

ACADEMY WATER & SANITATION DISTRICT

FINANCIAL STATEMENTS

WITH

SUPPLEMENTARY INFORMATION

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Academy Water & Sanitation District
Colorado Springs, CO

Opinion

We have audited the accompanying financial statements of Academy Water & Sanitation District's (District), which comprise the statement of net position as of December 31, 2023 and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the business-type activities of the District as of December 31, 2023, and the changes in its revenue, expense, net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Auditors' 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 auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the District's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenses, Budgetary Comparison Schedule – Budget to Actual (Budgetary Basis), and the Debt Service Covenant and Reserve Requirement Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CBIZ CPAs P.C.¹

**Colorado Springs, Colorado
September 12, 2024**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ACADEMY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

Academy Water & Sanitation District (the District) is engaged in providing water and sanitation services for approximately 310 single-family homes near Monument, Colorado. This document provides a management summary of the financial condition, operations, and activities of Academy Water & Sanitation District for the year ended 12/31/2023. This document should be read in conjunction with the financial statements following this management discussion and analysis.

Required Financial Statements

The financial statements included in this report are those of a special-purpose government engaged in a business type activity, providing water and sanitation services. The financial statements of the District report information about the District using accounting methods that are similar to those used by private-sector companies. These statements provide both long and short-term information about the District's overall financial status.

The statement of net position presents information on all the District's assets, liabilities, deferred inflows of resources, and net position. This statement provides information about the nature and the amounts of investments in resources (assets), obligations to District creditors (liabilities), and tax revenue that applies to a future period (deferred inflows of resources).

The statement of revenue, expense, and changes in net position reflect the District's current revenue and expense. This statement measures the success of the District's operation annually. The statement of cash flows is the final required financial statement. This statement reports cash receipts, cash payments, and changes in cash resulting from operations, investing, and both capital and non-capital financing activities.

**ACADEMY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

ANALYSIS OF OVERALL FINANCIAL POSITION AND OPERATIONS

Condensed Statement of Net Position

Assets	2023	2022	Increase (Decrease)
Current Assets	\$ 1,036,538	\$ 738,877	\$ 297,661
Other Assets	125,599	175,969	(50,370)
Property, Plant, and Equipment, Net	2,986,125	3,086,138	(100,013)
Total Assets	\$ 4,148,262	\$ 4,000,984	\$ 147,278
Liabilities			
Current Liabilities	\$ 141,551	\$ 115,733	\$ 25,818
Non-current Liabilities	2,560,307	2,642,709	(82,402)
Total Liabilities	2,701,858	2,758,442	(56,584)
Deferred Inflows of Resources			
Property Tax	40,146	30,373	9,773
Net Position			
Net Investment in Capital Assets	343,417	362,651	(19,234)
TABOR and Restricted Debt Service	125,599	153,003	(27,404)
Unrestricted	937,242	696,515	240,727
Total Net Position	\$ 1,406,258	\$ 1,212,169	\$ 194,089

Restricted net position of the District continues to include a \$15,977 TABOR reserve and a \$109,622 operating and maintenance reserve as required by loan covenants.

Current Assets

Current assets increased due to an increase in cash from the change in financial position.

Property, Plant, and Equipment, Net

Capital assets decreased due to depreciation.

Liabilities

Liabilities decreased due to the loan principal being paid down.

**ACADEMY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

ANALYSIS OF OVERALL FINANCIAL POSITION AND OPERATIONS - Continued

Condensed Statement of Statement of Revenue, Expense, and Change in Net Position

	2023	2022	Net Income Increase (Decrease)
Operating Revenue			
Water, Wastewater, and Other Income	\$ 757,592	\$ 730,369	\$ 27,223
Operating Expense			
Water and Wastewater Expense	340,926	371,616	(30,690)
General and Administrative Expense	97,562	103,874	(6,312)
Depreciation Expense	147,821	148,695	(874)
Total Operating Expense	586,309	624,185	(37,876)
Operating Profit	171,283	106,184	65,099
Non-Operating Revenue (Expense)			
Tax and Other Non-Operating Revenue	77,006	48,322	28,684
Non-Operating Expense	(54,200)	(55,856)	1,656
Total Non-Operating Revenue (Expense)	22,806	(7,534)	30,340
Change in Net Position	194,089	98,650	95,439
Beginning Net Position	1,212,169	1,113,519	98,650
Ending Net Position	\$ 1,406,258	\$ 1,212,169	\$ 194,089

Revenue

Revenue increased due to a combination of increased investment revenue and increased water and sanitation fees due to rate increases effective January 1, 2023 to remain in compliance with loan covenant requirements.

