount \$5,138,404 are capital assets.

Total liabilities for the Leadville Sanitation District are \$422,099 currently the district doesn’t have any long-term liabilities.

**Overall analysis**

There was an increase in total assets for the Leadville Sanitation District in the amount of \$219,110 between fiscal year 2021 and 2022. The District provides a fee-based service for collection and treatment of wastewater. On January 1, 2022 the district increased the Services Charges from \$29 to \$31 per month, per EQR which increased revenue by \$50,865.

Tap Fees revenue is used for capital improvements to the Wastewater Treatment Plant (WWTP). Tap fee increased because of high-density development in Leadville and surrounding area. The Tap fee in 2022 was \$8,500 per EQR.

Capital assets have increased primarily due to replacement of the District’s collection system. The majority of the District’s infrastructure is beyond its useful life, and is under significant enforcement orders with Colorado Department of Public Health and Environment’s (CDPHE) for compliance order on consent.

In 2022 the District was awarded a \$10,000.00 Planning Grant from Water Pollution Control Revolving fund for the District’s Project Needs Assessment.

**TIF Area**—A downtown development authority (DDA) or urban renewal authority (URA), may form plan areas that use “tax increment financing” to derive revenue from increases in assessed valuation (gross minus net, Form DLG 57 Line 3) attributed to the activities/improvements within the plan area. The DDA or URA receives the differential revenue of each overlapping taxing entity’s mill levy applied against the taxing entity’s gross assessed value after subtracting the taxing entity’s revenues derived from its mill levy applied against the net assessed value. In

2022 the District has had an impact from LURA (Leadville Urban Renewal Authority). In 2018 the City of Leadville formed LURA. The LURA includes Railyard and “modest” redevelopment in the Downtown area. The creation of LURA allows the City to use TIF (tax increment financing) to subsidize improvements. When improvements in the area are made this will create a higher tax revenue, which will be redirect back to the developer, or other entities, to help defray infrastructure costs. These infrastructure costs include items such as roads and utilities, which the District is hopeful it can join into an intergovernmental agreement with LURA to use a portion of TIF revenues to improve the District’s Collection System. In 2022 the TIF reduced the Districts current year’s gross total taxable assessed valuation by \$1,384,314.

**Temporary Tax Credit for Operations** —The Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction of 39-1-111.5, C.R.S. may be applied to the taxing entity’s levy for general operations to effect refunds. Temporary Tax Credits (TTCs) are not applicable to other types of levies (non-general operations) certified on this form because these levies are adjusted from year to year as specified by the provisions of any contract or schedule of payments established for the payment of any obligation incurred by the taxing entity per 29-1-301(1.7), C.R.S., or they are certified as authorized at election per 29-1-302(2)(b),C.R.S. In 2022 the amount of money necessary to balance the budget for general operating purposes from the property tax revenues is \$125,603. The District finds that it’s required to temporarily lower the operating mill levy to render a refund for \$70,076, the 2022 valuation for assessment for the District as certified by the Lake County Assessors is \$62,116,555 less the \$1,384,314 TIF.

## **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Leadville Sanitation District’s basic financial statements.

*The financial statements* of the District are presented as a special government engaged only in business type activities - providing sewer utility services.

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

*The Statements of Revenues, Expenses and Changes in Net Position* present information that reflects how the District’s net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

*The Statements of Cash Flows* report the District’s cash flows from operating, capital and related financing, and investing activities.

These financial statements distinguish functions of the District that will be principally supported by service charges and Taxes. The functions of the District include effective and economical operation of wastewater sanitation systems within the jurisdictional boundaries of the District. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

## NET POSTION

	2022	2021
<b>ASSETS:</b>		
Current assets	4,428,879	5,248,543
Capital assets	5,138,404	4,099,630
<b>Total Assets</b>	<b>9,567,283</b>	<b>9,348,173</b>
<b>LIABILITIES:</b>		
Account payables & accrued liabilities	286,194	34,405
Deferred revenue	25,087	-
Developers deposits	110,818	108,315
<b>Total current liabilities</b>	<b>422,099</b>	<b>142,720</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unavailable property tax revenue	125,603	198,606
<b>Total deferred inflows of resources</b>	<b>125,603</b>	<b>198,606</b>
<b>NET POSITION:</b>		
Net investment in capital assets	5,138,404	4,099,630
Restricted for Tabor emergency reserve	51,000	52,000
Unrestricted	3,830,177	4,855,217
<b>Total Net Position</b>	<b>9,019,581</b>	<b>9,006,847</b>

The District's net position may serve as a useful indicator for the District's financial position. In the case of the District, assets exceed liabilities by \$9,019,581 as of December 31, 2022.

