

Southgate Water District

Annual Financial Report

December 31, 2023 and 2022





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Board of Directors and Management
Southgate Water District

Opinions

We have audited the accompanying financial statements of the business-type activities of Southgate Water District (the District) as of December 31, 2023 and 2022 and for the years then ended and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Southgate Water District, as of December 31, 2023 and 2022 and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Southgate Water 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Southgate Water 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 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, including omissions, 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 Southgate 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 Southgate 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 the audit.

Required Supplementary Information

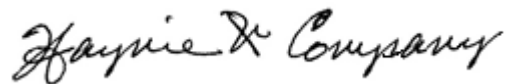
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southgate Water District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information, as listed in the table of contents, 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Sincerely,

A handwritten signature in cursive script that reads "Haynie & Company".

Littleton, Colorado
August 13, 2024

Southgate Water District Management Discussion and Analysis

The Southgate Water District (the "District") offers the readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the Fiscal Year ended December 31, 2023. Please read it in conjunction with the financial statements.

CONTENTS

In addition to this Management Discussion and Analysis this annual report includes:

Independent Auditor's Report

Financial Statements- *The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.*

Statement of Net Position - *The Statement of Net Position provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.*

Statement of Activities- *This statement measures the results of the District's operations over the past year and illustrates the manner in which it has funded its operations and activities. It is the basis for determining profitability and credit worthiness.*

Statement of Cash Flows - *The purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.*

Notes to the Financial Statements explain in more detail much of the information in the financial statements.

Supplementary Information, consisting of:

Budgetary Comparison Schedule - Budgetary Basis Non-GAAP - 2023

Budgetary Comparison Schedule- Budgetary Basis Non-GAAP - 2022

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and Statement of Activities work to answer that question.

A summary of the District's Statement of Net Position is presented in the following table.

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>'22-'23 Change</u>	<u>'22-'23 %</u>
Current Assets	\$ 6,433,298	\$ 18,219,670	\$ 6,305,275	\$ (11,914,395)	-65.39%
Property, Plant & Equipment	43,713,768	46,632,282	65,636,868	19,004,586	40.75%
Noncurrent Assets	<u>24,755,991</u>	<u>8,665,790</u>	<u>783,891</u>	<u>(7,881,899)</u>	<u>-90.95%</u>
Total Assets	74,903,057	73,517,742	72,726,034	(791,708)	-1.08%
Current Liabilities	<u>401,599</u>	<u>137,366</u>	<u>979,967</u>	<u>842,601</u>	<u>613.40%</u>
Total Liabilities	401,599	137,366	979,967	842,601	613.40%
Net Investment in Capital Assets	45,020,200	47,643,327	66,352,525	18,709,198	39.27%
Restricted-TABOR reserve	48,236	57,510	73,731	16,221	28.21%
Unrestricted	<u>29,433,022</u>	<u>25,679,539</u>	<u>5,319,811</u>	<u>(20,359,728)</u>	<u>-79.28%</u>
Total Net Position	<u>\$ 74,501,458</u>	<u>\$ 73,380,376</u>	<u>\$ 71,746,067</u>	<u>\$ (1,634,309)</u>	<u>-2.23%</u>

Current Assets are primarily cash held in investment trusts to cover cash flow needs together with funds to cover capital improvement projects. Property, Plant and Equipment and Net Investment in Capital Assets reflect the rigorous application of the GASB Statement No. 34 standards to the capital asset schedule and to the calculation of depreciation.

A summary of the District's activities and changes in net position is presented below.

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>'22-'23 Change</u>	<u>'22-'23 %</u>
Operating Revenue	\$ 1,832,443	\$ 1,798,997	\$ 2,287,476	\$ 488,479	27.15%
Non-Operating Revenue	<u>73,636</u>	<u>103,055</u>	<u>320,974</u>	<u>217,919</u>	<u>211.46%</u>
Total Revenues	1,906,079	1,902,052	2,608,450	706,398	37.14%
Depreciation Expense	1,844,864	1,848,054	1,962,975	114,921	6.22%
Govt/Admin/Other Operating Expense	<u>1,903,271</u>	<u>2,212,386</u>	<u>2,753,099</u>	<u>540,713</u>	<u>24.44%</u>
Total Expenses	3,748,135	4,060,440	4,716,074	655,634	16.15%
Income/Loss Before Contributions	(1,842,056)	(2,158,388)	(2,107,624)	50,764	-2.35%
Capital Contributions	<u>1,495,855</u>	<u>1,037,306</u>	<u>473,315</u>	<u>(563,991)</u>	<u>-54.37%</u>
	(346,201)	(1,121,082)	(1,634,309)	(513,227)	45.78%
Net Position- Beginning of Year	<u>74,847,659</u>	<u>74,501,458</u>	<u>73,380,376</u>	<u>(1,121,082)</u>	<u>-1.50%</u>
Net Position - End of Year	<u>\$ 74,501,458</u>	<u>\$ 73,380,376</u>	<u>\$ 71,746,067</u>	<u>\$ (1,634,309)</u>	<u>-2.23%</u>

The District funds its activities from interest earnings, new tap sales (included in Capital Contributions), a service charge collected on the District's behalf by the Denver Water Department, and miscellaneous revenues. The District's mill levy was eliminated several years ago. Capital projects are funded by tap fees (included in Capital Contributions) augmented by existing reserve funds.