Expenses

Expenses decreased as the district had fewer unplanned repairs than the prior year.

BUDGETARY HIGHLIGHTS

Annual taxes are assessed to cover some of the cost related to District administration. In 2023, tax revenue was \$33,332, which covers a portion of operating expense. The mill levy is 2.937 mills.

In November each year, the budget is presented at a public meeting and approved by the board of directors. The 2023 budget reflects operating income and expense, and debt service on the construction loan. The 2024 budget was presented and approved on November 15, 2023.

**ACADEMY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Property, Plant, and Equipment

	2023	2022	Increase (Decrease)
Land	\$ 21,938	\$ 21,938	\$ -
Plant and Equipment	5,876,412	5,828,603	47,809
Total Property, Plant, and Equipment	5,898,350	5,850,541	47,809
Accumulated Depreciation	(2,912,225)	(2,764,403)	(147,822)
Property, Plant, and Equipment, Net	\$ 2,986,125	\$ 3,086,138	\$ (100,013)

Long-Term Debt

Outstanding debt at 12/31/2023 is a loan payable to Colorado Water Resources and Power Development Authority with \$2,560,307 due Long-Term and \$82,401 due in 2024. It was used to finance construction of the wastewater lift station and connection to the Donala Water and Sanitation District for treatment of wastewater from Academy. This is a 30-year loan with interest at a rate of 2% and matures on November 1, 2048.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is intended to provide users with an overview of Academy Water & Sanitation District's financial operations and conditions. For additional information, please contact Academy Water & Sanitation District, care of Hoover & Associates, 4045 South Nonchalant Circle, Colorado Springs, Colorado 80917-2999.

FINANCIAL STATEMENTS

**ACADEMY WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

ASSETS

Current Assets

Cash and Investments, Unrestricted	\$ 908,733
Cash with County Treasurer	243
Property Tax Receivable	40,146
Trade Accounts Receivable	64,539
Prepaid Insurance	22,877
Total Current Assets	1,036,538

Other Assets

Cash and Investments, Restricted	125,599
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Property, Plant, and Equipment

Land	21,938
Plant and Equipment	5,876,412
Accumulated Depreciation	(2,912,225)
Total Property, Plant, and Equipment, Net	2,986,125

Total Assets	\$ 4,148,262
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LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities

Accounts Payable	\$ 50,101
Payroll Taxes Payable	192
Accrued Interest Payable	8,857
Current Portion - Long-Term Debt	82,401
Total Current Liabilities	141,551

Non-current Liabilities

Loan Payable, Less Current Portion	2,560,307
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Total Liabilities	2,701,858
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Deferred Inflows of Resources

Property Tax Revenue	40,146
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Total Liabilities and Deferred Inflows of Resources	\$ 2,742,004
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NET POSITION

Net Investment in Capital Assets	\$ 343,417
TABOR and Restricted Debt Service	125,599
Unrestricted	937,242
Total Net Position	\$ 1,406,258

See Accompanying Notes to the Financial Statements

**ACADEMY WATER AND SANITATION DISTRICT
STATEMENT OF REVENUE, EXPENSES,
AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2023**

Operating Revenue	
Water & Sewer Service Sales	\$ 757,592
Total Operating Revenue	<u>757,592</u>
 Operating Expense	
Water Operating Expense	191,910
Wastewater Operating Expense	149,016
General and Administrative Expense	97,562
Depreciation Expense	147,821
Total Operating Expense	<u>586,309</u>
Total Operating Profit	<u>171,283</u>
 Non-Operating Revenue (Expense)	
Property Tax	30,161
Specific Ownership Tax	3,171
County Treasurer's Fee	(453)
Interest Income	43,674
Interest Expense	(53,747)
Total Non-Operating Revenue (Expense)	<u>22,806</u>
Change in Net Position	194,089
Net Position, Beginning of Year	<u>1,212,169</u>
Net Position, End of Year	<u>\$ 1,406,258</u>

