

CHIIPETA WATER DISTRICT

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2023 and 2022

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION.....	8
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION	9
STATEMENT OF CASH FLOWS.....	10
NOTES TO FINANCIAL STATEMENTS	
1. Summary of Significant Accounting Policies.....	11
2. Deposits and Investments.....	13
3. Capital Assets.....	18
4. Leases.....	19
5. Short-term Debt.....	19
6. Commitments.....	19
7. Joint Venture.....	20
8. Spending and Debt Limitations.....	20
9. Risk Management.....	20
10. Prior Period Adjustment.....	21
11. Subsequent Events.....	21
SUPPLEMENTARY INFORMATION - REVENUES AND EXPENDITURES - BUDGET AND ACTUAL.....	22

INDEPENDENT AUDITOR'S REPORT

DONALD R. MORELAND & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chipeta Water District
Montrose, Colorado 81403

Opinion

We have audited the accompanying financial statements of Chipeta Water District, which comprise the statement of net position as of December 31, 2023 and 2022, and the related statements of revenues, expenses and changes in fund net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Chipeta Water District as of December 31, 2023 and 2022, and the results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Chipeta Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Chipeta Water District's ability to continue as a going concern for twelve months from the date of this auditor's report, including any currently known information that may raise substantial doubt shortly thereafter.

Board of Directors
Chipeta Water District
Page Two

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 judgement made by a reasonable user based on these financial statements.

In performing and 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 Chipeta Water 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 Chipeta Water 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 our audit.

Board of Directors
Chipeta Water District
Page Three

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 the Chipeta Water District's financial statements. The supplementary information - revenues and expenditures - budget and actual is presented for purposes of 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 relate 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Donald R. Moreland & Associates, P.C.

Montrose, Colorado
January 24, 2024

MANAGEMENT' S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Chipeta Water District, we offer readers of the Chipeta Water District's financial statements this narrative overview and analysis of the financial activities of the Chipeta Water District for the years ended December 31, 2023 and 2022.

Financial Highlights

- The assets of the Chipeta Water District (also referred to as the District) exceeded its liabilities at December 31, 2023 and 2022 by \$3,576,166 and \$3,433,293, respectively, (net position). Of this amount, \$2,797,311 and \$2,554,096, respectively, (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased (decreased) by \$142,873 and \$133,293 for the years ended December 31, 2023 and 2022, respectively.
- District revenues increased from the prior year for the years ended December 31, 2023 and 2022.
- District expenses remained relatively consistent with the prior year with the exception of increases in employee costs, materials and supplies and professional fees and decreases in bank fees. In 2022, District expenses remained relatively consistent with the prior year with the exception of increases in treated water costs, employee costs and depreciation and decreases in material and supplies.
- A prior period adjustment was made in the 2022 financial statements to reflect the proper treatment of a 2021 service area buyout. The adjustment reduced accounts receivable and net position by \$232,822. The 2022 and 2023 financial statements have been restated for the adjustment.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Chipeta Water District's basic financial statements. The Chipeta Water District's basic financial statements are presented as a special purpose government engaged only in business type activities - providing water utility services.

The *statement of net position* presents information on all of the Chipeta Water District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Chipeta Water District is improving or deteriorating.

The *statement of revenues, expenses and changes in fund net position* presents information showing how the District's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* report the District's cash flows from operating, capital and related financing and investing activities. Also presented are beginning and end of year cash and cash equivalents.

The basic financial statements can be found on pages 8 through 10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 through 21 of the report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the Chipeta Water District's budgetary comparisons for revenues and expenditures. Supplementary information can be found on page 22 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the Chipeta Water District, assets exceeded liabilities by \$3,576,166 and \$3,433,293 respectively at December 31, 2023 and 2022.

Approximately 25 percent of the District's net position reflect its investment in capital assets (e.g., land, buildings, equipment, water tanks and distribution system), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Chipeta Water District Net Position

	<u>2023</u>	<u>2022</u>
Current assets	\$2,798,534	2,564,701
Capital assets	778,855	879,197
Other assets as restated	<u>22,743</u>	<u>19,125</u>
Total assets	<u>3,600,172</u>	<u>3,463,023</u>
Current liabilities	<u>24,006</u>	<u>29,730</u>
Total liabilities	<u>24,006</u>	<u>29,730</u>
Net position:		
Net investment in capital assets	778,855	879,197
Unrestricted as restated	<u>2,797,311</u>	<u>2,554,096</u>
Total net position as restated	<u>\$3,576,166</u>	<u>3,433,293</u>

At the end of the current fiscal year, the Chipeta Water District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

Under the GASB 34 reporting model the audit shows the District's net position increased (decreased) by \$142,873 and \$133,293, respectively, during the fiscal years ended December 31, 2023 and 2022. A large portion of these increases in net position is due to capital contributions - tap fees.