Operating revenues remained consistent with the prior year. Non-operating revenues decreased and are reflective of an improved economy and an increased pace of new development. Through prudent budgeting and accumulation of operational and capital reserves the District is able to maintain established programs at the optimal level of service.

Governmental and Administration Expense and Other Operating Expense reflect an increase of expenditures, due primarily to increased employee compensation. "Income/Loss before Contributions" reflects the effects of expenditures exceeding revenues; and the need to use fiscal reserves. That situation is expected to recover with time and the overall health of the District remains strong as reflected in the Net Position – End of Year.

As you review the Financial Statements you will note that the District follows Government Accounting Standards Board Statement No. 40 (GASB 40) relative to disclosures of deposit and investment risk on the District's cash and investments. You will find that the District invests under the provisions and restraints of a written Investment Policy and conforms to the requirements of the Colorado Public Deposit Protection Act (PDPA) relative to use of eligible public depositories. While the District limits its investments to the more conservative and higher rated instruments allowed under the Colorado Statutes, there is opportunity for diversification and the investment portfolio has been laddered to take advantage of any up turn in the investment market.

Capital Assets

At the end of 2023, the District had invested \$109.8 million, (less \$44.1 million in accumulated depreciation), in a broad range of infrastructure, including four water reservoirs (with storage capacity of 11 million gallons), one pump station, approximately 235 miles of transmission and distribution lines, maintenance and administration facilities, vehicles, and equipment, as shown in the following table.

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>'22-'23 Change</u>	<u>'22-'23 %</u>
Water System	\$ 71,703,690	\$ 77,801,700	\$ 80,769,340	\$ 2,967,640	3.81%
Pumping & Storage	5,907,943	5,907,943	5,907,943	-	0.00%
Studies	566,677	566,677	566,677	-	0.00%
Capital Equipment	1,590,449	1,631,843	1,682,126	50,283	3.08%
Building & Land	2,041,052	2,041,052	2,041,052	-	0.00%
Water Rights	237,404	237,404	237,404	-	0.00%
Easements	9,240	9,240	9,240	-	0.00%
Construction in Progress	<u>1,998,173</u>	<u>625,337</u>	<u>18,574,975</u>	<u>17,949,638</u>	2870.39%
Subtotal	84,054,628	88,821,196	109,788,757	20,967,561	23.61%
Accumulated Depreciation	<u>(40,340,860)</u>	<u>(42,188,914)</u>	<u>(44,151,889)</u>	<u>(1,962,975)</u>	4.65%
Net Property Plant & Equipment	<u>\$ 43,713,768</u>	<u>\$ 46,632,282</u>	<u>\$ 65,636,868</u>	<u>\$ 19,004,586</u>	40.75%

This table reflects the results of the GASB 34 asset valuation and depreciation efforts. With completion of the pump station and reservoir improvements the capacity related projects set forth in the District's master plan have been fully satisfied. The District's capital focus now shifts to the Yosemite Water line replacement. The annual fluctuation for the large construction project is evident.

With recognition that capital improvements are usually multi-year undertakings, (and that the schedule can be affected by many things), the District budgets for possible maximum expenditure in any given year and re-budgets the unexpended portion, (for in-progress projects), the following fiscal year to continue the capital program.

LONG-TERM DEBT

The District has no long-term debt and does not anticipate a need to issue new debt in the foreseeable future.

BUDGETARY HIGHLIGHTS

As required by State Law, the District adopts a budget and appropriates funds for the following year by December 15 of each year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado. Budget to actual statements are included as Supplemental Information in the audited financial statements. There were no supplemental appropriations made to the 2022 budget. The 2023 budget was amended in February 2024.

The District operates within the context of a 50-year fiscal model. The Board of Directors and Management are attentive and fiscally prudent. The District has been successful in meeting the needs of its constituents within the restraints of the tax and budgetary limitations of Colorado's TABOR Amendment.