During 2022, the District's net position increased \$12,734. As of December 31, 2022, total capital assets are \$9,567,283, which is an increase of \$219,110 from the 2021 amount of \$9,348,173. The change in net capital assets is net of the current year additions and depreciation. Capital assets details can be found on page 13.

During 2022, total liabilities increased \$279,379. The increase in total liabilities is related to the Accounts payable & accrued liabilities increase of \$251,789.00 and deferred revenue of \$25,087.

During 2022, Net investment in capital assets increase is part of the District's capital improvements on the collection system.

### **Economic Factors and Next Years' Budget and Rates**

The primary focus of the 2023 construction season is replacing 25% of the problem areas of the collection system infrastructure.

The Leadville Sanitation District will be increasing user rates annually in order to fund critical improvements needed at the Wastewater Treatment Plant (WWTP). In addition to increasing rates, the District is pursuing funding assistance through the State Revolving Fund (SRF) Program and will be applying for an SRF loan in June 2023 to fund the WWTF project. The WWTP was last upgraded in the 1980s and is in critical need of improvements in order to maintain reliable service and continue to meet the Colorado Department of Public Health and Environment (CDPHE) discharge effluent limits. In 2019 the District completed a Master Plan in

which critical improvements totaling \$15.5 million were identified. The District is currently in the process of designing and permitting this project and has been awarded a CDPHE Design and Engineering Grant for \$300,000. To further offset the costs of this project, the District applied for grants from the State's Senators Offices Congressionally Directed Spending (CDS) Fund as well as to the Department of Local (DOLA) Affairs Energy/Mineral Assistance Fund (EIAF). The District has been awarded a DOLA EIAF grant for \$750,000 and has been shortlisted for CDS funding.

### **Requests for information**

This financial report is designed to provide a general overview of the Leadville Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Leadville Sanitation District, PO Box 253, Leadville, CO. 80461.

**LEADVILLE SANITATION DISTRICT**  
**Statement of Net Position**  
**December 31, 2022 and 2021**

	2022	2021
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash & cash equivalents	\$ 3,794,943	\$ 4,567,159
Cash & cash equivalents - Restricted	51,000	52,000
Certificates of deposit	227,566	225,895
Accounts receivable, net	177,208	139,599
Note receivable	-	21,327
Prepaid expenses	52,559	43,957
Property taxes receivable	125,603	198,606
<b>Total current assets</b>	<b>4,428,879</b>	<b>5,248,543</b>
<b>Noncurrent assets:</b>		
Capital assets, net of accumulated depreciation	5,117,053	3,877,357
Capital assets, not depreciated	21,351	222,273
<b>Total noncurrent assets</b>	<b>5,138,404</b>	<b>4,099,630</b>
<b>Total assets</b>	<b>\$ 9,567,283</b>	<b>\$ 9,348,173</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities:</b>		
Accounts payable & accrued liabilities	286,194	34,405
Deferred revenue	25,087	--
Developer deposits	110,818	108,315
<b>Total current liabilities</b>	<b>422,099</b>	<b>142,720</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable property tax revenue	125,603	198,606
<b>Total deferred inflows of resources</b>	<b>125,603</b>	<b>198,606</b>
<b>Net position:</b>		
Net investment in capital assets	5,138,404	4,099,630
Restricted for Tabor emergency reserve	51,000	52,000
Unrestricted	3,830,177	4,855,217
<b>Total net position</b>	<b>\$ 9,019,581</b>	<b>\$ 9,006,847</b>

The accompanying notes are an integral part of this financial statement.