Chipeta Water District Changes in Net Position

	2023	2022
Revenues:		
Operating revenue	\$ 790,993	766,139
Non-operating revenue	108,285	30,614
Total revenues	899,278	796,753
Expenses:		
Operating expenses:		
Administrative and general	529,386	431,552
Water costs	268,677	279,410
Depreciation	117,827	119,295
Total expenses	915,890	830,257
Income (loss) before contributions	(16,612)	(33,504)
Capital contributions - tap fees	142,000	140,000
- tap installations	17,485	26,797
Change in net position	142,873	133,293
Net position - beginning of year	3,433,293	3,532,822
Prior period adjustment		(232,822)
Net position - beginning of year as restated	3,433,293	3,300,000
Net position - end of year as restated	\$3,576,166	3,433,293

In 2023 the District has generally been able to contain expenses with the exception of employee costs, materials and supplies and professional costs.

Budgetary highlights

Changes between actual revenues and budgeted amounts were primarily due to increased water sales, investment income and capital contributions-tap fees.

Changes between actual expenses and budgeted amounts were primarily due to increased materials and supplies and decreased treated water costs and capital outlay.

Capital Asset and Debt Administration

Capital assets. The Chipeta Water District's investment in capital assets as of December 31, 2023 and 2022 amounted to \$778,855 and \$879,197, respectively, (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, water tanks and distribution system.

Major capital asset events during the years ended December 31, 2023 and 2022, included the following:

- Water distribution system additions and purchase of transportation equipment.

Chipeta Water District Capital Assets
(net of depreciation)

	<u>2023</u>	<u>2022</u>
Land and rights-of-way	\$ 94,243	94,243
Buildings	950	1,211
Equipment	30,359	47,275
Water tanks	77,814	84,373
Distribution system	<u>575,489</u>	<u>652,095</u>
Total capital assets	<u>\$ 778,855</u>	<u>879,197</u>

Additional information on the District's capital assets can be found in Note 3 of this report.

Economic Factors and Next Year's Budgets and Rates

- The District will continue to improve the distribution system.

Request for information

This financial report is designed to provide a general overview of the Chipeta Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Chipeta Water District, 14738 6175 Road, Montrose, Colorado, 81403.

FINANCIAL STATEMENTS

CHIPETA WATER DISTRICT
STATEMENT OF NET POSITION
December 31, 2023 and 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,598,605	1,276,644
Certificates of deposit	100,342	1,195,081
Accounts receivable - water (net of allowance for doubtful accounts: 2023-\$139; 2022-\$139)	29,340	23,041
Inventory of supplies	54,519	55,946
Prepaid expenses	15,768	13,989
TOTAL CURRENT ASSETS	<u>2,798,574</u>	<u>2,564,701</u>
<u>CAPITAL ASSETS</u>		
Land and rights-of-way	94,243	94,243
Buildings	121,444	121,444
Equipment	296,144	296,144
Water tanks	680,831	680,831
Distribution system	3,926,153	3,908,668
	<u>5,118,815</u>	<u>5,101,330</u>
Accumulated depreciation	4,339,960	4,222,133
TOTAL CAPITAL ASSETS	<u>778,855</u>	<u>879,197</u>
<u>OTHER ASSETS</u>		
Accounts receivable - service area buyout, as restated	16,845	16,845
Prepaid land leases	5,898	2,280
TOTAL OTHER ASSETS	<u>22,743</u>	<u>19,125</u>
	<u>3,600,172</u>	<u>3,463,023</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	17,581	15,052
Accrued payroll taxes	119	5,900
Accrued costs of compensated absences	6,306	8,778
TOTAL CURRENT LIABILITIES	<u>24,006</u>	<u>29,730</u>
<u>NET POSITION</u>		
Net investment in capital assets	778,855	879,197
Unrestricted as restated	2,797,311	2,554,096
TOTAL NET POSITION AS RESTATED \$	<u><u>3,576,166</u></u>	<u><u>3,433,293</u></u>

See Notes to Financial Statements.