The following table presents the District's budget and actual expenditures for 2021, 2022 and 2023:

	2021		2022		2023	
	Budget	Actual	Budget	Actual	Budget	Actual
System Charges	\$ 1,713,051	\$ 560,486	\$ 1,778,114	\$ 1,037,306	\$ 1,138,500	\$ 364,479
Investment Income	360,000	73,636	301,000	103,055	300,000	320,974
Rates and Charges	935,000	1,700,969	500,000	1,744,494	2,336,426	2,276,494
Miscellaneous Income	<u>27,000</u>	<u>131,474</u>	<u>29,000</u>	<u>24,503</u>	<u>29,000</u>	<u>10,982</u>
Total Revenues	\$ 3,035,051	\$ 2,466,565	\$ 2,608,114	\$ 2,909,358	\$ 3,803,926	\$ 2,972,929
Admin & Operations	1,838,300	1,484,067	1,948,300	1,796,258	2,205,640	2,316,096
Professional Services	182,000	123,816	181,000	120,740	157,400	141,615
Capital Outlay	<u>11,150,000</u>	<u>1,777,894</u>	<u>14,300,000</u>	<u>4,766,568</u>	<u>21,050,000</u>	<u>20,858,725</u>
Total Expenditures	13,170,300	3,385,777	16,429,300	6,683,566	23,413,040	23,316,436
Revenues Less Expenditures	<u>\$ (10,135,249)</u>	<u>\$ (919,212)</u>	<u>\$ (13,821,186)</u>	<u>\$ (3,774,208)</u>	<u>\$ (19,609,114)</u>	<u>\$ (20,343,507)</u>

System Charges (tap fees) have been unpredictable in recent years due to the fluctuating market conditions and new construction. These charges were significantly impacted in the current year due to new construction. Investment yields and market valuation are improved (reflective of the overall economy), yet still slightly below anticipated returns. At Rates and Charges, you will observe the service charge collected through the Denver Water Department. It is anticipated that the service charge will increase over coming years. While we had anticipated the need to expend monies from the District's reserves to cover operational expenses and capital improvements in each of the years: 1) 2023 expenditures increased due to the effect new construction had on capital outlay in the current year, 2) in 2023, system charges were significantly impacted by new construction being placed in service, while capital outlay did not reach the budgeted expectation due to the same reason. With recognition that capital improvements are usually multi-year undertakings that can be affected by many factors, the District budgets for possible maximum expenditure in any given year and re-budgets the unexpended portion, (for in-progress projects), the following fiscal year to continue the capital program.

ECONOMIC CONSIDERATIONS

The District is located in the economically attractive southeast corridor of the Denver metropolitan area and has growth potential for some time to come. Most of the District's infrastructure is in place. The District's water resource needs have been met, (through a well drafted water resource agreement with the Denver Water Department and adjudication of ground water as a backup resource).

—
/s/ **David A. Irish,**
District Manager

Note: This Discussion and Analysis contains some forward-looking statements giving our current expectations or forecasts of future events. You can identify these statements by the fact that they do not refer strictly to historical or current facts and include words such as "anticipate", "estimate", "project", "intend", "plan", "believe", "hope", and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future revenues, capital expenditures, the impact of new accounting pronouncements, and other statements regarding matters that are not historical facts or statements of current condition. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. We undertake no obligation (and expressly disclaim any such obligation) to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise; except as required by law.

Requests for Information

This financial report is designed to give its readers a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

David Irish, District Manager
Southgate Water District
3722 East Orchard Road
Centennial, CO 80121

Basic Financial Statements

Southgate Water District
Statements of Net Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 4,614,954	\$11,984,876
Investments (Note 3)	1,336,812	5,656,202
Receivables		
Accounts receivable	196,868	149,415
Interest	10,921	153,184
Prepays	46,673	44,789
Inventory	99,047	231,204
Total current assets	<u>6,305,275</u>	<u>18,219,670</u>
Property, plant and equipment		
Net of accumulated depreciation (Note 4)	<u>65,636,868</u>	<u>46,632,282</u>
Net property, plant and equipment	<u>65,636,868</u>	<u>46,632,282</u>
Noncurrent assets		
Investments (Note 3)	68,234	7,654,745
Investment in participation agreement, net (Note 5)	715,657	1,011,045
Total noncurrent assets	<u>783,891</u>	<u>8,665,790</u>
Total assets	<u><u>\$72,726,034</u></u>	<u><u>\$73,517,742</u></u>
Liabilities and Net Position		
Current liabilities		
Accounts and retainage payable	\$ 913,886	\$ 6,235
Accrued liabilities	59,359	97,694
Due to other government (Note 7)	-	-
Advances from developers	6,722	33,437
Total current liabilities	<u>979,967</u>	<u>137,366</u>
Net Position		
Net Investment in capital assets	66,352,525	47,643,327
Restricted - TABOR reserve (Note 9)	73,731	57,510
Unrestricted	5,319,811	25,679,539
Total net position	<u>71,746,067</u>	<u>73,380,376</u>
Total liabilities and net position	<u><u>\$72,726,034</u></u>	<u><u>\$73,517,742</u></u>

The accompanying notes are an integral part of these financial statements.

