

Palmer Lake Sanitation District

Financial Statements and Supplementary Information
For the Year Ended December 31, 2023



Certified Public Accountants

Palmer Lake Sanitation District

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Palmer Lake Sanitation District

Opinion

We have audited the accompanying financial statements of the business-type activities of Palmer Lake Sanitation District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Palmer Lake Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palmer Lake Sanitation District as of December 31, 2023, and the respective change in financial position and its cash flows 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. 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 Palmer Lake 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

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 Palmer Lake 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.



Certified Public Accountants

Independent Auditor's Report

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 opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Palmer Lake 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 Palmer Lake 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.



Certified Public Accountants

Independent Auditor's Report

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by Governmental Auditing Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which considered 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information provided because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Palmer Lake Sanitation District's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position - Budget to Actual on page 20 additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Olson, Reyes & Sauerwein, LLC
Centennial, Colorado
May 9, 2024

Palmer Lake Sanitation District

Management's Discussion and Analysis

Palmer Lake Sanitation District's (the "District") management discussion and analysis (MD&A) is generally intended to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the District's financial activities, (3) identify changes in the District's financial position (its ability to meet future financial demands and conditions), (4) identify any material deviations from the governmental unit's financial plan (approved budget), and (5) identify individual fund issues or concerns. The MD&A is provided at the beginning of the report to provide an overview of the District's financial position at December 31, 2023, and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the basic financial statements, notes to the financial statements, and required supplementary information.

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

Overview of the Financial Statements

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

The Statement of Net Position presents information on all of the District's assets deferred outflows, liabilities and deferred inflows, 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 Statement of Revenues, Expenses and Changes in Net Position represents information which 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 Statement of Cash Flows reports the District's cash flows from operating, noncapital financing, capital and related financing, and investing activities.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, this report presents certain supplementary information concerning the District's budgetary comparisons presented for additional analysis.

Palmer Lake Sanitation District

Management's Discussion and Analysis

Condensed Statements of Net Position

<i>As of December 31,</i>	2023	2022
Current Assets	\$ 3,817,186	\$ 5,921,537
Capital Assets - Net	5,466,226	4,918,772
Other Assets	39,030	39,030
Investment in Joint Use Facility	2,157,248	2,179,235
Total Assets	\$ 11,479,690	\$ 13,058,574
Current Liabilities	\$ 144,752	\$ 1,772,661
Long-term Liabilities	2,886,319	2,901,857
Total Liabilities	3,031,071	4,674,518
Net Position		
Invested in Capital Assets - Net of Related Debt	2,508,136	4,918,772
Restricted	27,307	27,307
Unrestricted	5,913,176	3,437,977
Total Net Position	8,448,619	8,384,056
Total Liabilities and Net Position	\$ 11,479,690	\$ 13,058,574

The District's total assets declined by approximately \$1.6 million. Starting in 2022, the District was involved in a major sewer line upgrade with a total cost in excess of \$5 million. The upgrade was funded by a \$1.0 million grant and a note payable in the amount of \$3.0 million which were awarded in 2022. At the end of 2022, the District had a \$1.0 million grant receivable and a \$1.1 million note receivable which was established to record the unfunded draws on the note payable. The grant was collected in 2023 and all draws on the note had been received.

Capital assets increased by approximately \$535,000. The District incurred approximately an additional \$723,000 in costs to complete the sewer upgrade in 2023, reduced by depreciation of approximately \$189,000

The District has a 1/3rd ownership in the Tri-Lakes Wastewater Facility which operates as a joint venture under the Amended Joint Use Facilities Agreement dated June 6, 1996. The Facility provides wastewater treatment to the District and two neighboring districts.

The District's liabilities reduced by approximately \$1.7 million from 2022. At the end of 2022, the District had recorded approximately \$1.6 million in construction payables relating to the sewer system upgrade. No construction payables were recorded at the end of 2023 as the construction was complete

The net position may serve over time as a useful indicator of the District's financial position. Net position increased by approximately \$65,000 from 2022.