See Accompanying Notes to the Financial Statements

**ACADEMY WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

Cash Flows from Operating Activities

Cash Received from Customers	\$ 757,053
Cash Payments to Employees for Services	(18,049)
Cash Payments to Suppliers for Goods and Services	(400,487)
Net Cash Provided by Operating Activities	338,517

Cash Flows from Non-Capital Financing Activities

Property and Ownership Taxes	33,351
County Treasurer Fees	(453)
Net Cash Provided by Non-Capital Financing Activities	32,898

Cash Flows from Capital and Related Financing Activities

Principal Payments on Debt	(80,778)
Interest Paid on Debt	(54,069)
Acquisition and Construction of Capital Assets	(47,809)
Net Cash Used by Capital and Related Financing Activities	(182,656)

Cash Flows from Investing Activities

Interest Income	43,674
Net Cash Provided by Investing Activities	43,674

Net Change in Cash	232,433
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Cash

Beginning of Year	801,899
End of Year	\$ 1,034,332

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating Profit	\$ 171,283
Adjustments to Reconcile Operating Profit to Net Cash Provided by Operating Activities	
Noncash Activity	
Depreciation	147,821
Changes in	
Accounts Receivable	(539)
Prepaid Insurance	(4,565)
Accounts Payable and Other Accrued Expenses	24,517
Total Adjustments	167,234
Net Cash Provided by Operating Activities	\$ 338,517

See Accompanying Notes to the Financial Statements

NOTES TO FINANCIAL STATEMENTS

**ACADEMY WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Academy Water & Sanitation District (the District) is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. An elected five-member board of directors governs the District. The District was established to provide water and sanitation services to an area located in El Paso County, Colorado, a few miles north of the City of Colorado Springs, Colorado.

Reporting Entity - Academy Water & Sanitation District is a special purpose governmental entity and reports as a primary government as defined by Statement No. 14 of the Governmental Accounting Standards Board (GASB). The District has determined that it is legally separate and fiscally independent of other state and local governments. The District is not financially accountable for any other entities because the board of directors does not appoint or elect members of any other board of directors and no other organizations are fiscally dependent upon the District. The District does not have the power to impose its will on any other entity and has no financial benefit or burden related to any other organization. The accompanying financial statements, therefore, consist only of funds of the District and do not include financial information for any component units.

Basis of Presentation - Financial Statements – The basic financial statements (i.e. the statement of net position and the statement of revenues, expenses and changes in net position, and the statement of cash flows) report information on all the non-fiduciary activities of the District.

The accounts of the district are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The district accounts for all of its activities in a single proprietary – enterprise fund for its activities which are similar to those found in the private sector, where the determination of changes in net position is necessary or useful to sound financial administration. The business type activities of the District rely significantly upon service charges.

Basis of Accounting - The District prepares its financial statements in accordance with U.S. generally accepted accounting principles (GAAP). 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. The more significant policies used by the District and established in GAAP are discussed below.

Academy Water & Sanitation District organizes its accounts as a proprietary fund. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred.

**ACADEMY WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting (Continued) - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue includes activities that have the characteristics of exchange transactions, ordinarily water and wastewater service fees. Operating expenses relate to the operation, maintenance, and management of the water and wastewater systems. These expenses are intended to be funded by use charges. Non-operating revenue includes earnings on investments and non-exchange transactions such as property taxes and tap fees. Non-operating expenses relate to debt service and tax collection.

Budget Accounting - Budgets are prepared in accordance with the requirements of Colorado Revised Statutes and accordingly include anticipated income and other means of financing proposed expenditures. Expenditures also include, in addition to those shown in the operating statements, debt redemptions, and capital expenditures.

Budgets - The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

1. Budgets are required by State law for all funds. The budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
3. Prior to December 31, the budget is adopted, and appropriations made by formal resolution.
4. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund or changes in project or department budgets. Budget amounts included in the financial statements are based on the final, legally amended budget.
5. Budget appropriations lapse at the end of each year.

Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. Encumbrances are neither recorded on the books of the District nor included in the budget. The Board of Directors has the authority to make budget amendments.

Definition of Cash - The District generally considers deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments – Investments for the District are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment.

**ACADEMY WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments - The District's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Trade Accounts Receivable - The District's trade accounts receivable consists of amounts due from customers for water usage, wastewater usage, and other service-related fees. Management believes that all trade accounts receivable are collectible and no allowance for doubtful accounts is deemed necessary.

Property, Plant, and Equipment – Property, plant, and equipment are reported in the proprietary fund financial statements. Property, plant, and equipment are defined as assets having an estimated life in excess of one year and cost over \$2,000. Such assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital outlays for property, plant, and equipment and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of property, plant, and equipment is included as part of the capitalized value of the assets constructed.

Depreciable capital assets are depreciated using the straight-line method. The estimated useful lives are:

Water and Wastewater Systems	30-50 Years
Equipment	5-20 Years
Vehicles	7-10 Years

Property Taxes Receivable and Deferred Inflow of Resources - Property taxes are levied by December 15 of each year based on the assessed value of property as certified by the El Paso County Assessor. Assessed values are a percentage of actual values.

The taxes levied by December 15, 2023, reflect 2023 property taxes that will be collected in the following year by El Paso County. Taxes collected by El Paso County are remitted to the District on a monthly basis. El Paso County also acts as the billing and collection agency for the District. A lien is attached to the property taxes on January 1 and may be paid in full by April 30 or, in equal installments, by February 28 and June 15.

The District records the tax as a receivable when measurable and an enforceable legal claim attaches to the property. The tax is recognized as a deferred inflow of resources in the year levied and as revenue when the money is received in the following year.

**ACADEMY WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Defined Contribution Benefit Plan - The District adopted a 5304 Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) Plan for the benefit of eligible employees in 2009. According to the SIMPLE IRA Plan requirements, all employees are immediately eligible to participate in the Plan. For the calendar year 2023, the District elected to match each employee's contribution up to a limit of 3% of the employee's compensation for the year. Employer contributions were \$0 for the year ended December 31, 2023.

Estimates - The preparation of financial statements in conformity with GAAP require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimate made in the accompanying financial statements is the useful lives of property, plant, and equipment used to compute depreciation expense. Actual results could differ from those estimates.

Net Position - In the financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This classification consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of capital assets.

Restricted - This classification consists of restrictions created by external creditors, grantors, contributors, laws, or regulations of other governments, enabling legislation and constitutional provisions.

Unrestricted - This classification represents the remainder of net positions that do not meet the definition of "invested in capital assets net of related debt" or "restricted net positions."

In circumstances where an expenditure is incurred, for which amounts are available in multiple net position classifications, net position is reduced in the order restricted and unrestricted.

NOTE 1 – DEPOSITS

Deposits - The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the depository 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 be at least equal to 102% of the uninsured deposits.

Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of bank failure, the District's deposits will not be returned to it. The District does not have a policy related to custodial credit risk. As of December 31, 2023, the District did not have any funds exposed to credit risk.

**ACADEMY WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – DEPOSITS - Continued

At December 31, 2023, cash and investments are classified in the accompanying statement of net position as follows:

Cash and Investments, Unrestricted	\$ 908,733
Cash and Investments, Restricted	125,599
Total Cash and Investments	<u>\$ 1,034,332</u>

Cash and investments as of December 31, 2023 consist of the following:

Deposits with Financial Institutions	\$ 155,745
Investments - ColoTrust	878,587
Total Cash and Investments	<u>\$ 1,034,332</u>

NOTE 2 – INVESTMENTS

The District is subject to the provisions of the Colorado Revised statutes 24-75-601, which is entitled “Concerning Investments in Securities by Public Entities.” The District has not adopted a formal investment policy but does follow state statutes regarding investments.

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

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

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

**ACADEMY WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – INVESTMENTS – Continued

- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The COLOTRUST PLUS+ is rated AAAM by Standard and Poor’s and the weighted average maturity to reset (WAM)(R) is kept under 60 days.

