

AVONDALE WATER & SANITATION DISTRICT  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023

AVONDALE WATER & SANITATION DISTRICT

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# HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Avondale Water & Sanitation District  
Avondale, Colorado

### Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Avondale Water & Sanitation District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Avondale Water & Sanitation District 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 and each major fund of the Avondale Water & Sanitation District, as of December 31, 2023, and the respective changes in financial position and cashflows thereof for the year 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 the Avondale Water & Sanitation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### 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 Avondale Water & Sanitation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Avondale Water & Sanitation District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Avondale Water & Sanitation District's ability to continue as a going concern for a reasonable period of time.

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

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Avondale Water & Sanitation District's basic financial statements. The budget schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budget schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the omission of this information



HANCOCK FROESE & COMPANY LLC

Rocky Ford, Colorado  
August 14, 2024

## **BASIC FINANCIAL STATEMENTS**

AVONDALE WATER & SANITATION DISTRICT

WATER AND SEWER UTILITY FUND

STATEMENT OF NET POSITION

DECEMBER 31, 2023

|                                                                         | <u>2023</u>                    |
|-------------------------------------------------------------------------|--------------------------------|
| <b>CURRENT ASSETS</b>                                                   |                                |
| Cash and Cash Equivalents                                               | \$ 441,085                     |
| Investments                                                             | 43,527                         |
| Receivables                                                             |                                |
| Accounts                                                                | 58,290                         |
| Taxes                                                                   | 60,081                         |
| Grant                                                                   | -                              |
| Prepaid Expenses                                                        | <u>2,898</u>                   |
| <br>TOTAL CURRENT ASSETS                                                | <br>605,881                    |
| <br>NET PROPERTY AND EQUIPMENT                                          | <br><u>1,972,022</u>           |
| <br>TOTAL ASSETS                                                        | <br><u><u>\$ 2,577,903</u></u> |
| <br><b>CURRENT LIABILITIES</b>                                          |                                |
| Accounts Payable                                                        | \$ 78,660                      |
| Accrued Payroll and Related Liabilities                                 | 6,990                          |
| Compensated Absences                                                    | 4,867                          |
| Unearned Revenue                                                        | <u>4,600</u>                   |
| <br>TOTAL CURRENT LIABILITIES                                           | <br><u>95,117</u>              |
| <br>DEFERRED INFLOW OF RESOURCES                                        |                                |
| Deferred Property Taxes                                                 | <u>60,081</u>                  |
| <br>NET POSITION                                                        |                                |
| Net Investment in Capital Assets                                        | 1,972,022                      |
| Restricted - Emergency Reserves                                         | 14,000                         |
| Unrestricted                                                            | <u>436,683</u>                 |
| <br>TOTAL NET POSITION                                                  | <br><u>2,422,705</u>           |
| <br>TOTAL LIABILITIES, DEFERRED INFLOW OF<br>RESOURCES AND NET POSITION | <br><u><u>\$ 2,577,903</u></u> |

AVONDALE WATER & SANITATION DISTRICT

WATER AND SEWER UTILITY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2023

|                                            | <u>2023</u>                |
|--------------------------------------------|----------------------------|
| OPERATING REVENUES                         |                            |
| Charges for Services                       | \$ 398,463                 |
| Other Operating Revenue                    | <u>9,971</u>               |
| TOTAL OPERATING REVENUES                   | <u>408,434</u>             |
| OPERATING EXPENSES                         |                            |
| General Operating and Administrative       | 25,290                     |
| Salaries                                   | 181,425                    |
| Payroll Taxes                              | 13,685                     |
| Contract Services                          | 3,341                      |
| Employee Benefits                          | 8,257                      |
| Insurance                                  | 12,781                     |
| Professional Fees                          | 58,792                     |
| Repair and Maintenance                     | 50,663                     |
| Supplies                                   | 11,374                     |
| Utilities                                  | 38,846                     |
| Depreciation                               | <u>71,823</u>              |
| TOTAL OPERATING EXPENSES                   | <u>476,277</u>             |
| OPERATING INCOME (LOSS)                    | <u>(67,843)</u>            |
| NONOPERATING REVENUES (EXPENSES)           |                            |
| Property Taxes - Operations                | 56,658                     |
| Specific Ownership Taxes                   | 5,050                      |
| Interest Income                            | 4,091                      |
| Capital Grants                             | 665,979                    |
| Other                                      | <u>1,600</u>               |
| TOTAL NONOPERATING REVENUES (EXPENSES)     | <u>733,378</u>             |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | 665,535                    |
| CAPITAL CONTRIBUTION                       | <u>8,500</u>               |
| CHANGE IN NET POSITION                     | 674,035                    |
| NET POSITION JANUARY 1                     | <u>1,748,670</u>           |
| NET POSITION DECEMBER 31                   | <u><u>\$ 2,422,705</u></u> |