CHIPETA WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUE</u>		
Water sales and charges	\$ 743,465	704,400
Material and labor reimbursements	25,793	37,267
Rental income	15,570	14,723
Miscellaneous	6,165	9,749
TOTAL OPERATING REVENUES	<u>790,993</u>	<u>766,139</u>
<u>OPERATING EXPENSES</u>		
Water costs:		
Treated water	215,996	226,771
Raw water	52,681	52,639
Salaries and wages	241,392	210,798
Payroll taxes	19,226	16,605
Employee insurance	48,661	48,100
Contract services	1,980	1,800
Truck maintenance	3,277	4,436
Gas and oil	7,046	10,972
Materials and supplies	118,700	58,275
Utilities	18,646	17,374
Repairs and maintenance	2,255	8,201
Rent	45	45
Insurance	15,378	13,759
Office	4,543	5,359
Bank fees	7	14,552
Postage	9,526	8,050
Telephone	725	774
Answering service	1,051	1,013
Professional fees	25,972	7,060
Seminars and education	2,431	262
Dues and fees	4,292	1,835
Depreciation	117,827	119,295
Miscellaneous	4,233	2,282
TOTAL OPERATING EXPENSES	<u>915,890</u>	<u>830,257</u>
OPERATING INCOME (LOSS)	<u>(124,897)</u>	<u>(64,118)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment income	108,285	22,114
Gain on sale of equipment		8,500
NET NON-OPERATING REVENUES (EXPENSES)	<u>108,285</u>	<u>30,614</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(16,612)	(33,504)
CAPITAL CONTRIBUTIONS - TAP FEES	142,000	140,000
- TAP INSTALLATIONS	<u>17,485</u>	<u>26,797</u>
CHANGE IN NET POSITION	<u>142,873</u>	<u>133,293</u>
NET POSITION - BEGINNING OF YEAR	3,433,293	3,532,822
PRIOR PERIOD ADJUSTMENT		(232,822)
NET POSITION - BEGINNING OF YEAR - RESTATED	<u>3,433,293</u>	<u>3,300,000</u>
NET POSITION - END OF YEAR - RESTATED	<u>\$ 3,576,166</u>	<u>3,433,293</u>

See Notes to Financial Statements.

CHIPETA WATER DISTRICT

STATEMENT OF CASH FLOWS

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers	\$ 784,694	777,644
Payments to suppliers	(486,562)	(467,842)
Payments to employees	(317,532)	(276,633)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(19,400)</u>	<u>33,169</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition and construction of capital assets		(62,191)
Sale of equipment		8,500
Capital contributions - tap fees	142,000	140,000
Acquisition of prepaid land lease	(3,663)	
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>138,337</u>	<u>86,309</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Redemption of certificates of deposit	1,194,739	1,322,859
Purchase of certificates of deposit	(100,000)	(894,723)
Investment income received	108,285	22,114
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,203,024</u>	<u>450,250</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,321,961	569,728
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,276,644</u>	<u>706,916</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,598,605</u>	<u>1,276,644</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (124,897)	(64,118)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	117,872	119,340
Decrease (Increase) in receivables-water	(6,299)	11,505
Decrease (Increase) in inventory	1,427	(10,667)
Decrease (Increase) in prepaid expenses	(1,779)	(11,287)
Increase (Decrease) in accounts payable	2,529	(10,474)
Increase (Decrease) in accrued payroll taxes	(5,781)	(639)
Increase (Decrease) in accrued costs of compensated absences	(2,472)	(491)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (19,400)</u>	<u>33,169</u>
<u>NONCASH ACTIVITIES:</u>		
Assets acquired through capital contributions	\$ 17,485	26,797

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

CHIPETA WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Chipeta Water District is incorporated as a special district under the laws of the State of Colorado with an elected board of seven directors. The District distributes domestic water within the boundaries of the District, located in the Spring Creek Mesa Area, west of Montrose, Colorado. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the District consist only of the enterprise fund of the District, a stand-alone government. Based on criteria set forth by GASB, there are no component units for which the District is financially accountable.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Proprietary Fund Financial Statements. The proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION

Cash and cash equivalents. The District considers all cash on hand, demand deposits and short-term highly liquid investments with an original maturity of three months or less to be cash equivalents

Inventories. Inventory is stated at the lower of cost or market. Cost is determined by using last invoice cost.

Capital assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. It is the District's policy to capitalize all capital expenditures over \$500 with an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation is calculated using the straight-line method over the estimated useful lives. Capital assets acquired by capital lease are depreciated over the estimated useful lives and are included in depreciation expense. The estimated useful lives are as follows:

Leases	10 - 100 years
Distribution system	10 - 50 years
Water tanks	15 - 50 years
Buildings	10 - 50 years
Equipment	5 - 50 years

Compensated absences. The liability for compensated absences consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Reclassifications. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CHIPETA WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budget.