Palmer Lake Sanitation District

Management's Discussion and Analysis

Condensed Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended December 31,</i>	2023	2022
Operating Revenues	\$ 844,930	\$ 836,455
Operating Expenses	961,712	707,605
Operating Income (Loss)	(116,782)	128,850
Non-Operating Revenues	133,486	965,085
Income Before Capital Contributions	16,704	1,093,935
Capital Contributions - Tap Fees	47,860	84,995
Change in Net Position	\$ 64,564	\$ 1,178,930

Operating revenues of the District were comparable year over year. There were no significant changes in users and no changes in user fees charged. In 2022, the District was awarded a grant from El Paso County in the amount of \$1.0 million which is included in non-operating revenues

Operating expenses of the District increased by approximately \$250,000 in 2023 compared to 2022. This is mostly comprised of depreciation, which increased by approximately \$120,000 in 2023 due to the sewer system upgrade that was placed into service at the start of 2023. The District also incurred approximately \$40,000 of interest on the note payable during 2023. Personnel costs increased approximately \$23,000 and costs incurred for sludge and joint use facility increased approximately \$50,000.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and non-operating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect "funds available". Additionally, the budget includes the separation of the enterprise and government functions within the District.

The total budgeted revenue of the District was greater than actual revenues by approximately \$2.4 million. The District had budgeted for \$500,000 of grant proceeds and \$2 million of loan funding to be received in 2023 for the sewer infrastructure upgrade. Because the upgrade was substantially complete by the end of 2022, most of the loan proceeds and all grant funds were recorded in the District's 2022 financial statements. In preparing the 2023 budget, the District expected it would require \$2 million of loan proceeds to complete the project. Total expenditures were under budget by approximately \$2.0 million. This was also due to the District completing the work relating to the sewer infrastructure improvements in 2022. Included in the 2023 budget was \$2.6 million of capital expenditures and the District's actual expenditures were approximately \$724,000.

Palmer Lake Sanitation District

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets

	2023	2022
Construction in progress	\$ -	\$ 3,547,862
Building and land	383,598	383,598
Sewer system	6,491,201	2,207,393
Equipment and vehicles	106,770	106,770
Total Capital Assets	\$ 6,981,569	\$ 6,245,623
Less: Accumulated Depreciation	1,515,343	1,326,851
Capital Assets - Net	\$ 5,466,226	\$ 4,918,772

The District's investment in capital assets at December 31, 2023 were approximately \$5.5 million (net of accumulated depreciation). This investment in capital assets includes sewer system, the office building and related land costs, equipment and vehicles. In 2023, the District completed substantial improvements to the sewer system to expand the flow capacity. The District incurred approximately \$3.5 million of costs in 2022 and approximately an additional \$480,000 in 2023 to complete the sewer system improvements. Additionally, in 2023, the District incurred approximately \$261,000 of capital expenditures for an emergency replacement of a section of sewer line.

Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Palmer Lake Sanitation District Board of Directors, PO Box 687, Palmer Lake, CO 80133.

Palmer Lake Sanitation District

Statement of Net Position

December 31, 2023

	2023
Current Assets	
Cash and cash equivalents	\$ 3,752,651
Accounts receivable	50,713
Prepaid expenses	13,822
Total Current Assets	3,817,186
Capital Assets	
Sewer system	6,491,201
Land and building	383,598
Equipment and tools	24,727
Office equipment	55,543
Vehicles	26,500
	6,981,569
Less: accumulated depreciation	1,515,343
Capital Assets - Net	5,466,226
Other Non-Current Assets	
Investment in joint use facility	2,157,248
Other noncurrent assets	39,030
Total Other Non-Current Assets	2,196,278
TOTAL ASSETS	\$ 11,479,690
Current Liabilities	
Accounts payable	\$ 36,830
Accrued liabilities	36,151
Notes payable - due within one year	71,771
Total Current Liabilities	144,752
Non-Current Liabilities	
Notes payable - due after one year	2,886,319
Total Liabilities	3,031,071
Net Position	
Invested in capital assets - net of related debt	2,508,136
Restricted	27,307
Unrestricted	5,913,176
Total Net Position	8,448,619
TOTAL LIABILITIES AND NET POSITION	\$ 11,479,690

See Notes to Financial Statements

Palmer Lake Sanitation District

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2023

	2023
Operating Revenues	
User fees	\$ 844,930
Operating Expenses	
Depreciation	188,493
Engineering fees	12,511
Insurance	10,652
Interest	39,309
Office and other expenses	54,685
Payroll taxes and employee benefits	45,233
Professional fees	57,864
Repairs and maintenance	28,975
Salaries	180,615
Sanitary sewer cleaning and video	35,550
Sewage treatment - joint use facility	243,738
Sludge removal	64,087
Total Operating Expenses	961,712
(Loss) From Operations	(116,782)
Non-Operating Revenues	
Interest income	153,343
Other revenue	2,130
(Loss) from investment in joint use facility	(21,987)
Non-Operating Revenues	133,486
Income Before Capital Contributions	16,704
Capital Contributions - Tap Fees	47,860
Change in Net Position	64,564
Net Position - Beginning of Year	8,384,055
NET POSITION - END OF YEAR	\$ 8,448,619