AVONDALE WATER & SANITATION DISTRICT

WATER AND SEWER UTILITY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

|                                                                                                  | <u>2023</u>              |
|--------------------------------------------------------------------------------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                                                             |                          |
| Cash Received From Customers                                                                     | \$ 411,539               |
| Cash Payments to Employees                                                                       | (198,897)                |
| Cash Payments for Supplies, Goods, Services                                                      | <u>(189,129)</u>         |
| NET CHANGE IN CASH FLOWS FROM OPERATING ACTIVITIES                                               | <u>23,513</u>            |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES                                                 |                          |
| Property and Specific Ownership Taxes                                                            | 61,708                   |
| Other                                                                                            | <u>1,600</u>             |
| NET CHANGE IN CASH FLOWS FROM NON-CAPITAL<br>FINANCING ACTIVITIES                                | <u>63,308</u>            |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES                                         |                          |
| Proceeds from Grants                                                                             | 665,979                  |
| Acquisitions and Construction of Capital Assets                                                  | (659,591)                |
| Capital Contributed                                                                              | <u>8,500</u>             |
| NET CHANGE IN CASH FLOWS FROM CAPITAL AND<br>RELATED FINANCING ACTIVITIES                        | <u>14,888</u>            |
| CASH FLOWS FROM INVESTING ACTIVITIES                                                             |                          |
| Interest on Savings                                                                              | <u>1,681</u>             |
| NET CHANGE IN CASH FLOWS FROM INVESTING ACTIVITIES                                               | <u>1,681</u>             |
| NET CHANGE IN CASH                                                                               | 103,390                  |
| CASH - BEGINNING OF YEAR                                                                         | <u>337,695</u>           |
| CASH - END OF YEAR                                                                               | <u><u>\$ 441,085</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br>PROVIDED BY OPERATING ACTIVITIES        |                          |
| Operating income (Loss)                                                                          | \$ (67,843)              |
| Adjustments to reconcile operating income (loss) to net cash<br>provided by operating activities |                          |
| Depreciation and amortization                                                                    | 71,823                   |
| Change in assets and liabilities                                                                 |                          |
| (Increase) decrease in accounts receivable                                                       | (1,495)                  |
| Increase (decrease) in accounts payable and accruals                                             | 16,428                   |
| Increase (decrease) in unearned revenue                                                          | <u>4,600</u>             |
| NET CHANGE IN CASH FLOWS FROM OPERATING ACTIVITIES                                               | <u><u>\$ 23,513</u></u>  |
| SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES                                                     |                          |
| Equipment Acquisitions in Accounts Payable                                                       | <u><u>\$ 36,912</u></u>  |

## **NOTES TO FINANCIAL STATEMENTS**

## AVONDALE WATER & SANITATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Avondale Water & Sanitation District (the "District") was formed in 1967 as a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water and sanitation services within its jurisdictional boundaries.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District follows all pronouncement issued by the Governmental Accounting Standards Board (GASB) which is the authoritative body. The significant accounting policies are described below:

#### FINANCIAL REPORTING ENTITY

Avondale Water and Sanitation District is a public utility located in Avondale, Colorado and is currently providing water service to approximately 420 taps in Avondale and 115 taps to Orchard Park. Orchard Park is adjacent to the eastern boundary of Avondale. The District is governed by a nonpolitical board of five members. The board has the ability to fix the rates.

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability.

The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

#### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District.