- a. The District's manager submits a proposed operating budget to the Board and a public hearing is held prior to December for the following calendar year. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to January 1, the budget is enacted by passage of a resolution. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that and grants are budgeted as revenues, principal payments, transfers to reserve funds and capital outlays are budgeted as expenditures, and no provision is made for depreciation or system abandonments. Budgeted expenditures are appropriated in total for the District and the level of control is in total.
- c. The Board of Directors may authorize supplemental appropriations during the year. During 2023 and 2022, no supplemental appropriations were adopted.
- d. Appropriations lapse at the end of each year, and the District Board may adopt supplemental appropriations during the year. The Board may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the District's manager or the revenue estimates must be changed by the District Board when adopting supplemental appropriations.

2 - DEPOSITS AND INVESTMENTS

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The 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 at least equal the aggregate uninsured deposits.

CHIPETA WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy for custodial credit risk which limits bank deposits to PDPA approved depositories. As of December 31, 2023 and 2022 none of the District's bank balances of \$233,698 and \$2,078,389, respectively, were exposed to custodial credit risk as \$233,698 and \$500,000, respectively, was insured and \$1,578,389, as of December 31, 2022, was collateralized by securities pledged by financial institutions.

At December 31, 2023 and 2022, the carrying amount of the District's deposits were presented on the balance sheet as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$2,598,605	1,276,644
Investments included in cash and cash equivalents		
Colotrust	(2,477,356)	(1,063,927)
	<u>\$ 121,249</u>	<u>212,717</u>

Investments

As of December 31, 2023 and 2022, the District had the following investments and maturities:

<u>2023</u>	<u>INVESTMENT MATURITIES (in years)</u>		
		<u>LESS THAN</u>	
<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>1</u>	<u>1-5</u>
Colotrust	<u>\$2,477,356</u>	<u>2,477,356</u>	<u> </u>
	<u>\$2,477,356</u>	<u>2,477,356</u>	<u> </u>
<u>2022</u>	<u>INVESTMENT MATURITIES (in years)</u>		
		<u>LESS THAN</u>	
<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>1</u>	<u>1-5</u>
Colotrust	<u>\$1,063,927</u>	<u>1,063,927</u>	<u> </u>
	<u>\$1,063,927</u>	<u>1,063,927</u>	<u> </u>

As of December 31, 2023 and 2022, the District has invested \$2,477,356 and \$1,063,927 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool.

CHIPETA WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

2 - DEPOSITS AND INVESTMENTS (continued)

The District's investment in COLOTRUST is rated AAAM by S&P. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to operations and investments. Separately issued financial statements may be obtained at the following address:

COLOTRUST
717 17th Street, Suite 1850
Denver, CO 80202
www.colotrust.com

Interest rate risk

The District does not have a formal investment policy that limit investment maturities as means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The District has no policy that would further limit its investment choice. As of December 31, 2023 and 2022 the District's investment in Colotrust, a 2a7-like pool was rated AAAM by Standard & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk

The District places no limit on the amount the District may invest in any one issuer. At December 31, 2023, more than 5 percent of the District's investments were in Colotrust. At December 31, 2023, Colotrust represented 100% of the District's investments.

These investments are presented on the balance sheet as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$2,598,605	1,276,644
Deposits included in cash and cash equivalents	<u>(121,249)</u>	<u>(212,717)</u>
	<u>\$2,477,356</u>	<u>1,063,927</u>

CHIPETA WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

2 - DEPOSITS AND INVESTMENTS (continued)

Fair value measurement

Government Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. According to GASB 72, an investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

The District records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair application guidance and enhances disclosures about fair value measurements.

The District's investments and derivative instruments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure fair value of assets and liabilities as follows.

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with the evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy.

Level 3 - Prices determined using significant unobservable inputs. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

CHIPETA WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

2 - DEPOSITS AND INVESTMENTS (continued)

Fair value measurement (continued)

The following table reflects the fair value of the District's investments and derivative instruments as of December 31, 2023 and 2022:

2023

<u>Assets</u>	<u>Fair Value Measurement Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Colotrust	2,477,356			
Total investments	<u>\$2,477,356</u>			

2022

<u>Assets</u>	<u>Fair Value Measurement Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Colotrust	1,063,927			
Total investments	<u>\$1,063,927</u>			

(A) During the year, the District invested in COLOTRUST, a local government investment pool. The valuation is measured at net asset value and is designed to approximate the share value. The pool's Board of Trustees, elected by the participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards and policies. COLOTRUST is designed to provide local governments with a convenient method for investing in short-term investments carefully chosen to provide maximum safety and liquidity, while still maximizing interest earnings.