Southgate Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Rates and service charges	\$ 2,276,494	\$ 1,774,494
Plan review and inspection fees	8,300	10,170
Other income	2,682	14,333
Total operating revenues	<u>2,287,476</u>	<u>1,798,997</u>
Operating expenses		
Accounting and audit	30,992	31,679
Elections	74	510
Conferences and seminars	28,726	29,932
Directors' fees	5,500	5,200
Employee compensation (Note 7)	952,431	840,767
Insurance	35,424	33,735
Legal	23,650	27,651
Office expense	192,868	143,849
Special projects	8,435	18,942
Engineering	86,973	61,410
Maintenance	1,004,371	627,433
Utilities	85,797	89,123
Small equipment	-	4,297
Ground water protection	2,470	2,470
Depreciation (Note 4)	1,962,975	1,848,054
Amortization (Note 5)	295,388	295,388
Total operating expenses	<u>4,716,074</u>	<u>4,060,440</u>
Operating Income (loss)	<u>(2,428,598)</u>	<u>(2,261,443)</u>
Non-operating revenue		
Investment income	<u>320,974</u>	<u>103,055</u>
Loss Before Contributions	<u>(2,107,624)</u>	<u>(2,158,388)</u>
Capital Contributions (Taps and Conveyed Facilities)	<u>473,315</u>	<u>1,037,306</u>
Change in Net Position	<u>(1,634,309)</u>	<u>(1,121,082)</u>
Net position—beginning of year	<u>73,380,376</u>	<u>74,501,458</u>
Net position—end of year	<u>\$ 71,746,067</u>	<u>\$ 73,380,376</u>

The accompanying notes are an integral part of these financial statements.

Southgate Water District
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Cash received from customers	\$ 2,382,286	\$ 1,678,788
Cash paid to suppliers and others	(505,691)	(1,341,309)
Cash paid to employees for services	<u>(952,431)</u>	<u>(840,767)</u>
Net cash from operating activities	<u>924,164</u>	<u>(503,288)</u>
Cash flows from capital and related financing activities		
Purchases and construction of property and equipment	(20,858,725)	(4,766,568)
Payments to (advances from) developers	(26,715)	(24,073)
Capital contributed—tap fees	<u>364,479</u>	<u>1,037,306</u>
Net cash from capital and related financing activities	<u>(20,520,961)</u>	<u>(3,753,335)</u>
Cash flows from investing activities		
Net sale (purchase) of investments	11,905,901	10,138,611
Interest received in investment securities	<u>320,974</u>	<u>103,055</u>
Net cash from investing activities	<u>12,226,875</u>	<u>10,241,666</u>
Net change in cash and cash equivalents	(7,369,922)	5,985,043
Cash and cash equivalents—beginning of year	<u>11,984,876</u>	<u>5,999,833</u>
Cash and cash equivalents—end of year	<u>\$ 4,614,954</u>	<u>\$ 11,984,876</u>
Reconciliation of operating loss to net cash from operating activities		
Operating income (loss)	\$ (2,428,598)	\$ (2,261,443)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	1,962,975	1,848,054
Amortization	295,388	295,388
Change in accounts receivable	94,810	(120,209)
Change in prepaids	(1,884)	(16,054)
Change in inventory	132,157	(8,864)
Change in accounts payable	907,651	(250,046)
Change in accrued liabilities	<u>(38,335)</u>	<u>9,886</u>
Net cash from operating activities	<u>\$ 924,164</u>	<u>\$ (503,288)</u>
Schedule of noncash investing, capital and financing activities		
Property contributed by developers (Note 4)	<u>\$ 108,836</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Southgate Water District

Notes to Basic Financial Statements

December 31, 2023 and 2022

1. Organization

Organization

Southgate Water District (the District) is a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to develop and provide water transmission, pumping and storage facilities. The water supply is provided by the City and County of Denver. Charges for these services are billed and collected directly from District customers by the City and County of Denver.

2. Significant Accounting Policies

General Accounting Policies

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that 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.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District presents its financial statements as an enterprise fund. Enterprise funds are used to account for operations (a) which are intended to be self-supporting through user charges or (b) where the Board of Directors has determined that periodic determination of net income is appropriate for management control and accountability.

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in net assets. Tap fees, inclusion fees and contributed water lines are recorded as non-operating revenue when the permits are issued, or the services are performed.

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Fund Accounting - The District uses a proprietary fund type, as is required by the State of Colorado, and in accordance with generally accepted accounting principles.

Capital Assets- Capital assets consist of property, plant and equipment and are recorded at cost. Contributions from developers are recorded at the developers' cost or estimated fair market value. It is the District's policy to capitalize capital expenditures which exceed \$5,000.

Depreciation has been charged by the straight-line method using the following estimated useful lives:

Building	25 years
External transmission lines	40 years
Pump stations and storage facilities	40 years
Water lines	40 years
Field and office equipment	3-5 years
Master plan studies	5 years

Property Tax - Property owners within the District have not been assessed property taxes for the years ended December 31, 2023 and 2022.

Budgetary Accounting - In accordance with the Colorado State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year.