See Notes to Financial Statements

Palmer Lake Sanitation District

Statement of Cash Flows

For the Year Ended December 31, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 853,188
Cash received from grants	1,000,000
Cash payments to suppliers for goods and services	(508,070)
Cash payments to employees for services	(224,182)
Cash paid for interest	(39,309)
Net Cash Flows from Operating Activities	1,081,627
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Other revenue	2,130
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions - sewer tap fees	47,860
Proceeds from note payable	1,091,343
(Payments) on note payable	(41,910)
(Purchase) of capital assets	(2,342,313)
Net Cash Flows From Capital and Related Financing Activities	(1,245,020)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	153,343
Change in Cash and Cash Equivalents	(7,920)
Cash and cash equivalents - beginning of year	3,760,571
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,752,651
Reconciliation of Operating (Loss) to Net Cash From Operating Activities:	
(Loss) from operations	\$ (116,782)
Depreciation	188,493
Changes in Assets and Liabilities	
Accounts receivable	8,258
Grants receivable	1,000,000
Prepaid expenses	(3,172)
Accounts payable	3,164
Accrued liabilities	1,666
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,081,627

See Notes to Financial Statements

Palmer Lake Sanitation District

Notes to the Financial Statements

Note 1 - Significant Accounting Policies

Introduction

The financial statements of the Palmer Lake Sanitation District (the "District") have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

Reporting Entity

The District is a sanitation district established on October 29, 1971 and is governed pursuant to the provisions of the Colorado Special District Act. The District provides public sanitary sewer services to the residents of Palmer Lake, Colorado.

The District follows GASB accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District has no component units and is not financially accountable for any other organizations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The District's fund is classified as a proprietary fund type, specifically an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The District's records are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Palmer Lake Sanitation District

Notes to the Financial Statements

Note 1 - Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and unrestricted resources as they are needed.

Budgets

Budgets are adopted on a non-GAAP basis for the funds. In accordance with the State Budget Law, the District's Board of Directors holds public hearing in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. Encumbrance accounting (open purchase orders and other commitments for the expenditures of funds in future periods) is not used by the District for financial reporting purposes, but is used for budgetary purposes.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from the estimates.

Financial Instruments

The District's financial instruments include cash, investments, receivables, accounts payable, and short-term borrowings. The fair value of these financial instruments approximates their carrying amounts based on current market indicators such as prevailing interest rates and/or their nearness to maturity.

Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables

Accounts receivable consists primarily of sewer user fees which are billed monthly. No provision is made for uncollectible accounts as the District has tax lien authority against the specific properties for collection of amounts due.

Palmer Lake Sanitation District

Notes to the Financial Statements

Note 1 - Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at historical cost. The cost of maintenance and repairs, as well as minor replacements and improvements, is charged against income as incurred. Depreciation is provided on the straight-line basis over the estimated useful life of the property as follows:

Collection System	40 years
Vehicles and Equipment	5 years
Building	40 years

Investment in Joint Use Facility

The District holds a 33.33% interest in the Tri-Lakes Wastewater Facility (TLWWTF) and accounts for its investment in the facility using the equity method.

Capital Contributions from Developers

Developers of new subdivisions within the District are required to construct the necessary sewer lines in accordance with District specifications. The District charges a tap fee for collections in the new subdivisions. The amount of tap fees to be retained by the District is recorded as a capital contribution.

Net Position

The financial statements utilize a net position presentation. Net position is categorized into three components: Invested in capital assets- net of related debt, restricted net position, and unrestricted net position.

- **Invested in Capital Assets-Net of Related Debt.** This component of net position consists of 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.** This component of net position consists of liquid assets which have third-party limitations on their use.
- **Unrestricted Net Position.** This component consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

Subsequent Events

In preparing its financial statements, the District has evaluated subsequent events through May 9, 2024, which is date the financial statements were available to be issued. Management of the District has not identified any material subsequent events that require reporting or disclosure.

Palmer Lake Sanitation District

Notes to the Financial Statements

Note 2 - Cash and Cash Equivalents

At December 31, 2023, the District's cash and cash equivalents consisted of the following:

	2023
Cash on hand	\$ 200
Deposits with financial institutions	967,011
Money market mutual funds	2,785,440
	<hr/> <hr/> \$ 3,752,651

Custodial Credit Risk

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. The statute specifies eligible depositories for public cash deposits, which must be Colorado institutions and must maintain Federal insurance (FDIC) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held-in-trust. The market value of the collateral must be at least equal to the aggregate uninsured deposit. The State Regulatory Commissions for banks and financial services are required by statutes to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2023, none of the District's bank deposits were exposed to credit risk.