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

Investment	Maturity	Restriction	Amount
COLOTRUST PLUS+	Weighted Average under 60 Days	None	\$ 878,587

Certain investments are required to be measured at fair value on a recurring basis and categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District’s investments are not categorized within the fair value hierarchy. Instead, the District’s investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at year-end for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1 per share. The investment pool financial statements can be obtained at www.colotrust.com.

**ACADEMY WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment activity for the year ended December 31, 2023 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated			
Plant and Equipment	\$ 5,811,591	\$ 44,205	\$ 5,855,796
Vehicles	17,012	-	17,012
Other Fixed Assets	-	3,604	3,604
Total Capital Assets			
Being Depreciated	5,828,603	47,809	5,876,412
Less Accumulated Depreciation	<u>(2,764,404)</u>	<u>(147,821)</u>	<u>(2,912,225)</u>
Net Capital Assets Being			
Depreciated	3,064,199	(100,012)	2,964,187
Land	21,938	-	21,938
Total Capital Assets, Net	<u>\$ 3,086,137</u>	<u>\$ (100,012)</u>	<u>\$ 2,986,125</u>

Depreciation expense for the year was \$147,821.

NOTE 4 – LONG-TERM DEBT

On March 12, 2018, the District entered into a loan agreement with Colorado Water Resources and Power Development Authority (CWRPDA) in the amount of \$3,000,000 to finance the wastewater connection project discussed in Note 9. The loan has a 30-year term, maturing on November 1, 2048, accrues interest at 2%, and is payable semiannually. The loan is to be paid from and is secured by pledged property, which is the net revenue of the District. Loan terms include a rate covenant requiring annual net revenue to cover 110% of debt service and a 3-month maintenance and operating expense reserve. During the year ended December 31, 2023, the District was in compliance with both its rate covenant, achieving net revenue to cover 294% of its debt service. Annual activity on the loan follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 2,723,486	\$ -	\$ (80,778)	\$ 2,642,708	\$ 82,401

The interest expense for 2023 was \$53,747.

**ACADEMY WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – LONG-TERM DEBT – Continued

The following schedule reflects the District’s payments to maturity:

SERIES 2004 BOND			
Year	Payment	Interest	Principal
2024	\$ 789,391	314,735	474,656
2025	625,247	292,223	333,024
2026	625,247	268,078	357,169
2027	625,247	242,184	383,063
2028	625,247	214,411	410,836
2029-2033	3,126,230	579,667	2,546,563
	<u>\$ 6,416,609</u>	<u>\$ 1,911,298</u>	<u>\$ 4,505,311</u>

NOTE 5 – NET POSITION

Net position is reported in three components, as follows:

Net Investment in Capital Assets	\$ 343,417
Restricted	125,599
Unrestricted	937,242
Total Net Position	<u>\$ 1,406,258</u>

Net investment in capital assets consists of capital assets, net of accumulated depreciation and is reduced by borrowings attributable to the acquisitions, construction, or improvement of those assets. As of December 31, 2023, net investment in capital assets is as follows:

Capital Assets, Net of Depreciation	\$ 2,986,125
Debt	2,642,708
Total Net Investment in Capital Assets	<u>\$ 343,417</u>

Restricted net position consists of amounts restricted for loan covenants and Taxpayer’s Bill of Rights (TABOR) compliance. As of December 31, 2023, restricted net position follows:

Operating and Maintenance Reserve	\$ 109,622
TABOR Emergency Reserve	15,977
Total Restricted Net Position	<u>\$ 125,599</u>

Unrestricted net position is the remaining net position not included in either of the other classifications.

**ACADEMY WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – TAX SPENDING AND DEBT LIMITATIONS

In November 1992, Colorado voters approved the TABOR, which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all local governments.

TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District believes it has complied with all aspects of the TABOR amendment and an emergency reserve of \$15,977 has been established.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance.

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The District is subject to numerous statutes and regulations of the State of Colorado, its subdivisions, and the federal government. Some of these statutes and regulations pertain to the District's right or duty to appropriate and use water and to treat and discharge water and wastewater. The District's right to appropriate water may be contingent upon a decree of the water court adjudicating the District's right and ranking such rights as to priority relative to rights of other water users. The District's rights may be junior to various other users. If there are owners of senior priorities, they might, under some circumstances, be able to require the District to cease its pumping of water. The District would then be forced to purchase water rights from other sources to allow it to continue pumping from its wells or to purchase the actual water itself from sources other than its own wells for distribution. The District's inability, if any, to pump and distribute water on a normal basis, would directly affect its future revenues and expenses, as well as property owners in the District.