The District's Board of Directors can modify the budget within the appropriation. The appropriation resolution may be amended only after completion of notification and publication requirements. The budget for the proprietary fund is prepared on a basis other than the financial reporting basis.

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.

Fair Value - Certain District investments are required to be categorized within the fair value hierarchy. Government investment pools and money market funds are not required to be categorized. The District's investments in government-sponsored enterprises, U.S. Treasuries, and negotiable certificates of deposit are categorized as level 2 investments. Negotiable certificates of deposit are valued using a market value pricing model and U.S. Treasuries and GSEs are priced by a computer pricing service, and for less traded issues, by utilizing a yield-based matrix pricing system.

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Contributed Capital- System charges (tap fees) are recorded as revenue when received. The District, from time to time, requires developers to contract at their expense or pay the cost of certain water distribution facilities. The costs of construction are considered to be contributed capital when conveyed to the District.

Personal Leave Benefits - The District has a policy which allows employees to accumulate personal leave benefits on a monthly basis from the date of employment. Employees may accrue a maximum of 400 hours. (See Note 7, Related Party Transactions)

Inventories- Inventories are valued at the lower of cost or market and consist of expendable supplies.

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The net position amount is also adjusted by any bond issuance premiums and discounts. Net position is reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Operations - Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's ongoing operations. The District's principal operating revenues are charges to customers for sales and services. Operating expenses 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.

Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2023 and 2022

3. Cash Deposits, Marketable Securities and Investments

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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by the statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District had cash balances on deposit with original maturities of less than three months stated at cost, which approximates market, as follows:

December 31, 2023	Carrying	Bank
Composition of cash balances:		
Cash in checking	<u>\$ 532,939</u>	<u>\$1,813,874</u>
 December 31, 2022		
Composition of cash balances:		
Cash in checking	<u>\$ 1,895,761</u>	<u>\$2,054,232</u>

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023 and 2022, the District's bank balance was not exposed to custodial credit risk. Of the bank balances, \$250,000 was covered by federal depository insurance for each of the years ended December 31, 2023 and 2022.

As of December 31, 2023 and 2022, \$1,563,874 and \$1,804,232, respectively, were collateralized by PDPA. Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through PDPA.

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2023 and 2022

3. Cash Deposits, Marketable Securities and Investments (continued)

Investments

Investment policies are governed by Colorado statute and the District's own investment policies. Investments of the District may include the following (certain limitations apply):

- Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- 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 and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from prevailing market interest rates, the District's investment policy states that the weighted average maturity of the portfolio shall be no greater than 2.5 years, and all investments shall have a final maturity not exceeding 5 years from the date of purchase.

Credit Risk - The District's investment policy is to apply the prudent person rule where investments are made as a prudent person would be expected to act. The District's investment policy limits investments in fixed income securities to U.S. Treasury bills, notes and bonds; certificates of deposit; commercial paper; money market mutual funds and local government investment pools. The investment policy limits investments in commercial paper to be rated A-1 by Standard & Poor's, P-1 by Moody's Investors Service or F-1 by Fitch at the time of purchase. Money market mutual funds must be registered as an investment company and have a rating of AAAM by Standard & Poor's, Aaa by Moody's Investors Service or AAAN1+ by Fitch. Investments in time certificates of deposit are not rated and must be in FDIC-insured banks or collateralized in accordance with PDPA.

As of December 31, 2023 and 2022 the District had \$1,405,046 and \$13,310,947, respectively, in U.S. instrumentalities and certificates of deposit. These investments in U.S. Treasuries and U.S. instrumentalities were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The District's investments in certificates of deposit are not rated.

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2023 and 2022

3. Cash Deposits, Marketable Securities and Investments (continued)

Local Government Investment Pools - As of December 31, 2023 and 2022, the District had \$4,082,015 and \$10,089,115, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), 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 offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE. The three portfolios differ in the types of the investments held, but all invest in investments allowed by Colorado statutes for local governments. COLOTRUST PRIME AND COLOTRUST PLUS+ invest in securities with a weighted average maturity of 60 days or less, while COLOTRUST EDGE invests in securities with a weighted average maturity of less than five years. 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. Substantially all securities owned by COLOTRUST 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 COLOTRUST. These pools are not required to be, and are not, registered with the SEC.

COLOTRUST's PRIME and PLUS+ funds are rated AAAM by Standard & Poor's rating service. The COLOTRUST EDGE fund is rated AAAs/S1 by FitchRatings rating service. As of December 31, 2023, all COLOTRUST balances held by the District were invested in COLOTRUST PLUS+. COLOTRUST records its investments at net asset value and the District records its investment in COLOTRUST at fair value. There are no unfunded commitments, the redemption frequency is daily for COLOTRUST PRIME and COLOTRUST PLUS+, and weekly for COLOTRUST EDGE. There is no redemption notice period.