**LEADVILLE SANITATION DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the years ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating Revenue</b>		
Charges for services	\$ 1,369,729	\$ 1,318,864
<b>Operating Expenses</b>		
Personnel costs	473,355	405,391
Contract services	482,342	476,172
Utilities	154,142	132,641
Office expenses	51,799	51,798
Insurance, taxes and fees	245,271	211,654
Plant operations	184,685	201,652
Depreciation	267,858	246,255
<b>Total operating expenses</b>	<b>1,859,452</b>	<b>1,725,563</b>
<b>Net operating income (loss)</b>	<b>(489,723)</b>	<b>(406,699)</b>
<b>Non-operating revenues (expenses):</b>		
Property taxes, net of county collection fees	187,402	129,309
Specific ownership taxes	12,159	12,735
Grant proceeds	10,000	--
Interest income	39,303	3,996
Interest expense	-	(2,866)
<b>Total non-operating revenues</b>	<b>248,864</b>	<b>143,174</b>
<b>Net income before capital contributions</b>		
<b>Capital Contributions</b>		
Tap fees	253,593	1,095,890
<b>Total capital contributions</b>	<b>253,593</b>	<b>1,095,890</b>
<b>Change in net position</b>	<b>12,734</b>	<b>832,365</b>
<b>Total net position - beginning of year</b>	<b>9,006,847</b>	<b>8,174,482</b>
<b>Total net position - end of year</b>	<b>\$ 9,019,581</b>	<b>\$ 9,006,847</b>

The accompanying notes are an integral part of this financial statement.

**LEADVILLE SANITATION DISTRICT**  
**Statement of Cash Flows**  
**For the years ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 1,332,120	\$ 1,207,925
Cash paid to suppliers	(847,462)	(1,088,973)
Cash payments to employees for services	(473,355)	(405,391)
<b>Net cash provided by operating activities</b>	<b>11,303</b>	<b>(286,439)</b>
<b>Cash flows from capital financing activities:</b>		
Property tax collections, net of collection fees	187,402	129,309
Specific ownership tax collections	12,159	12,735
Tap fees and grants received	253,593	1,095,890
Collection of notes receivable	21,327	15,083
Grant proceeds	10,000	-
Cash paid for principal on debt	--	(21,549)
Cash paid for interest on debt	--	(3,226)
Cash paid for capital acquisitions	(1,306,631)	(303,433)
<b>Net cash used by capital financing activities</b>	<b>(822,150)</b>	<b>924,809</b>
<b>Cash flows from investing activities:</b>		
Certificates of deposits matured	70,978	70,801
Certificates of deposits purchased	(70,978)	(70,801)
Reinvested interest on certificates of deposit	(1,672)	(1,720)
Interest received	39,303	3,996
<b>Net cash provided by investing activities</b>	<b>37,631</b>	<b>2,276</b>
<b>Net increase in cash</b>	<b>(773,216)</b>	<b>640,646</b>
Cash and restricted cash, beginning of year	4,619,159	3,978,513
<b>Cash and restricted cash, end of year</b>	<b>\$ 3,845,943</b>	<b>\$ 4,619,159</b>
<b>Reconciliation of operating (loss) to net cash provided by operations:</b>		
<b>Net operating income (loss)</b>	<b>\$ (489,723)</b>	<b>\$ (406,699)</b>
<b>Adjustments to reconcile operating (loss) to cash provided by operating activities:</b>		
Depreciation	267,858	246,255
Decrease (increase) in:		
(Increase) decrease in receivables	(37,609)	(110,939)
(Increase) decrease in prepaid expenses	(8,602)	1,312
Increase (decrease) in accounts payable and accrued liabilities	279,379	(16,368)
<b>Total adjustments</b>	<b>501,026</b>	<b>120,260</b>
<b>Net cash provided by operating activities</b>	<b>\$ 11,303</b>	<b>\$ (286,439)</b>

The accompanying notes are an integral part of this financial statement.

## 1. **Summary of significant accounting policies**

Leadville Sanitation District's (the District) financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASS) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

**Reporting entity.** The District is a Statutory, Single-Purpose, Special District governed by a five-member Board of Directors that are elected by the qualified voters in the District. It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which includes the power to levy taxes against property within the District. The Board is accountable only to the voters and has no authority or influence over any other governmental entity. Likewise, the District is not financially dependent upon nor directly influenced by any other level of government. These financial statements reflect the operation of the District only.

The District is a special-purpose government engaged only in business-type activities. As such, only enterprise fund financial statements are presented.

