

**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, 2023 and 2022

**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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Watson Coon Ryan, LLC*

Watson Coon Ryan, LLC  
Centennial, Colorado  
August 28, 2024

**Leadville Sanitation District  
Management's Discussion and Analysis  
Years ended December 31, 2023**

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, 2023. 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 \$9,515,167 (net position). Of this amount, \$3,963,400 (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 \$9,937,397 of this amount \$5,489,767 are capital assets.

Total liabilities for the Leadville Sanitation District are \$285,622. Currently the district does not have any long-term liabilities.

**Overall analysis**

Total assets for the Leadville Sanitation District decreased by \$174,968 between the fiscal years 2022 and 2023. The District provides a fee-based service for collection and treatment of wastewater. On January 1, 2023, the District increased the Services Charges from \$31.00 to \$33.00 per month, per EQR which increased revenue by \$342,568.

Tap Fees revenue is used for capital improvements to the Wastewater Treatment Plant (WWTP). Tap fees increased because of high-density development in Leadville and the surrounding area. The Tap fee in 2023 was \$10,000 per EQR.

Capital assets have increased due to the WWTP improvement project in process in 2023. Costs related to engineering for the improvements have been capitalized and will be depreciated when the project is completed. 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).

The district has been awarded a CDPHE Design and Engineering Grant of \$300,000 and a Tier II Energy/Mineral Impact Assistance Fund Grant (EIAF grant) of \$750,000. The district has also been approved for funding through the State Revolving Funds (SRF) Program for a Loan of \$15,500,000. These funds will be used to make the necessary replacements to the District's infrastructure. The SFR Loan will be awarded in May 2024 and the District will start repayment on August 1, 2024.

**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 2023 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 redirected 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 2023 the TIF reduced the Districts current year’s gross total taxable assessed valuation by \$3,795,889.

**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 \$136,608. The District finds that it is required to temporarily lower the operating mill levy to render a refund of \$147,177, the 2023 valuation for assessment for the District as certified by the Lake County Assessors is \$91,873,246 less the \$3,795,889 TIF.

## **Overview of the Financial Statements**

This discussion and analysis is intended to introduce 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 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**

	<b>2023</b>	<b>2022</b>
<b>ASSETS:</b>		
Curent assets	4,447,630	4,428,879
Capital assets	5,489,767	5,138,404
<b>Total Assets</b>	<b>9,937,397</b>	<b>9,567,283</b>
<b>LIABILITIES:</b>		
Account payables & accrued liabilities	186,102	286,194
Deferred revenue	27,584	25,087
Developers deposits	71,936	110,818
<b>Total current liabilities</b>	<b>285,622</b>	<b>422,099</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unavailable property tax revenue	136,608	125,603
<b>Total deferred inflows of resources</b>	<b>136,608</b>	<b>125,603</b>
<b>NET POSITION:</b>		
Net investment in capital assets	5,489,767	5,138,404
Restricted for Tabor emergency reserve	62,000	51,000
Unrestricted	3,963,400	3,830,177
<b>Total Net Position</b>	<b>9,515,167</b>	<b>9,019,581</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 \$9,515,167 as of December 31, 2023.

During 2023, the District’s net position increased \$495,586. As of December 31, 2023, total capital assets excluding accumulated depreciation are \$10,528,559, which is an increase of \$351,363 from the 2022 amount of \$9,805,279. The change in capital assets primarily relates to the WWTP improvements that began in 2023. Capital assets details can be found on page 13.

During 2023, total liabilities decreased by \$136,477. The decrease in total liabilities is primarily related to the Accounts payable & accrued liabilities decrease of \$100,092 combined with the developer deposits decrease of \$38,882.

During 2023, Net investment in capital assets has remained consistent and is part of the District’s ongoing capital improvements to the collection system.

**Economic Factors and Next Years’s Budget and Rates**

The Leadville Sanitation District owns and operates a Wastewater Treatment Plant (WWTP). In 2023 the WWTP underwent engineering reviews and worked towards finalizing improvement project plans with construction beginning in 2024. The WWTP will be undergoing construction including repairing the headworks building and upgrading various equipment including septage receiving pumps. The aeration basins will be repaired and lined followed by the installation of

new mechanical assemblies. Clarifiers and solids handling equipment processes will be retrofitted or replaced. A new building will be constructed in 2025 to house UV Disinfection, electrical MCC, automation and blower equipment. The district was offered a Tier II Energy/Mineral Impact Assistance Fund Grant (EIAF grant) of \$750,000 to assist with the Leadville Wastewater Treatment Plant Improvement Project and its planning. Additional funding for the project has been secured through a loan from the Colorado Water Pollution Revolving Fund (WPCRF). The project's funding package consists of the WPCR loan, a planning grant, a design and engineering grant, and the EIAF grant, totaling \$18,060,000.