At December 31, 2023, the District had the following investments and maturities:

Investment Type	Maturities			Fair Value	Percent of total investments
	Less than one year	1-3 years	3-5 years		
US Treasury Notes	663,867	-	-	663,867	47%
Municipal Bonds	672,945	68,234	-	741,179	53%
Total	\$ 1,336,812	\$ 68,234	\$ -	\$ 1,405,046	100%

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2023 and 2022

3. Cash Deposits, Marketable Securities and Investments (continued)

At December 31, 2022, the District had the following investments and maturities:

Investment Type	Maturities			Fair Value	Percent of total investments
	Less than one year	1-3 years	3-5 years		
Certificates of Deposit	983,379	2,349,486	-	3,332,865	25%
US Government Agency Bonds	1,678,223	1,199,975		2,878,198	22%
US Treasury Notes	2,994,600	2,906,250		5,900,850	44%
Municipal Bonds	-	1,199,034	-	1,199,034	9%
Total	\$ 5,656,202	\$ 7,654,745	\$ -	\$ 13,310,947	100%

Concentration of Credit Risk - It is the intent of the District to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The District's policy specifies that at least 40% of the investment portfolio shall be in U.S. Treasury obligations. The maximum amount of the District's total portfolio that can be invested in federal instrumentality securities is 60%, commercial paper is 10% and 30% of the total portfolio in any combination of money market mutual funds and local government investment pools.

Investments in time certificates of deposit are allowed with maturities not exceeding five years from the trade date. The District's total portfolio was within these limits for the years ended December 31, 2023 and 2022.

Cash deposits and investments, as reflected on the December 31, 2023 statement of net position, are as follows:

Cash & cash equivalents	\$ 4,614,954
Investments	<u>1,405,046</u>
Total	<u>\$ 6,020,000</u>

Cash deposits and investments, as reflected on the December 31, 2022 statement of net position, are as follows:

Cash & cash equivalents	\$ 11,984,876
Investments	<u>13,310,947</u>
Total	<u>\$ 25,295,823</u>

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2023 and 2022

4. Property, Plant and Equipment

In accordance with the policy established by the Board of Directors, the District capitalizes items with a useful life greater than one year. An analysis of the changes in property and equipment for the year ended December 31, 2023 follows:

	Balance December 31, 2022	Additions	Retirements/ Transfers	Balance December 31, 2023
Capital assets, not being depreciated:				
Land	\$ 70,864	\$ -	\$ -	\$ 70,864
Water rights	237,404	-	-	237,404
Easements	9,240	-	-	9,240
Construction in progress	<u>625,337</u>	<u>17,949,638</u>	<u>-</u>	<u>18,574,975</u>
Total capital assets, not being depreciated	<u>942,845</u>	<u>17,949,638</u>	<u>-</u>	<u>18,892,483</u>
Capital assets, being depreciated:				
Water system	77,801,700	2,967,640	-	80,769,340
Pumping and storage	5,907,943	-	-	5,907,943
Special projects/studies	566,677	-	-	566,677
Capital equipment	1,631,843	50,283	-	1,682,126
Buildings and improvements	<u>1,970,188</u>	<u>-</u>	<u>-</u>	<u>1,970,188</u>
Total capital assets, being depreciated	<u>87,878,351</u>	<u>3,017,923</u>	<u>-</u>	<u>90,896,274</u>
Total capital assets	<u>88,821,196</u>	<u>20,967,561</u>	<u>-</u>	<u>109,788,757</u>
Accumulated depreciation	<u>(42,188,914)</u>	<u>(1,962,975)</u>	<u>-</u>	<u>(44,151,889)</u>
Total capital assets, net	<u>\$ 46,632,282</u>	<u>\$ 19,004,586</u>	<u>\$ -</u>	<u>\$ 65,636,868</u>

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2023 and 2022

4. Property, Plant and Equipment (continued)

A summary of changes in property, plant and equipment for the year ended December 31, 2022 is as follows:

	Balance December 31, 2021	Additions	Retirements/ Transfers	Balance December 31, 2022
Capital assets, not being depreciated:				
Land	\$ 70,864	\$ -	\$ -	\$ 70,864
Water rights	237,404	-	-	237,404
Easements	9,240	-	-	9,240
Construction in progress	<u>1,998,173</u>	<u>-</u>	<u>(1,372,836)</u>	<u>625,337</u>
Total capital assets, not being depreciated	<u>2,315,681</u>	<u>-</u>	<u>(1,372,836)</u>	<u>942,845</u>
Capital assets, being depreciated:				
Water system	71,703,690	6,098,010	-	77,801,700
Pumping and storage	5,907,943	-	-	5,907,943
Special projects/studies	566,677	-	-	566,677
Capital equipment	1,590,449	41,394	-	1,631,843
Buildings and improvements	<u>1,970,188</u>	<u>-</u>	<u>-</u>	<u>1,970,188</u>
Total capital assets, being depreciated	<u>81,738,947</u>	<u>6,139,404</u>	<u>-</u>	<u>87,878,351</u>
Total capital assets	<u>84,054,628</u>	<u>6,139,404</u>	<u>(1,372,836)</u>	<u>88,821,196</u>
Accumulated depreciation	<u>(40,340,860)</u>	<u>(1,848,054)</u>	<u>-</u>	<u>(42,188,914)</u>
Total capital assets, net	<u>\$ 43,713,768</u>	<u>\$ 4,291,350</u>	<u>\$ (1,372,836)</u>	<u>\$ 46,632,282</u>

During 2023, developers contributed \$108,836 for water lines, easements and water rights. During 2022, developers did not contribute any money.