CHIPETA WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

3 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2023 and 2022, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
2023				
Capital assets not being depreciated:				
Land and rights-of-way	\$ 94,243			94,243
Capital assets being depreciated:				
Buildings	121,444			121,444
Equipment	296,144			296,144
Water tanks	680,831			680,831
Distribution system	3,908,668	17,485		3,926,153
Total capital assets being depreciated	<u>5,007,087</u>	<u>17,485</u>		<u>5,024,572</u>
Less accumulated depreciation for:				
Buildings	120,233	261		120,494
Equipment	248,869	16,916		265,785
Water tanks	596,458	6,559		603,017
Distribution system	3,256,573	94,091		3,350,664
Total accumulated depreciation	<u>4,222,133</u>	<u>117,827</u>		<u>4,339,960</u>
Total capital assets, net	<u>\$ 879,197</u>	<u>(100,342)</u>		<u>778,855</u>
2022				
Capital assets not being depreciated:				
Land and rights-of-way	\$ 94,243			94,243
Capital assets being depreciated:				
Buildings	121,444			121,444
Equipment	280,107	45,375	29,338	296,144
Water tanks	681,831		1,000	680,831
Distribution system	3,864,056	44,612		3,908,668
Total capital assets being depreciated	<u>4,947,438</u>	<u>89,987</u>	<u>30,338</u>	<u>5,007,087</u>
Less accumulated depreciation for:				
Buildings	119,971	262		120,233
Equipment	262,056	16,151	29,338	248,869
Water tanks	589,899	6,559		596,458
Distribution system	3,160,250	96,323		3,256,573
Total accumulated depreciation	<u>4,132,176</u>	<u>119,295</u>	<u>29,338</u>	<u>4,222,133</u>
Total capital assets, net	<u>\$ 909,505</u>	<u>(29,308)</u>	<u>1,000</u>	<u>879,197</u>

CHIPETA WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

4 - LEASES

The District has leased land for five sites. The terms of these leases are as follows:

Site 1 is leased for a period of 99 years. The total lease payment of \$500 has been paid. The lease expires July 2, 2066.

Site 2 is leased for a period of 100 years. The total lease payment of \$2,000 has been paid. The lease expires January 1, 2074.

Site 3 is leased for a period of 100 years. The total lease payment of \$1,000 has been paid. The lease expires April 15, 2075.

Site 4 is leased for a period of 100 years. The total lease payment of \$10 has been paid. The lease expires April 15, 2076.

Site 5 is leased for a period of 10 years. The total lease payment of \$3,662 has been paid. The lease expires December 31, 2033, renewable.

5 - SHORT-TERM DEBT

The District had no short-term debt during the years ended December 31, 2023 and 2022.

6 - COMMITMENTS

Purchase Commitment

In 1989, the District entered into a contract with the Tri-County Water Conservancy District for the purchase of raw water from the Dallas Creek Water Project as follows:

<u>CALENDAR YEAR</u>	<u>ANNUAL PURCHASE COMMITMENT</u>
2006 - 2049	600 acre feet

The purchase price of the water from the Dallas Creek Water Project is currently \$77.61 per acre foot, with potential costs adjustments at no longer than five year intervals. In addition, the District is obligated to pay a proportionate amount of the project operation, maintenance and replacement costs, which were set at \$8.50, per acre foot for 2023 and 2022, respectively, subject to annual adjustment.

Annual payments of \$51,668, calculated at the above rates, are due on January 15 of each year.

Such annual payments are subject to adjustment as a result of rate adjustments. During the years ended December 31, 2023 and 2022, the District paid \$51,668, respectively, for the water purchases.

CHIPETA WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

7 - JOINT VENTURE

The District is a participant with three municipalities and two water districts in a joint venture to operate the Project 7 Water Authority, a water treatment facility. The Authority is governed by a six member board consisting of an appointed representative from each of the participants. The District is obligated by contract to purchase the treatment of 50 million gallons of water annually from the Authority so long as the Authority has any unpaid debt other than for operating expenses, at rates set by the Authority. The rate for 2023 and 2022 was \$1.45 and \$1.30 per thousand gallons, respectively, which results in a minimum annual purchase commitment of \$72,500 but the rate charged may be changed by action of the Authority.