The statement of activities relies, to a significant extent, on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the District are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The District reports the following major proprietary fund:

*Water and Sewer Fund* – Accounts for the activities and operations of the District's water and sanitation utility. Activities of the fund include administration, operation and maintenance, treatment, distribution of the water system, and collection of the sewer system, along with accumulation of resources for the payment of principal and interest on long-term debt, as applicable. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary.

## AVONDALE WATER & SANITATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

The proprietary fund accounts for transactions that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through charges. The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds principal ongoing operations. The principal operating revenues of the fund is charges to customers for sales and service. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establishes standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

##### BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on a cash basis except for accrual of current vendor invoices and utility billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level. For the year ended December 31, 2023, there were no budget violations.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or revised by the District Board.

##### PROPERTY TAXES

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

##### CASH AND CASH EQUIVALENTS

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments held in banks. For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

##### ACCOUNTS RECEIVABLE

The District grants credit terms in the normal course of business to its utility customers. Concentrations of credit risk with respect to accounts receivables which are uncollectible is limited due to customer deposits and account monitoring procedures which are utilized to minimize risk of loss.

# AVONDALE WATER & SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are defined as capital assets with an initial life in excess of two years and an individual cost of \$1,000 or more. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value on the date of donation.

Expenditures for maintenance and repairs are charged to expenses as incurred; expenditures for renewals and betterments are generally capitalized. Gains or losses due to disposal are charged or credited to income.

Depreciation is determined using the straight-line method based on the estimated useful lives of the assets as follows:

|                                  |        |       |
|----------------------------------|--------|-------|
| Buildings, System & Improvements | 5 - 40 | Years |
| Equipment                        | 5 - 30 | Years |

#### DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category.

*Property Taxes* - The item, property taxes levied for subsequent years, arises only under a modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected.

#### NET POSITION

Net position is segregated into three components. The component classifications are defined as follows:

Net investment in capital assets – This amount consists of capital assets, net of accumulated depreciation, reduced by outstanding debt, if applicable, attributed to the acquisition, construction, or improvement of those assets.

Restricted net position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted net position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position”

#### COMPENSATED ABSENCES

It is the District's policy to permit full-time employees to accumulate earned but unused sick leave and personal leave pay benefits. Employees are allowed to accumulate annual and sick pay benefits up to a predetermined maximums and are compensated for these accumulated benefits either through paid time off or at retirement or termination. All leave pay are accrued when incurred.

#### OPERATING REVENUES AND EXPENSES

The District distinguishes between operating and nonoperating revenues in the statement of revenues, expenses and changes in net assets. For this purpose, revenues for charges to water and sanitation customers are reported as operating revenues, while operating expenses principally include the associated costs of generating these revenues. Nonoperating revenues generally include property taxes, interest and other revenue not originating from charges to customers.

# AVONDALE WATER & SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ESTIMATES

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

### NOTE -2 DEPOSITS AND INVESTMENTS

#### DEPOSITS:

##### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023, the carrying value of cash deposits was \$441,085 and the bank balance was \$564,182 of which \$250,000 was covered by federal deposit insurance and the remaining balance was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

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 PDPA. PDPA allows the institution to create a single 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.

#### INVESTMENTS:

In accordance with generally accepted accounting principles, the District records certain investments at fair value with any unrealized gain or loss being included as part of investment earnings. As of December 31, 2023, the District held the following investments:

|           |           |
|-----------|-----------|
| ColoTrust | \$ 43,527 |
|-----------|-----------|

ColoTrust - During the year, the District invested in ColoTrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The state Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as the safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of December 31, 2023, the District had invested \$43,527 in COLOTRUST PRIME, an SEC Rule 2a7-like investment pool. Investments are valued at the net asset value (NAV) of \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments.

At year-end, the District had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in years)</u> |              |             |
|------------------------|-------------------|-----------------------------------------|--------------|-------------|
|                        |                   | <u>Less than 1</u>                      | <u>1 - 5</u> | <u>6-10</u> |
| State investment pool  | \$ 43,527         | \$ 43,527                               | \$ -         | \$ -        |

The District's investments in ColoTrust and money market funds are measured at net asset value. These investments are not subject to the fair value hierarchy. ColoTrust issues a publicly available annual financial report that includes the assets of the District. That report may be obtained at the ColoTrust website [www.colotrust.com](http://www.colotrust.com).