The District has retained Butler Snow, LLP as bond counsel for legal opinion with respect to the authorization and issuance of the WPCR loan agreement. With direction of bond counsel, the district adopted Resolution No. 2023-5 establishing a sanitation activity enterprise on April 12, 2023. The District will have a special election on November 5, 2024 Ballot issue No. 6,

*“SHALL LEADVILLE SANITATION DISTRICT BE AUTHORIZED TO COLLECT, RETAIN, AND SPEND ALL REVENUES AND OTHER FUNDS RECEIVED FROM ALL SOURCES, INCLUDING WITHOUT LIMITATION THE DISTRICT'S EXISTING PROPERTY TAX RATE OF 3.222 MILLS, WHICH RATE SHALL NOT BE INCREASED WITHOUT VOTER APPROVAL, COMMENCING JANUARY 1, 2025 AND CONTINUING THEREAFTER UNTIL REPEALED, TO BE SPENT FOR GENERAL OPERATIONS AND CAPITAL IMPROVEMENTS AS A VOTERAPPROVED REVENUE CHANGE, OFFSET, AND EXCEPTION TO THE LIMITS WHICH WOULD OTHERWISE APPLY UNDER ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION OR ANY OTHER LAW, AND AS A PERMANENT WAIVER OF THE 5.5% LIMITATION UNDER SECTION 29-1-301, C.R.S.?”*

Collection system improvements are currently underway to help reduce Infiltration and Inflow and eliminate a potential source of mercury to the WWTP. In 2022 the district televised sections of the existing sewer system to prioritize critical portions needing rehabilitation and repair. Improvements will include the replacement of ageing or failing manholes and damaged sewer mains. Phase I of this project commenced in 2024 and is being funded with district reserves. Phase II will continue into 2025.

The Leadville Sanitation District will continue to increase user fees and taps fees (EQR) annually to fund critical improvements needed at the Wastewater Treatment Plant (WWTP) and Collection system.

### **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**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,615,620	\$ 3,793,944
Cash and cash equivalents - restricted	62,000	52,000
Certificates of deposit	229,651	227,566
Accounts receivable, net	111,622	177,208
Grants receivable	240,000	-
Prepaid expenses	52,129	52,558
Property taxes receivable	136,608	125,603
<b>Total current assets</b>	<b>4,447,630</b>	<b>4,428,879</b>
<b>Noncurrent assets:</b>		
Capital assets, net of accumulated depreciation	4,923,334	5,117,053
Capital assets, not depreciated	566,433	21,351
<b>Total noncurrent assets</b>	<b>5,489,767</b>	<b>5,138,404</b>
<b>Total assets</b>	<b>\$ 9,937,397</b>	<b>\$ 9,567,283</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	186,102	286,194
Deferred revenue	27,584	25,087
Developer deposits	71,936	110,818
<b>Total current liabilities</b>	<b>285,622</b>	<b>422,099</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable property tax revenue	136,608	125,603
<b>Total deferred inflows of resources</b>	<b>136,608</b>	<b>125,603</b>
<b>Net position:</b>		
Net investment in capital assets	5,489,767	5,138,404
Restricted for Tabor emergency reserve	62,000	52,000
Unrestricted	3,963,400	3,829,177
<b>Total net position</b>	<b>\$ 9,515,167</b>	<b>\$ 9,019,581</b>

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

**LEADVILLE SANITATION DISTRICT**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the years ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Operating Revenue</b>		
Charges for services	\$ 1,712,297	\$ 1,369,729
<b>Operating Expenses</b>		
Personnel costs	491,824	473,355
Contract services	383,153	482,342
Utilities	179,573	154,142
Office expenses	54,899	51,799
Insurance, taxes and fees	192,792	245,271
Plant operations	204,025	184,685
Depreciation	281,917	267,858
<b>Total operating expenses</b>	1,788,183	1,859,452
<b>Net operating loss</b>	(75,886)	(489,723)
<b>Non-operating revenues (expenses):</b>		
Property taxes, net of county collection fees	120,367	187,402
Specific ownership taxes	6,215	12,159
Grant proceeds	240,000	10,000
Interest income	121,399	39,303
<b>Total non-operating revenues</b>	487,981	248,864
<b>Net income before capital contributions</b>		
<b>Capital Contributions</b>		
Tap fees	83,491	253,593
<b>Total capital contributions</b>	83,491	253,593
<b>Change in net position</b>	495,586	12,734
<b>Total net position - beginning of year</b>	9,019,581	9,006,847
<b>Total net position - end of year</b>	\$ 9,515,167	\$ 9,019,581