**Measurement focus, basis of accounting and financial statement presentation.** The accompanying financial statements are presented in accordance with GASB Statement No. 34. The government-wide financial statements (i.e. the statement of net position and the statement of revenues, expenses, and changes in fund net position) report information on the business-type activities of the District, which rely to a significant extent on taxes, user fees and charges for support. The statement of activities demonstrates the degree to which expenses of the business-type activities are supported by user fees.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

The District's operations are classified as an Enterprise fund that accounts for the acquisition, operation, and maintenance of activities that are similar to a business. The business-type fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations, the delivery of water. Operating expenses for the fund include water expenses, all revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

### **Assets, liabilities, deferred inflows of resources, and net position**

**Cash and cash equivalents.** For purposes of the statement of cash flows, the District considers demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

**Certificates of Deposit.** The District holds money in nonnegotiable certificates of deposit that are valued at amortized cost. Maturities range from April 2023 – April 2025.

**Fair value of financial instruments.** The District's financial instruments include cash and investments, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2022 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Prepaid items. Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items.

**Property taxes receivable.** Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2021 were collected in 2022 and taxes certified in 2022 will be collected in 2023. Taxes to be collected are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1 %) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

**Capital assets.** The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Capital outlay for projects is capitalized as projects are constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The District does not have a formal capitalization policy, assets over \$1,000 are capitalized.

Disposal plant, collection lines, and equipment on hand, have been stated at estimated historical cost at date of acquisition. All additions since that date have been stated at the actual cost to the District.

Treatment plants, distribution systems, equipment, and vehicles are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 100 years.

**Long-term obligations.** Long-term obligations of the District consist of principal due on loans from the Colorado Water Conservation Board and Colorado Water Resources and Power Development Authority, which were paid off during the year ended December 31, 2021.

**Net Position.** Net Position of the District is classified into three components; 1) Net invested in capital assets, 2) Restricted net positions, which are non-capital assets that must be used for a particular purpose, and 3) Unrestricted net positions which are the remaining assets not otherwise classified.

The District applies restricted net positions first when both restricted and unrestricted resources are available.

**Compensated Absences.** The District accrues accumulated unpaid vacation, personal and compensatory leave when earned by the employee. The District has a policy which allows employees to accumulate unused vacation, personal, and compensatory leave, up to a certain maximum number of hours. The accumulated vacation, personal, and compensatory

leave, is recorded as an accrued liability and current salary expense when incurred in the proprietary fund financial statements. In the event of termination, an employee is reimbursed for the accumulated hours up to the maximum amounts. The District accrued \$30,044 in compensated absences as of December 31, 2022 and \$18,516 as of December 31, 2021. Earned but unused vacation benefits are accrued when incurred in the financial statements.

**Deferred Inflows of Resources.** In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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 disclosures of contingent assets and liabilities and deferred inflow of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Risk Management.** The District has secured commercial insurance to cover any general liability or Workers' Compensation claims subject to \$1,000 - \$2,500 and \$500 deductibles per claim respectively. No claims have been settled that exceeded insurance limits in the past three fiscal years.

**Revenues & Expenses.** Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are fees for wastewater collection and treatment services.

Operating expenses include the costs associated with the wastewater collection services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**Budgetary information.** Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt 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's Treasurer 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.

**Recently Issued Accounting Pronouncements.** GASB Statement No 87 - In June 2017, GASB issued statement No 87, Leases. The objective of this Statement is to better meet the

information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in statement 87 are effective for reporting periods beginning after June 15, 2021. The District implemented GASB Statement No. 87, Leases, in the year ending December 31, 2022. No significant leases were identified, and as such, no changes have been made to the financial statements as a result of implementing this standard.

**2. Detailed notes concerning the funds**

**Cash, cash equivalents and restricted cash.** At December 31, 2022 and 2021, the carrying amount of the District's deposits totaled \$3,845,943 and \$4,619,159 respectively, and the bank balances totaled \$3,975,179 and \$4,842,964 respectively, all bank balances were covered by federal depository insurance, or pledged collateral held by the financial institution in the District's name.

The District's investments consisted of local investment pools and certificates of deposit at fiscal year-end. The District's investments are stated at fair value, with certain exceptions described below. The District categorizes its fair value measurements within the fair value hierarchy established by GASS Statement No. 72, which provides a framework for measuring fair value and establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Certain investment types are not required to be measured at fair value; these include money market funds and certain investment pools which are measured at amortized cost, and other investment pools which are measured at the net asset value (NAV) determined by the pool, which approximates fair value. These instruments are exempt from categorization within the fair value hierarchy.