AVONDALE WATER & SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE -2 DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 limits investment maturities to five years or less without governing board approval. This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers' acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed insurance contracts and U.S. dollar-denominated corporate or bank debt.

Credit Risk - State law limits investments for local governments to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institution have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

NOTE -3 ACCOUNTS RECEIVABLE

Accounts receivable balance at December 31, 2023 was comprised of the following:

The carrying amount is reflected in the accompanying financial statements as follows:

|                                       |                  |
|---------------------------------------|------------------|
| Water and Sewer Charges               | \$ 62,490        |
| Less: Allowance for Doubtful Accounts | <u>(4,200)</u>   |
| Net Accounts Receivable               | <u>\$ 58,290</u> |

NOTE -4 CAPITAL ASSETS

Capital assets consist of the following:

|                                       | Balances<br>January 1,<br>2023 | Additions         | Deletions   | Balances<br>December 31,<br>2023 |
|---------------------------------------|--------------------------------|-------------------|-------------|----------------------------------|
| Capital assets not being depreciated: |                                |                   |             |                                  |
| Land                                  | \$ 51,641                      | \$ -              | \$ -        | \$ 51,641                        |
| Water Rights                          | 72,154                         | -                 | -           | 72,154                           |
| Construction in Process               | <u>-</u>                       | <u>36,912</u>     | <u>-</u>    | <u>36,912</u>                    |
| Total                                 | <u>123,795</u>                 | <u>36,912</u>     | <u>-</u>    | <u>160,707</u>                   |
| Capital assets being depreciated:     |                                |                   |             |                                  |
| Buildings, Systems & Improvements     | 3,105,166                      | 659,591           | -           | 3,764,757                        |
| Equipment                             | <u>655,014</u>                 | <u>-</u>          | <u>-</u>    | <u>655,014</u>                   |
| Total                                 | <u>3,760,180</u>               | <u>659,591</u>    | <u>-</u>    | <u>4,419,771</u>                 |
| Less Accumulated Depreciation         | <u>(2,536,633)</u>             | <u>(71,823)</u>   | <u>-</u>    | <u>(2,608,456)</u>               |
| Net Capital Assets                    | <u>\$ 1,347,342</u>            | <u>\$ 624,680</u> | <u>\$ -</u> | <u>\$ 1,972,022</u>              |

## AVONDALE WATER & SANITATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE -5 PENSION PLAN

Plan Description - The District entered into a pension plan under I.R.C. Sec. 457, otherwise referred to as a deferred compensation plan, whereby the District will match contributions up to 3% of its full-time employee's wages. The District is the trustee of the plan and has the duty of due care that would be required of an ordinary prudent investor, but has no liability for losses under the plan. The Plan is administered by Invesco.

Funding Policy - In a deferred compensation plan, the District agrees to pay deferred funds, plus any investment earnings, to eligible employees at a specified time. The plan requires that the District match employee contributions up to 3% of the employees' annual compensation. The District's contributions to the plan in 2023 were \$1,666.

#### NOTE -6 TAX, SPENDING, AND DEBT LIMITATION

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. The District has created a Water and Sewer statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution. The District has established an emergency reserve of \$14,000 as of December 31, 2023 to comply with Article X, Section 20 of the Colorado Constitution.

#### NOTE -7 COMMITMENT

##### Orchard Park Water Users Association – Extraterritorial Water Agreement

The District entered into an agreement with Orchard Park Water Users Association (Association) on August 1, 1996, in which the District shall lease to the Association treated water for up to one hundred 5/8" by 3/4" domestic taps. The District will provide routine maintenance for the water lines and related parts of the Distribution System, as necessary, and will contract for the electricity necessary to deliver water pursuant to the Agreement. The District shall also provide routine maintenance for lines, pumps, chlorine facilities and tanks which supply water from the existing District wells to the Distribution System.