Concentration of Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. State statutes do not limit the amount the District may invest in one issuer. The District generally limits its investments to those which are believed to have minimal credit or interest rate risk.

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

- Obligations of the United States and certain U.S. government agency securities.
- Certain internal and agency securities.
- General obligation and revenue bonds of U.S. local government entities.
- 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.

Palmer Lake Sanitation District

Notes to the Financial Statements

Note 2 - Cash and Cash Equivalents (continued)

At December 31, 2023, all of the District has invested \$2,785,440 in the Government Obligations Tax Managed Fund, which is considered a cash equivalent due to the highly liquid nature of the fund. The fund has an Aaa-mf rating per Moody's.

Interest Rate Risk

State statute limits investments in agencies to a maximum five-year maturity and corporate bonds to three years.

Note 3 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2023, were as follows:

	Balance January 1, 2023	Additions	Retirements	Balance December 31, 2023
Sewer system	\$ 5,755,255	\$ 735,946	\$ -	\$ 6,491,201
Building and land	383,598	-	-	383,598
Equipment and tools	24,727	-	-	24,727
Office equipment	55,543	-	-	55,543
Vehicles	26,500	-	-	26,500
	\$ 6,245,623	\$ 735,946	\$ -	\$ 6,981,569
Accumulated Depreciation:				
Sewer system	\$ 1,065,652	\$ 177,099	\$ -	\$ 1,242,751
Equipment and tools	24,727	-	-	24,727
Office equipment	55,353	28	-	55,381
Vehicles	23,406	3,092	-	26,498
Building	157,712	8,274	-	165,986
	\$ 1,326,850	\$ 188,493	\$ -	\$ 1,515,343
Capital Assets, Net	\$ 4,918,773	\$ 547,453	\$ -	\$ 5,466,226

Depreciation expense for the year ended December 31, 2023 was \$188,493.

Palmer Lake Sanitation District

Notes to the Financial Statements

Note 4 - Investment in Joint Use Facility

The District, the Woodmoor Water and Sanitation District #1 (“Woodmoor”), and the Monument Sanitation District (“Monument”) provide wastewater treatment at the Tri-Lakes Wastewater Facility (TLWWTF), which is operated as a joint venture under the Amended Joint Use Agreement dated June 6, 1996. The TLWWTF assets and liabilities are commonly owned by each district in equal, undivided one-third interests. The audited financial statements of the TLWWTF, are available at the treatment facility. TLWWTF manages the facility, as directed by a three-member board of directors, comprised of one director and an alternate appointed from each district.

The District uses the equity method to record its share of joint use facility transactions. At December 31, 2023, the District’s ownership interest in TLWWTF reflected in the statement of net position as investment in joint use facility, was \$2,157,248. The District’s share of the change in net position of TLWWTF for the year ended December 31, 2023, reflected in the statement of revenues, expenses, and changes in net position as (loss) from investment in joint use facility, was \$(21,987).

The following reflects a summary of the financial position and results of operation of TLWWTF, as of and for the year ended December 31, 2023:

	2023
Cash	\$ 120,040
Accounts receivable	89,054
Prepaid expenses	44,457
Capital assets, net of accumulated depreciation	6,607,155
Total Assets	6,860,706
Deferred outflows of resources - related to pensions and OPEB	239,432
Total Assets and Deferred Outflows of Resources	\$ 7,100,138
Accounts payable	\$ 33,675
Compensated absences	86,463
Deposits held	59,172
Net pension and OPEB liability	432,310
Total Liabilities	611,620
Total Net Position	6,471,743
Deferred inflows of resources - related to pensions and OPEB	16,775
Total Liabilities, Net Position and Deferred Inflows of Resources	\$ 7,100,138

Palmer Lake Sanitation District

Notes to the Financial Statements

Note 4 - Investment in Joint Use Facility (continued)

	2023
Operating revenue	\$ 1,542,663
Non-operating income	91,973
Operating (expenses)	(1,700,599)
Change in Net Position	\$ (65,963)

Capital outlays of the joint use facility are assessed equally to each district. Operating expenses for the joint use facility are allocated to the respective districts based on various factors.

Monthly billings from the joint use facility, which cover both operating expenses and other assessments, are expensed by the District. For the year ended December 31, 2023, the District incurred \$307,825 of operating and sludge removal expenses with TLWWTF. As of December 31, 2023, the District owed TLWWTF \$8,700, which is included in accounts payable on the statement of net position.