5. Investment in Participation Agreement to Provide Water System Capacity

On January 26, 1982, the District entered into a participation agreement with the Denver Water Board for the construction of transmission, pumping and storage facilities to provide water services to the District. In consideration of the participation charges paid by the District, recorded at a cost of \$11,815,510, the Denver Water Board has reserved a total system capacity capable of supporting 15,740 equivalent 3/4-inch taps.

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2023 and 2022

**5. Investment in Participation Agreement to Provide Water System Capacity
(continued)**

The Denver Water Board controls the availability of taps. Accumulated amortization on the above costs at December 31, 2023 and 2022 is \$11,099,853 and \$10,804,465, respectively. Amortization expense for each of the years ended December 31, 2023 and 2022 is \$295,388.

6. Employee Retirement Benefits

In 1980, the Southgate Sanitation District adopted a defined contribution money purchase pension plan administered by a third-party trustee. The administrator is responsible for establishing plan benefits, contributions and other provisions and for approving all plan amendments. The plan covers all employees of the District who are age 18 and have entered the plan on January 1 following the date of initial employment and other contribution eligibility criteria. The District amended the plan on October 6, 2009, to allow plan entry for employees who are age 18 on the first day of the month following 6 months of employment.

Employees are fully vested after five years of service. The District contributes 7.5% of total employee compensation. There is no employee contribution required. The District's portion of the contribution attributable to 2023 and 2022 salaries was \$53,585 and \$45,179, respectively. There is no liability on the part of the District beyond the annual contribution. (See Note 7, Related Party Transactions)

7. Related Party Transactions

Management and the Board of Directors of both the District and Southgate Sanitation District are not presently identical, although not required to be. One Board Member presently serves the Sanitation District only. The District has an agreement to reimburse Southgate Sanitation District for costs of services provided by Southgate Sanitation District's employees on behalf of the District. These costs include salaries, payroll expenses and employee benefits. For the years ended December 31, 2023 and 2022, reimbursements under the above agreements were \$952,431 and \$840,767, respectively. Related-party accounts payable was \$0 at December 31, 2023 and 2022, respectively.

Southgate Water District

Notes to Basic Financial Statements (continued)

December 31, 2023 and 2022

7. Related Party Transactions (continued)

The District acquired a one-half interest in the building and related office equipment of Southgate Sanitation District under a capital lease which contained a purchase option under which the District purchased an undivided one-half interest in the building and equipment for \$1 at August 15, 1994.

Subsequent to exercising this purchase option, the District entered into a Joint Use Agreement with Southgate Sanitation District which provides for the joint use or right of use to certain assets and property, regardless of how these assets are titled.

8. Risk Management

The District is exposed to various risks of loss related to lawsuits; torts; thefts of, damage to or destruction of assets; errors or omissions; injuries to employees; natural disasters or environmental liabilities due to the nature of its operations. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded the commercial insurance coverage in any of the past three years.

In addition, the District has completed a vulnerability assessment and updated the emergency response plan as required by the Environmental Protection Agency of the United States government.

9. Tax Spending and Debt Limitation

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. Enterprises, defined by TABOR as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

TABOR establishes 1992 as the initial base for spending and revenue limits. Future spending and revenue limits can be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending (excluding bonded debt service). Excess funds within the spending and revenue limits can be reserved for general use and, when spent in subsequent years, are not subject to

Southgate Water District
Notes to Basic Financial Statements (continued)
December 31, 2023 and 2022

9. Tax Spending and Debt Limitation (continued)

the spending limits mentioned above. The District's TABOR reserve at December 31, 2023 and 2022 is \$73,731 and \$57,510, respectively.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing taxes or spending above the limits prescribed above, increasing a mill levy, extending an expiring tax or implementing a tax policy change directly causing a net tax revenue gain to any local government. Multiple fiscal year debt requires voter approval, except for bond refinancing at lower interest rates or adding employees to existing pension plans.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors and qualifications as an Enterprise, will require judicial interpretation.