At December 31, the District had the following cash and cash equivalents:

	<b>2022</b>	<b>2021</b>
COLOTRUST	\$ 1,523,556	\$ 1,497,358
CSAFE	583,352	573,477
Cash deposits	1,739,035	2,548,324
	<u>\$ 3,845,943</u>	<u>\$ 4,619,159</u>

Cash deposits are classified in the accompanying financial statements as follows:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 3,794,943	\$ 4,567,159
Restricted cash	51,000	52,000
	<u>\$ 3,845,943</u>	<u>\$ 4,619,159</u>

**Cash Deposits.** The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for investments. None of the District's deposits were exposed to custodial credit risk.

**Restricted Cash.** Restricted Cash - Tabor Emergency Reserve at December 31, 2022 and 2021 of \$51,000 and \$52,000, respectively, represents funds required under Amendment No. 1, the "Tabor Amendment" passed by Colorado voters in November 1992, for "emergency reserves" and may be utilized only for declared emergencies which exclude economic conditions, revenue shortfalls, and district salary and fringe benefit increases.

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

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities of the World Bank
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks

- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- \* Local government investment pools

As of December 31, 2021, the District had the following investments:

	<b>Maturity</b>	<b>Amount</b>
COLOTRUST (at NAV)	Weighted Average Under 60 Days	\$ 1,523,566
CSAFE (at NAV)	Weighted Average Under 60 Days	583,352

### **COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust) an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24- 75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

### **CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**Interest Rate Risk.** The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The District's only investments are in local government investment pools and Certificates of Deposit.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. As of December 31, 2022 and 2021, the District's investments in COLOTRUST and CSAFE were rated AAAM by Standard & Poor's.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. The District's investments are concentrated in local government investment pools.

**Accounts Receivable.** Accounts receivable primarily consist of user fees for wastewater services earned as of December 31, 2022 and 2021. The District considers all receivables to be collectible at December 31, 2022 and 2021.

**Note Receivable.** The District has a note receivable against certain lots located within the Silverhills Subdivision of Lake County, Colorado. The assessment arises from an agreement entered into between the District and the Silverhills Sanitation District (subsequently approved by the Lake County, Colorado, District court) for the repayment of loans made to the District and the construction costs overruns required for the acquisition of easements and the construction of a sanitary sewer line from the Silverhills Subdivision to a sewer collection main owned and maintained by the District. The loan was paid off fully during the year ended December 31, 2022.

**Long-term debt.** Long-term debt was paid off during the year ended December 31, 2021. It consisted of a 5% note payable with an original face amount of \$125,000, due in annual principal and interest installments of \$6,629; and a second note payable with an original face amount of \$100,000, due in annual principal and interest installments of \$8,024. Both loans were payable to the State of Colorado, Department of Local Affairs.

### Changes in capital assets

The changes in capital assets for the year ended December 31, 2022 are as follows:

	Balance January 1, 2022	Additions	Deletions	Reclass	Balance December 31, 2022
Capital assets being depreciated					
Sewage Treatment Plant & Equipment	\$ 5,620,878	\$ 154,462	\$ --	\$ 105,496	\$ 5,880,836
Sewage Collection System	2,745,496	1,152,170	--	95,426	3,993,092
Total capital assets being depreciated	8,366,374	1,306,631	--	200,922	9,873,928
Accumulated depreciation	(4,489,017)	(267,858)	--	--	(4,756,875)
Net capital assets	3,877,357	1,038,773	--	200,922	5,117,053
Non-depreciated assets:					
Land	21,351	--	--	--	21,351
Construction in progress	200,922	--	--	(200,922)	--
Total non-depreciated assets	222,273	--	--	--	21,351
Total net book value	\$ 4,099,630	\$ 1,038,773	\$ --	\$ --	\$ 5,138,404

### 3. Other information

**Risk management.** The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God.

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado.

The Pool is an organization created by intergovernmental agreement to provide property, liability, public official liability, and boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, general liability and public official's liability coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula. No distributions were made during the year ended December 31, 2022.

**TABOR Amendment.** In November of 1992, Colorado voters approved Amendment 1 to the state Constitution which, is commonly known as The Taxpayer's Bill of Rights or the TABOR Amendment.