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

**LEADVILLE SANITATION DISTRICT**  
**Statements of Cash Flows**  
**For the years ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 1,537,883	\$ 1,332,120
Cash paid to suppliers	(1,150,490)	(847,462)
Cash payments to employees for services	(491,824)	(473,355)
<b>Net cash provided (used) by operating activities</b>	<b>(104,431)</b>	<b>11,303</b>
<b>Cash flows from capital financing activities:</b>		
Property tax collections, net of collection fees	120,367	187,402
Specific ownership tax collections	6,215	12,159
Tap fees and grants received	83,491	253,593
Collection of notes receivable	--	21,327
Grant proceeds	240,000	10,000
Cash paid for capital acquisitions	(633,280)	(1,306,631)
<b>Net cash provided (used) by capital financing activities</b>	<b>(183,207)</b>	<b>(822,150)</b>
<b>Cash flows from investing activities:</b>		
Certificates of deposits matured	71,036	70,978
Certificates of deposits purchased	(71,036)	(70,978)
Reinvested interest on certificates of deposit	(2,084)	(1,672)
Interest received	121,399	39,303
<b>Net cash provided by investing activities</b>	<b>119,315</b>	<b>37,631</b>
<b>Net decrease in cash</b>	<b>(168,323)</b>	<b>(773,216)</b>
Cash and restricted cash, beginning of year	3,845,943	4,619,159
<b>Cash and restricted cash, end of year</b>	<b>\$ 3,677,620</b>	<b>\$ 3,845,943</b>
<b>Reconciliation of operating (loss) to net cash provided by operations:</b>		
<b>Net operating income (loss)</b>	<b>\$ (75,886)</b>	<b>\$ (489,723)</b>
<b>Adjustments to reconcile operating (loss) to cash provided by operating activities:</b>		
Depreciation	281,917	267,858
Decrease (increase) in:		
(Increase) decrease in accounts receivables	65,586	(37,609)
(Increase) decrease in grants receivables	(240,000)	--
(Increase) decrease in prepaid expenses	429	(8,602)
Increase (decrease) in accounts payable and accrued liabilities	(136,477)	279,379
<b>Total adjustments</b>	<b>(28,545)</b>	<b>501,026</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (104,431)</b>	<b>\$ 11,303</b>

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

**Leadville Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2023**

**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 2024 – April 2025.

**Leadville Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2023**

**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, 2023 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 2022 were collected in 2023 and taxes certified in 2023 will be collected in 2024. 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.

**Leases and subscription-based IT arrangements.** Under GASB 87 and 96, the District recognizes short-term lease payments as outflows of resources based on the payment provisions of the lease contract.

**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 propriety fund financial statements. In the event of termination, an employee is reimbursed for the accumulated hours up to the maximum amounts. The District accrued \$35,673 in compensated absences as of December 31, 2023 and \$30,044 as of December 31, 2022. 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

**Leadville Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2023**

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.

**Net position.** Net position is classified as net position and may be displayed in three components:

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets." This net position is available for future operations or distributions.

For presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Revenues and 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.

**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.

**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.

**Leadville Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2023**

**Recently issued accounting pronouncements.** GASB Statement No 96 - In May 2020, GASB issued statement No 96, SBITA (Subscription-Based Information Technology Arrangements). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and liabilities for arrangements that previously were classified as intangible 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 subscription leases are financings of the right to use an underlying asset. The provisions in statement 96 are effective for reporting periods beginning after June 15, 2022. The District implemented GASB Statement No. 96, SBITA, in the year ending December 31, 2023. 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, 2023 and 2022, the carrying amount of the District's deposits totaled \$3,677,615 and \$3,845,943 respectively, and the bank balances totaled \$3,696,947 and \$3,975,179 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.

**Leadville Sanitation District  
Notes to the Financial Statements  
December 31, 2023**

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

	<b>2023</b>	<b>2022</b>
COLOTRUST	\$ 1,604,974	\$ 1,523,556
CSAFE	614,072	583,352
Cash deposits	1,458,574	1,739,035
	<b>\$ 3,677,620</b>	<b>\$ 3,845,943</b>

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

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 3,615,620	\$ 3,794,943
Restricted cash	62,000	51,000
	<b>\$ 3,677,620</b>	<b>\$ 3,845,943</b>

**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, 2023 and 2022 of \$62,000 and \$51,000, 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

**Leadville Sanitation District  
Notes to the Financial Statements  
December 31, 2023**

- 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, 2023, the District had the following investments:

	<b>Maturity</b>	<b>Amount</b>
COLOTRUST (at NAV)	Weighted Average Under 60 Days	\$ 1,604,974
CSAFE (at NAV)	Weighted Average Under 60 Days	614,072

**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.

**Leadville Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2023**

**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, 2023 and 2022, 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, 2023 and 2022. The District considers all receivables to be collectible at December 31, 2023 and 2022.

