

**DONALA WATER AND SANITATION
DISTRICT**

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended December 31, 2023 and 2022

DONALA WATER AND SANITATION DISTRICT
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INDEPENDENT AUDITORS' REPORT

To Management and the Board of Directors
Donala Water and Sanitation District

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Donala Water and Sanitation District, as of December 31, 2023 and 2022, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Donala Water and Sanitation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Donala Water and 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
May 13, 2024

DONALA WATER AND SANITATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED DECEMBER 31, 2023

As management of Donala Water and Sanitation District (the District) we offer readers of the District’s annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The District’s total assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$46,744,611 (*net position*). Of this amount, \$14,644,991 represents unrestricted net position, which may be used to meet the District’s ongoing obligations.
- The District’s total net position increased during the year by \$2,500,695.
- Capital assets net of depreciation increased by \$19,895 from the prior year.
- The District’s total outstanding long-term debt decreased by \$396,897 during the current year due to the payment of loans based on debt service schedules.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District’s basic financial statements. The District’s basic financial statements consist of the following components: (1) Statement of Net Position, (2) Statement of Revenue, Expenses and Changes in Net Position, (3) Statement of Cash Flows, and (4) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Statement of Net Position - This statement reports all financial and capital resources (assets) and obligations (liabilities). The difference between assets and liabilities and deferred inflows is net position. The statement also provides the basis for evaluating the capital structure and assessing liquidity and financial flexibility.

Statement of Revenue, Expenses and Changes in Net Position - All revenue and expenses are accounted for in this statement. This statement measures the results from operations and can be used to determine whether the District’s rates, fees and other charges are adequate to recover expenses.

Statement of Cash Flows – This statement reports all cash receipts and payments summarized by net changes in cash from operating, non-capital financing, capital and related financing, and investing activities.

OVERALL FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. For the year ended December 31, 2023, the District's assets exceeded liabilities and deferred inflows by \$46,744,611 resulting in a positive net position. The following reflects key financial information in a condensed format:

Condensed Statements of Net Position

| | <u>2023</u> | <u>2022</u> | <u>Variance</u> |
|-------------------------------------|----------------------|----------------------|---------------------|
| Assets | | | |
| Capital assets, net | \$ 41,087,130 | \$ 41,067,235 | \$ 19,895 |
| Other assets | 19,315,733 | 16,730,898 | 2,584,835 |
| Total assets | <u>60,402,863</u> | <u>57,798,133</u> | <u>2,604,730</u> |
| Deferred Outflows of Resources | | | |
| Deferred charge on refunding | 65,591 | 70,636 | (5,045) |
| Liabilities | | | |
| Long-term | 10,190,622 | 10,587,519 | (396,897) |
| Other liabilities | 880,189 | 900,586 | (20,397) |
| Total liabilities | <u>11,070,811</u> | <u>11,488,105</u> | <u>(417,294)</u> |
| Deferred Inflows of Resources | | | |
| Unavailable property tax revenue | 2,653,032 | 2,175,748 | 477,284 |
| Total deferred inflows of Resources | <u>2,653,032</u> | <u>2,175,748</u> | <u>477,284</u> |
| Net position | | | |
| Net investment in capital assets | 30,538,747 | 30,211,931 | 326,816 |
| Restricted | 1,560,873 | 1,521,873 | 39,000 |
| Unrestricted | 14,644,991 | 12,471,112 | 2,173,879 |
| Total net position | <u>\$ 46,744,611</u> | <u>\$ 44,204,916</u> | <u>\$ 2,539,695</u> |

Unrestricted net position of the District at the end of the year was \$14,644,991 an increase of \$2,173,879 from the prior year. This decrease resulted primarily from well repairs and maintenance as well as rehabilitation of the Holbein plant.