Supplementary Information

Southgate Water District
Schedule of Revenues and Expenditures with Budget Comparison
For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenue				
System charges	\$ 1,138,500	\$ 1,138,500	\$ 364,479	\$ (774,021)
Investment income	300,000	300,000	320,974	20,974
Rates and service charges	2,336,426	2,336,426	2,276,494	(59,932)
Plan review /inspection	24,000	24,000	8,300	(15,700)
Miscellaneous income	<u>5,000</u>	<u>5,000</u>	<u>2,682</u>	<u>(2,318)</u>
Total revenue	<u>3,803,926</u>	<u>3,803,926</u>	<u>2,972,929</u>	<u>(830,997)</u>
Expenditures				
Operating expenditures and capital outlay				
Accounting and audit	39,000	39,000	30,992	8,008
Elections	100,000	100,000	74	99,926
Conferences and seminars	30,000	30,000	28,726	1,274
Directors' fees	7,500	7,500	5,500	2,000
Employee compensation	1,096,200	1,096,200	952,431	143,769
Insurance	45,000	45,000	35,424	9,576
Legal	32,000	32,000	23,650	8,350
Office expense	50,000	50,000	81,273	(31,273)
Network administrative maintenance	109,240	109,240	64,141	45,099
Software/subscriptions	65,000	65,000	47,454	17,546
Special projects	25,000	25,000	8,435	16,565
Engineering	86,400	86,400	86,973	(573)
Maintenance	500,000	500,000	1,004,371	(504,371)
Utilities	90,200	90,200	85,797	4,403
Small equipment	15,000	15,000	-	15,000
Ground water protection	12,500	12,500	2,470	10,030
Capital outlay	20,050,000	21,050,000	20,858,725	191,275
Easements	10,000	10,000	-	10,000
Contingency	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>22,413,040</u>	<u>23,413,040</u>	<u>23,316,436</u>	<u>96,604</u>
Excess of revenue over expenditures	<u>(18,609,114)</u>	<u>(19,609,114)</u>	<u>\$(20,343,507)</u>	<u>\$ (734,393)</u>
Beginning funds available	<u>28,237,457</u>	<u>28,237,457</u>		
Ending funds available	<u>\$ 9,628,343</u>	<u>\$ 8,628,343</u>		
Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP)				
Excess of revenues over expenditures, budgetary basis			\$(20,343,507)	
Adjustments				
Revenues which are not revenues for budgetary purposes				
Capital contributions			108,836	
Expenses which are not expenditures for budgetary purposes				
Depreciation			(1,962,975)	
Amortization			(295,388)	
Expenditures for budgetary purposes				
Capital outlay			<u>20,858,725</u>	
Change in Net Position (GAAP basis)			<u>\$ (1,634,309)</u>	

Southgate Water District
Schedule of Revenues and Expenditures with Budget Comparison
For the Year Ended December 31, 2022

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenue			
System charges	\$ 1,778,114	\$ 1,037,306	\$ (740,808)
Investment income	301,000	103,055	(197,945)
Rates and service charges	500,000	1,774,494	1,274,494
Plan review /inspection	24,000	10,170	(13,830)
Miscellaneous income	5,000	14,333	9,333
Total revenue	<u>2,608,114</u>	<u>2,939,358</u>	<u>331,244</u>
Expenditures			
Operating expenditures and capital outlay			
Accounting and audit	39,000	31,679	7,321
Elections	100,000	510	99,490
Conferences and seminars	30,000	29,932	68
Directors' fees	9,800	5,200	4,600
Employee compensation	890,000	840,767	49,233
Insurance	45,000	33,735	11,265
Legal	32,000	27,651	4,349
Office expense	50,000	32,254	17,746
Network administrative maintenance	78,000	64,141	13,859
Software/subscriptions	56,000	47,454	8,546
Special projects	20,000	18,942	1,058
Engineering	110,000	61,410	48,590
Maintenance	500,000	627,433	(127,433)
Utilities	82,000	89,123	(7,123)
Small equipment	15,000	4,297	10,703
Ground water protection	12,500	2,470	10,030
Capital outlay	14,300,000	4,766,568	9,533,432
Easements	10,000	-	10,000
Contingency	50,000	-	50,000
Total expenditures	<u>16,429,300</u>	<u>6,683,566</u>	<u>9,745,734</u>
Excess of revenue over expenditures	<u>(13,821,186)</u>	<u>\$ (3,744,208)</u>	<u>\$ 10,076,978</u>
Beginning funds available	<u>30,653,733</u>		
Ending funds available	<u>\$ 16,832,547</u>		
Reconciling difference between budgetary basis and generally accepted accounting principles (GAAP)			
Excess of revenues over expenditures, budgetary basis		\$ (3,744,208)	
Adjustments			
Revenues which are not revenues for budgetary purposes			
Capital contributions		-	
Expenses which are not expenditures for budgetary purposes			
Depreciation		(1,848,054)	
Amortization		(295,388)	
Expenditures for budgetary purposes			
Capital outlay		<u>4,766,568</u>	
Change in Net Position (GAAP basis)		<u>\$ (1,121,082)</u>	