The District will bill the Association customers at a rate that is 1 ½ times District's then current rates for customers within District's boundaries, plus such amount as Association designates for the Rural Utility Service debt service, and the required Rural Utility Service reserve. The term of the Agreement shall be for a period of forty years commencing as of the completion of the Distribution System by the Association.

#### NOTE -8 SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

## **SUPPLEMENTARY INFORMATION**

AVONDALE WATER & SANITATION DISTRICT

WATER AND SEWER UTILITY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2023

|                                                                             | BUDGET AMOUNTS      |                     |                     | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|-----------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------------------------------------------|
|                                                                             | ORIGINAL            | FINAL               | ACTUAL              |                                                         |
| REVENUES                                                                    |                     |                     |                     |                                                         |
| Charges for Services                                                        | \$ 358,000          | \$ 358,000          | \$ 398,463          | \$ 40,463                                               |
| Other Operating Revenue                                                     | 6,200               | 6,200               | 9,971               | 3,771                                                   |
| Property Taxes - Operations                                                 | 56,831              | 56,831              | 56,658              | (173)                                                   |
| Specific Ownership Taxes                                                    | 5,000               | 5,000               | 5,050               | 50                                                      |
| Interest income                                                             | 350                 | 350                 | 4,091               | 3,741                                                   |
| Grants                                                                      | 2,566,090           | 2,566,090           | 665,979             | (1,900,111)                                             |
| Other                                                                       | 5,200               | 5,200               | 1,600               | (3,600)                                                 |
| TOTAL REVENUES                                                              | 2,997,671           | 2,997,671           | 1,141,812           | (1,855,859)                                             |
| EXPENDITURES                                                                |                     |                     |                     |                                                         |
| General Operating and Administrative                                        | 39,115              | 39,115              | 25,290              | 13,825                                                  |
| Salaries                                                                    | 158,000             | 158,000             | 181,425             | (23,425)                                                |
| Payroll Taxes                                                               | 7,000               | 7,000               | 13,685              | (6,685)                                                 |
| Contract Services                                                           | 5,200               | 5,200               | 3,341               | 1,859                                                   |
| Employee Benefits                                                           | 4,300               | 4,300               | 8,257               | (3,957)                                                 |
| Insurance                                                                   | 15,000              | 15,000              | 12,781              | 2,219                                                   |
| Professional Fees                                                           | 345,208             | 345,208             | 58,792              | 286,416                                                 |
| Repair and Maintenance                                                      | 170,000             | 170,000             | 50,663              | 119,337                                                 |
| Supplies                                                                    | 33,000              | 33,000              | 11,374              | 21,626                                                  |
| Utilities                                                                   | 44,200              | 44,200              | 38,846              | 5,354                                                   |
| Depreciation                                                                | -                   | -                   | 71,823              | (71,823)                                                |
| Capital Outlay                                                              | 2,534,863           | 2,534,863           | 696,503             | 1,838,360                                               |
| TOTAL EXPENDITURES                                                          | 3,355,886           | 3,355,886           | 1,172,780           | 2,183,106                                               |
| REVENUES OVER (UNDER) EXPENDITURES<br>BEFORE OTHER FINANCING SOURCES        | (358,215)           | (358,215)           | (30,968)            | 327,247                                                 |
| OTHER FINANCING SOURCES (USES)                                              |                     |                     |                     |                                                         |
| Capital Contributions                                                       | 17,000              | 17,000              | 8,500               | (8,500)                                                 |
| REVENUE OVER (UNDER) EXPENDITURES<br>AND OTHER FINANCING SOURCES            | <u>\$ (341,215)</u> | <u>\$ (341,215)</u> | <u>(22,468)</u>     | <u>\$ 318,747</u>                                       |
| ADJUSTMENT TO RECONCILE BUDGETARY BASIS<br>TO GAAP BASIS - ADJUSTMENTS FOR: |                     |                     |                     |                                                         |
| Capitalization of Fixed Assets                                              |                     |                     | 696,503             |                                                         |
| CHANGE IN NET POSITION                                                      |                     |                     | 674,035             |                                                         |
| NET POSITION JANUARY 1                                                      |                     |                     | 1,748,670           |                                                         |
| NET POSITION DECEMBER 31                                                    |                     |                     | <u>\$ 2,422,705</u> |                                                         |