The District developed a water augmentation plan for which it obtained approval through the District Court for Water, Division No. 2. The water augmentation plan does not require the District to purchase any other water rights and allows the District to continue pumping in the quantities and at the times consistent with its recent historical usage. Augmentation plans are subject to the continuing jurisdiction of the Court, however, and are subject to modification based upon new data. An Application for Finding of Reasonable Diligence with respect to its conditional water rights was filed by the District in 2019, approved by the Court, and the District is required to file another such application in 2026. The District successfully amended the current augmentation plan in 2022, obtaining Court approval for a conditional appropriative right of substitution and exchange of the location where replacement water is delivered under the augmentation plan. Maintenance of this conditional water right requires another filing with the Court in 2028.

**ACADEMY WATER & SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – COMMITMENTS AND CONTINGENCIES – Continued

The District and Donala Water and Sanitation District (Donala) signed an Intergovernmental Service Agreement (IGA) in 2015 to allow the District to convey all of its wastewater to Donala for treatment. Construction of the new wastewater lift station and service connection for that purpose was completed in 2018 and the District no longer operates a wastewater treatment facility. See Note 9.

The District discovered that certain portions of its utility lines or other facilities may not lie within any dedicated or recorded public right of way or easement or within any tract to which it has title or an easement or right of way. The District continues to conduct a thorough survey of its facilities and the public and private records to determine the extent of this matter. The District has received cooperation from various landowners and will continue to obtain necessary easements or grants of title to document its rights as it discovers any lack of recorded easement. The District may use its powers of eminent domain, but that has so far not been necessary.

NOTE 9 – INTERGOVERNMENTAL SERVICE AGREEMENT

The District and neighboring Donala Water and Sanitation District signed an intergovernmental service agreement on December 8, 2015 in order to establish terms and conditions for Donala to provide wastewater management services for conveyance and treatment of the District's wastewater. The District constructed a lift station and wastewater service connection to Donala which was placed in service in 2018. The District owns these assets and will provide the maintenance and repair. The District paid a plant investment fee of \$889,700 to Donala in 2018 which is considered to be a capital contribution to Donala. The District pays monthly user fees to Donala for wastewater service provided for the District's customers. Fees were \$146,072 in 2023. Donala will operate and maintain conveyance facilities in its service areas and maintain adequate capacity for the management and treatment of the District's wastewater under the agreement.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditors' report, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**ACADEMY WATER AND SANITATION DISTRICT
SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2023**

Water Operating Expense

Auto Mileage	\$	3,454
Contract Operations		53,292
Engineering		11,362
Payroll Taxes and Benefits		1,410
Repairs and Maintenance		60,740
Salaries		18,049
Supplies		3,881
Utilities		39,722
Total Water Operating Expense	\$	191,910

Wastewater Operating Expense

Repairs and Maintenance		2,944
Wastewater Usage Fees		146,072
Total Wastewater Operating Expense	\$	149,016

General and Administrative Expense

Accounting, Audit, and Billing	\$	50,953
Director's Fees		4,800
Insurance		20,575
Legal		5,762
Office, Postage, and Miscellaneous		6,916
Telephone		8,556
Total General and Administrative Expense	\$	97,562