During the years ended December 31, 2023 and 2022, the District purchased treatment of 149 and 174 million gallons for \$215,997 and \$226,771, respectively. At December 31, 2023 and 2022, the District owed the Authority \$13,730 and \$14,114, respectively. Separate financial statements of Project 7 Water Authority are available from the District or the Authority.

8 - SPENDING AND DEBT LIMITATIONS

The State Constitution, Article X, Section 20, has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Section is complex and subject to judicial interpretation. It is the opinion of management and the District's attorney that the District's water activity is an enterprise within the meaning of Article X, Section 20, and is not subject to the revenue limitations nor required to establish the emergency reserves.

9 - RISK MANAGEMENT

The District is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Such exposure, except for the distribution system, is covered by purchase of commercial insurance, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CHIPETA WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

10 - PRIOR PERIOD ADJUSTMENT

The District identified the following adjustment to be made in the 2022 financial statements to reflect the proper treatment of a 2021 service area buyout:

	DECEMBER 31, 2022		
	<u>AS REPORTED</u>	<u>ADJUSTMENT</u>	<u>AS RESTATED</u>
Accounts receivable- service area buyout	\$ 249,667	(232,822)	16,845
Net position	3,666,115	(232,822)	3,433,293

	DECEMBER 31, 2021		
	<u>AS REPORTED</u>	<u>ADJUSTMENT</u>	<u>AS RESTATED</u>
Net position	\$3,532,822	(232,822)	3,300,000

11 - SUBSEQUENT EVENTS

Subsequent events were evaluated through January 24, 2024 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

CHIEFTA WATER DISTRICT

**SUPPLEMENTARY INFORMATION - REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For the years ended December 31, 2023 and 2022**

	2023		2022		VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL AND FINAL BUDGET	ACTUAL	ORIGINAL AND FINAL BUDGET	ACTUAL	
REVENUES					
Water sales and charges	\$ 715,000	743,465	743,465	704,400	44,400
Material and labor reimbursements	32,000	25,793	(6,207)	37,267	5,267
Investment income	51,000	108,285	57,285	22,114	14,114
Tap fees	42,000	142,000	100,000	140,000	87,500
Rental income	15,500	15,570	70	14,723	(777)
Sale of equipment			-	8,500	8,500
Miscellaneous	5,500	6,165	665	9,749	4,749
TOTAL REVENUES	861,000	1,041,278	180,278	936,753	163,753
EXPENDITURES					
Water costs	302,500	268,677	33,823	279,410	(6,910)
Salaries and wages	252,000	241,392	10,608	210,798	(5,798)
Payroll taxes	16,000	19,226	(3,226)	16,605	(1,905)
Employee insurance	60,900	48,661	12,239	48,100	7,600
Contract services	7,500	1,980	5,520	1,800	10,200
Mileage	200		200		200
Truck maintenance	4,500	3,277	1,223	4,436	(1,936)
Gas and oil	10,000	7,046	2,954	10,972	(2,472)
Materials and supplies	66,500	118,700	(52,200)	58,275	3,225
Utilities	18,800	18,646	154	17,374	(274)
Repairs and maintenance	6,000	2,255	3,745	8,201	4,799
Rent	2,100		2,100		2,100
Insurance	15,700	15,378	322	13,759	1,741
Office	3,500	4,543	(1,043)	5,359	(2,159)
Bank fees	100	7	93	14,552	(14,552)
Postage	8,000	9,526	(1,526)	8,050	(450)
Telephone	800	725	75	774	326
Answering service	1,100	1,051	49	1,013	(38)
Taxes and licenses	5		5		100
Professional fees	10,000	25,972	(15,972)	7,060	3,940
Seminars and education	5,000	2,431	2,569	262	738
Dues and fees	2,500	4,292	(1,792)	1,835	665
Capital outlay	28,000		28,000	62,191	(14,191)
Miscellaneous	2,000	4,233	(2,233)	2,282	(282)
Contingency	100,000		100,000		100,000
TOTAL EXPENDITURES	923,705	798,018	125,687	773,108	84,667
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES \$	(62,705)	243,260	305,965	163,645	248,420
Reconciliation of Excess of Revenues Over (Under) Expenditures to Change in Net Position					
Capitalized expenditures				62,191	
Capitalized assets acquired through capital contributions		17,485		26,797	
Depreciation and amortization		(117,872)		(119,340)	
CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		142,873		133,293	