On October 13, 1998, and December 12, 2006, the District contributed \$10,000 and \$7,000, respectively, to an escrow deposit account with TLWWTF which are included in other non-current assets on the statement of net position.

Note 5 - Note Payable

In March 2022, the District entered into an agreement with the Colorado Water Resources and Power Development Authority (the "Authority") for a revolving loan in the amount of \$3,000,000. The note bears interest at 2.25%, matures on November 1, 2052 and is secured by the net revenues of the District, as defined in the agreement. The loan requires semi-annual payments of \$68,483 through the term of the loan.

The following table summarizes the note payable at December 31, 2023:

	2023
Balance, Note Payable at January 1, 2023	\$ 3,000,000
Payments	(41,910)
Balance, Note Payable at December 31, 2023	2,958,090
Current portion	71,771
Long term portion	\$ 2,886,319

Interest expense was \$39,309 for the year ended December 31, 2023.

Palmer Lake Sanitation District

Notes to the Financial Statements

Note 5 - Note Payable (continued)

The following is a summary of the future maturities for the note payable for the years ending December 31:

	December 31,
2024	\$ 71,771
2025	73,403
2026	75,071
2027	76,778
2028	78,523
Thereafter	2,582,544
	<hr/> <hr/> \$ 2,958,090

Note 6 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation, for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There was no significant reduction in the District's insurance coverage in fiscal 2023.

The District is a member of the Colorado Special Districts Property and Liability Pool (the "Pool"), as of December 31, 2023. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery, and workers' compensation coverage to its members. There have been no claims that have exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials, and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds that 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.

Palmer Lake Sanitation District

Notes to the Financial Statements

Note 7 - Savings Incentive Match Plan

The District provides a Savings Incentive Match Plan for Employees (SIMPLE), an IRA plan under Section 408(p) of the Internal Revenue Code. The District, on an annual basis, matches contributions made by eligible employees to a qualifying account in an amount up to, but not to exceed, three percent of such eligible employees' gross annual compensation. Participation in the plan is optional for all eligible employees. The plan allows eligible employees to defer a portion of their salary until future years. The District's contributions to the plan for the year ending December 31, 2023 were \$4,713.

Note 8 - Commitments and Contingencies

Environmental Protection Agency (EPA)

The EPA has imposed certain requirements for providing sludge removal at the treatment plant owned and operated jointly with Woodmoor Water and Sanitation District #1 and Palmer Lake Sanitation District.

Tax, Spending, and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments. The District operates as a waste water activity pursuant to Title 37, Article 45.1 of the state statutes.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenues in grants from all state and local governments combined, are excluded from the provision of TABOR. The District's management believes its operations qualify for this exclusion. However, TABOR is complex and subject to interpretation. Many of the provisions, including qualification as an enterprise, will require judicial interpretation. Accordingly, the possibility exists that the District's interpretation of certain TABOR provisions may subsequently be determined to be incorrect. This could result in a potential refund of revenue unless voters approve retention of such revenue. The ultimate outcome of these matters cannot presently be determined and no provision for any liability for a refund of revenue is provided for in these financial statements.

TABOR requires local governments to establish Emergency Reserves equal to 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary benefit increase. As of December 31, 2023, the District has restricted net position of \$27,307 as required by Article X, Section 20.

The District believes it is compliance with the provisions of TABOR based upon its interpretation of the Amendment's language. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate "fiscal year spending" limits will require judicial review.

Supplementary Information

Palmer Lake Sanitation District

Schedule of Revenues, Expenses, and Changes in Net Position - Budget to Actual

<i>Year Ended December 31, 2023</i>	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
User fees	\$ 850,000	\$ 844,930	\$ (5,070)
Interest	3,000	153,343	150,343
Other revenue	520,000	2,130	(517,870)
Loan revenue	2,000,000	-	(2,000,000)
Grants	-	-	-
Tap fees	100,000	47,860	(52,140)
Total Revenue	3,473,000	1,048,263	(2,424,737)
Expenditures			
Administrative	197,500	155,751	41,749
Operational - direct costs	233,296	241,848	(8,552)
Maintenance	95,994	67,795	28,199
Sewage treatment plant	324,990	307,825	17,165
Capital expenditures	2,621,220	723,819	1,897,401
Total Expenditures	3,473,000	1,497,038	1,975,962
Revenue Over (Under) Expenditures	-	(448,775)	(448,775)
Increase (Decrease) to Reconcile Budgetary Basis to GAAP Basis			
Capital expenditures		723,819	
Depreciation expense		(188,493)	
(Loss) from joint use facility		(21,987)	
Increase (Decrease) in Net Position		\$ 64,564	