ACADEMY WATER AND SANITATION DISTRICT
SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Budgetary Net Position, January 1, 2023	\$ 758,000	\$ 758,000	\$ 894,370	\$ 136,370
Revenue				
Water and Wastewater Service Sales	732,000	732,000	757,592	25,592
Property Taxes	30,000	30,000	30,161	161
Specific Ownership Tax	3,000	3,000	3,171	171
Interest Income	4,000	4,000	43,674	39,674
Miscellaneous Income	300	300	-	(300)
Amounts Available for Appropriation	<u>1,527,300</u>	<u>1,527,300</u>	<u>1,728,968</u>	<u>201,668</u>
Expenditures				
Accounting, Audit, and Billing	51,500	51,500	50,953	547
Auto and Mileage	2,500	2,500	3,454	(954)
Capital Projects-General Construction	224,400	224,400	-	224,400
Contingency	81,000	81,000	-	81,000
County Treasurer's Fees	450	450	453	(3)
Contracted Services	98,800	98,800	53,292	45,508
Director's Fees	8,000	8,000	4,800	3,200
Engineering	25,000	25,000	11,362	13,638
Insurance	22,700	22,700	20,575	2,125
Lab Testing	6,000	6,000	-	6,000
Legal	15,000	15,000	5,762	9,238
Miscellaneous	16,200	16,200	6,916	9,284
Payroll Taxes and Benefits	1,775	1,775	1,410	365
Principal and Interest on Long Term Debt	135,000	135,000	134,847	153
Repairs and Maintenance	130,000	130,000	63,684	66,316
Salaries	22,600	22,600	18,049	4,551
Supplies	20,000	20,000	3,881	16,119
Utilities and Telephone	48,600	48,600	48,278	322
Wastewater Usage Fees	155,000	155,000	146,072	8,928
Total Expenditures	<u>1,064,525</u>	<u>1,064,525</u>	<u>573,788</u>	<u>490,737</u>
Budgetary Net Position December 31, 2023	<u>\$ 462,775</u>	<u>\$ 462,775</u>	<u>\$ 1,155,180</u>	<u>\$ 692,405</u>

See Independent Auditors' Report and Accompanying Notes to Supplementary Information

**ACADEMY WATER AND SANITATION DISTRICT
 SUPPLEMENTARY INFORMATION - DEBT SERVICE COVENANT AND RESERVE
 REQUIREMENT SCHEDULE
 YEAR ENDED DECEMBER 31, 2023**

Gross Revenues	
Water and Sewer Service Sales	\$ 757,592
Tax Revenue	33,332
Interest Income	43,674
Total Gross Revenues	<u>834,598</u>
 Operation and Maintenance Expense	
Operating Expense	586,309
Less: Depreciation	(147,821)
Net Operating Expenses	<u>438,488</u>
 Net Revenues (Pledged Property)	 <u><u>\$ 396,110</u></u>
 Rate Covenant for CWRPDA Loan	
Total Debt Service paid in 2023	134,847
Total Debt Service - Loan Principal and Interest Due in 2024	134,846
110% of 2024 Debt Service	148,331
 Operation and Maintenance Reserve Fund	
Net Operating Expenses	\$ 438,488
3 Month Reserve	25%
3 Month Reserve Requirement	<u>\$ 109,622</u>
 Current Assets	 \$ 1,036,538
Current Liabilities	<u>141,551</u>
Current Assets Less Current Liabilities	<u>\$ 894,987</u>
 Debt Service Reserve Account on Other Debt	 N/A

Academy Water and Sanitation District has no debt other than the 2018 direct loan from the Water Pollution Control Revolving Fund in the original amount of \$3,000,000.

NOTES TO SUPPLEMENTARY INFORMATION

**ACADEMY WATER & SANITATION DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with Local Government Budget Law of Colorado, the District’s board of directors holds public hearings in the fall each year to approve the budget, certify a mill levy, and appropriate funds for the ensuing year. The appropriation is for total expenditures and lapses at year-end. Encumbrance accounting is not used.

The annual budget for Academy Water & Sanitation District is prepared on the budgetary basis of accounting required by the State Law which is a basis of accounting other than U. S. GAAP. The board of directors approves budget transfers and amendments.

The 2023 budget was approved on November 16, 2022 at a public hearing.

NOTE 1 – BUDGETARY DIFFERENCES

The budget of the District is prepared on a basis of accounting other than U.S. GAAP. For 2023, total expenditures on a budgetary basis were \$573,788. Excess resources and revenues over expenditures amount to \$1,155,180. A reconciliation to the increase in net position as determined using U.S. GAAP follows:

Excess Resources and Revenue, Budgetary Basis	\$ 1,155,180
Deduct:	
Beginning Net Position	(894,048)
Depreciation	(147,821)
Add:	
Debt Principal Payment	80,778
Increase in Net Position, GAAP Basis	<u>\$ 194,089</u>