**Forgivable loan.** On June 15, 2023, the District received a \$300,000 loan from CWRPDA. At the loan closing, the Authority forgave the entire principal amount. The Authority will reimburse 80% of the eligible expenses, with the remaining 20% to be reimbursed upon the District's execution of a loan under the Water Pollution Control Revolving Fund to finish the project. Revenue is recognized when eligible costs are incurred. As of December 31, 2023, the District recognized \$240,000 as revenue, the remaining \$60,000 will be recognized when the conditions have been met.

**Changes in capital assets**

The changes in capital assets for the year ended December 31, 2023 are as follows:

	Balance January 1, 2023	Additions	Deletions	Balance December 31, 2023
Capital assets being depreciated				
Sewage Treatment Plant & Equipment	\$ 5,880,836	\$ 88,198	\$ --	\$ 5,969,034
Sewage Collection System	3,993,092	-	--	3,993,092
Total capital assets being depreciated	9,873,928	88,198	--	9,962,126
Accumulated depreciation	(4,756,875)	(281,917)	--	(5,038,792)
Net capital assets	5,117,053	(193,719)	--	4,923,334
Non-depreciated assets:				
Land	21,351	--	--	21,351
Construction in progress	--	545,082	--	545,082
Total non-depreciated assets	21,351	545,082	--	566,433
Total net book value	<u>\$ 5,138,404</u>	<u>\$ (193,719)</u>	<u>\$ --</u>	<u>\$ 5,489,767</u>

**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.

**Leadville Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2023**

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, 2023.

**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 \$16,909 and \$26,179 for 2023 and 2022, respectively.

**Leadville Sanitation District**  
**Notes to the Financial Statements**  
**December 31, 2023**

**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 April 12, 2024, the District received a \$750,000 cost-reimbursable grant.

On May 1, 2024, the District obtained a \$11,972,380 CWRPDA loan. The loan bears interest at 3.287% with semiannual repayments beginning August 2024 and maturing in August 2045.

On May 23, 2024, the District obtained a \$4,500,000 WPCRF loan. \$1,500,000 of the principal will be forgiven upon closing. The loan bears interest at 2% with semiannual repayments beginning November 2024 and maturing in May 2044.

**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, 2023**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues:</b>			
User and past due fees collected by District	\$ 1,458,232	\$ 1,563,433	\$ 105,201
Other fees for services	19,500	22,700	3,200
Miscellaneous	35,000	126,165	91,165
<b>Total operating revenue</b>	<b>1,512,732</b>	<b>1,712,298</b>	<b>199,566</b>
<b>Expenditures:</b>			
Personnel costs	559,648	491,824	67,824
Contract services	628,000	383,153	244,847
Utilities	161,750	179,573	(17,823)
Office expenses	83,500	54,899	28,601
Insurance, taxes and fees	253,177	192,792	60,385
Plant operations	226,500	204,025	22,475
Capital outlay	17,427,000	633,280	16,793,720
<b>Total expenditures</b>	<b>19,339,575</b>	<b>2,139,546</b>	<b>17,200,029</b>
<b>Non-Operating Revenues:</b>			
Loan Proceeds	15,777,000	--	(15,777,000)
Property tax	125,603	120,367	(5,236)
Specific ownership taxes	13,000	6,215	(6,785)
Tap fees	431,427	83,491	(347,936)
Interest received	10,000	121,398	111,398
Grant proceeds	1,050,000	240,000	(810,000)
<b>Total non-operating revenues</b>	<b>17,407,030</b>	<b>571,471</b>	<b>(1,058,559)</b>
<b>Net income - non - US GAAP budgetary basis</b>	<b>\$ (419,813)</b>	<b>\$ 144,223</b>	<b>\$ (18,059,022)</b>
<b>Adjustments to US GAAP basis:</b>			
Capital outlay - capitalized		633,280	
Depreciation expense		(281,917)	
<b>Total adjustments to US GAAP basis</b>		<b>351,363</b>	
<b>Net loss - US GAAP basis</b>		<b>\$ 495,586</b>	