The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refunding to lower interest rates and adding employees to pension plans). The amendment does not apply to units that are defined as "Enterprises." The Leadville Sanitation District does not qualify as an "Enterprise."

The amendment defined the District's year ending December 31, 1992, as the initial base year for purposes of defining compliance with the amendment. The amendment defines inflation and local growth. Future year's revenue, based upon prior year's revenue, is only allowed to increase based upon the inflationary and local growth factors. The District must refund revenue received in excess of the prior year's revenue to the voters, unless the voters were to approve retention of the excess revenue. The District placed a question on the November 1996, ballot that would permit the District to keep and spend all revenues from all sources in 1996 and subsequent years without limiting in any year the amount of other revenues that may be collected. The voters approved this ballot question.

The amendment also requires the District to establish an "Emergency Reserve" which must be equal to 3% of current year's spending. Conditions under which these reserves may be spent are severely limited.

The Leadville Sanitation District, Leadville, Colorado, believes that it is in compliance with the provisions of TABOR, as it is currently understood. Many of the provisions may not become fully understood without judicial review.

### 4. 457(b) Employer Plan

The District instituted a 457(b) employee retirement plan beginning in March, 2019 in which all regularly employed full time permanent employees working at least 32 hours per week

may participate after 90 days of service. The district will match up to 5% of the qualifying employee salary contributions as determined by the Board of Directors. All contributions vest immediately. The District has no contingent liability for such items as past service costs. The contributions were \$26,179 and \$18,669 for 2022 and 2021, respectively.

**5. Wastewater Treatment Plant Regulations**

The Colorado Department of Public Health and Environment (CDPHE) has issued a new draft discharge permit guideline that would require more stringent testing of the treated discharged wastewater for 9 new contaminants especially for mercury. The District is complying with the required testing and is performing an Inflow and Infiltration study. If these new standards are implemented the District believes a major plant upgrade and replacement of transmission lines would place a significant financial burden on the District and the customers. An estimate of this potential cost is currently unknown.

**6. Subsequent Events**

Events occurring subsequent to the statement of net position date have been evaluated for financial statement impact or disclosure through the date the financial statements were available to be issued.

On June 15, 2023, the District was awarded a \$300,000 CWRPDA loan. The loan is issued as a 100% principal forgiveness loan.

**LEADVILLE SANITATION DISTRICT**  
**Schedule of Revenues, Expenses and Changes in Net Position -**  
**Budget (Non - US GAAP Basis) and Actual**  
**For the year ended December 31, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues:</b>			
User & past due fees collected by District	\$ 1,349,889	1,289,210	\$ (60,679)
Other fees for services	19,500	22,067	2,567
Miscellaneous	33,000	58,452	25,452
Unappropriated fund balance	900,000	--	(900,000)
<b>Total operating revenue</b>	<b>2,302,389</b>	<b>1,369,729</b>	<b>(932,660)</b>
<b>Expenditures:</b>			
Personnel costs	526,497	473,355	53,142
Contract services	563,000	482,342	80,658
Utilities	126,750	154,142	(27,392)
Office expenses	75,100	51,799	23,301
Insurance, taxes and fees	247,232	245,271	1,961
Plant operations	217,800	184,685	33,115
Capital outlay	1,200,000	1,306,631	(106,631)
<b>Total expenditures</b>	<b>2,956,379</b>	<b>2,898,225</b>	<b>58,154</b>
<b>Non-Operating Revenues:</b>			
Property tax	199,506	187,402	(12,104)
Specific ownership taxes	10,000	12,159	2,159
Tap fees	359,176	253,593	(105,583)
Interest received	10,000	39,303	29,303
Grant proceeds	200,000	10,000	(190,000)
<b>Total non-operating revenues</b>	<b>778,682</b>	<b>502,457</b>	<b>(276,225)</b>
<b>Net income - non - US GAAP budgetary basis</b>	<b>\$ 124,692</b>	<b>\$ (1,026,039)</b>	<b>\$ (1,267,039)</b>
<b>Adjustments to US GAAP basis:</b>			
Capital outlay - capitalized		1,306,631	
Depreciation expense		(267,858)	
<b>Total adjustments to US GAAP basis</b>		<b>1,038,773</b>	
<b>Net income - US GAAP basis</b>		<b>\$ 12,734</b>	