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

| | <u>2023</u> | <u>2022</u> | <u>Variance</u> |
|---------------------------------|----------------------------|----------------------------|----------------------------|
| Revenues | | | |
| Operating revenues | \$ 6,672,526 | \$ 5,833,728 | \$ 838,798 |
| Tax | 2,405,812 | 2,436,590 | (30,778) |
| Other | 709,184 | 147,991 | 561,193 |
| Total revenues | <u>9,787,522</u> | <u>8,418,309</u> | <u>1,369,213</u> |
| Expenses | | | |
| Water and sanitation operations | \$ 5,327,788 | \$ 4,823,135 | \$ 504,653 |
| General and administrative | 1,642,131 | 1,701,436 | (59,305) |
| Other | 312,458 | 299,044 | 13,414 |
| Total expenses | <u>7,282,377</u> | <u>6,823,615</u> | <u>458,762</u> |
| Income before contributions | 2,505,145 | 1,594,694 | 910,451 |
| Capital contributions | <u>34,550</u> | <u>105,925</u> | <u>(71,375)</u> |
| Change in net position | 2,539,695 | 1,700,619 | 839,076 |
| Net position, beginning | <u>44,204,916</u> | <u>42,504,297</u> | <u>1,700,619</u> |
| Net position, ending | <u><u>\$46,744,611</u></u> | <u><u>\$44,204,916</u></u> | <u><u>\$ 2,539,695</u></u> |

Condensed Statements of Cash Flows

| | <u>2023</u> | <u>2022</u> | <u>Variance</u> |
|--|----------------------------|----------------------------|----------------------------|
| Net cash provided (used) by: | | | |
| Operating activities | \$ 1,086,095 | \$ 769,383 | \$ 316,712 |
| Non-capital financing activities | 2,406,318 | 2,436,861 | (30,543) |
| Capital and related financing activities | (2,071,994) | (4,481,475) | 2,409,481 |
| Investing activities | 490,953 | (3,267,883) | 3,758,836 |
| Increase (decrease) in cash and cash equivalents | 1,911,372 | (4,543,114) | 6,454,486 |
| Cash and cash equivalents, beginning | <u>8,015,748</u> | <u>12,558,862</u> | <u>(4,543,114)</u> |
| Cash and cash equivalents, ending | <u><u>\$ 9,927,120</u></u> | <u><u>\$ 8,015,748</u></u> | <u><u>\$ 1,911,372</u></u> |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of December 31, 2023 amounts to \$40,994,581. This investment in capital assets includes land, water rights, water and sanitation plants, equipment, and vehicles.

| | <u>2023</u> | <u>2022</u> | <u>Variance</u> |
|---|---------------------------------|---------------------------------|-------------------------------|
| Land and water rights | \$ 9,308,063 | \$ 9,308,063 | \$ - |
| Construction in progress | 2,824,114 | 1,888,028 | 936,086 |
| Water plant | 30,451,912 | 30,088,169 | 363,743 |
| Sanitation plant | 16,485,538 | 16,522,777 | (37,239) |
| Equipment, vehicles, and maintenance building | 3,183,234 | 3,287,036 | (103,802) |
| Less: Accumulated depreciaton | <u>(21,258,280)</u> | <u>(20,026,838)</u> | <u>(1,231,442)</u> |
| Total capital assets, net | <u><u>\$ 40,994,581</u></u> | <u><u>\$ 41,067,235</u></u> | <u><u>\$ (72,654)</u></u> |

Major capital asset additions during the year 2023 include:

Drilling of new well 16A.

Long-Term Liabilities

Long-term liabilities on December 31, 2023 was \$11,090,820 and consisted of the following:

| | <u>2023</u> | <u>2022</u> | <u>Variance</u> |
|----------------------|---------------------------------|---------------------------------|--------------------------------|
| CWRPDA Loan, 2006A | \$ 1,209,681 | \$ 1,482,103 | \$ (272,422) |
| 2020 Bond | 9,216,957 | 9,443,837 | (226,880) |
| Compensated absences | 174,876 | 164,880 | 9,996 |
| SNITA Leases | <u>94,787</u> | <u>-</u> | <u>94,787</u> |
| Total | <u><u>\$ 10,696,301</u></u> | <u><u>\$ 11,090,820</u></u> | <u><u>\$ (394,519)</u></u> |

ECONOMIC FACTORS AND OUTLOOK

Large Expenses in 2024 include rehabilitating three (3) of our water storage tanks, VFDs for wells and raw water, and clear wells. We will also upgrade two (2) of the district lift stations, Northgate and Fox Run. We will also continue to pursue the Loop and Aquifer Storage Recovery (ASR) projects for future water needs.

In 2010, the constituents of the Donala Water and Sanitation District elected to allow Donala to collect an additional five mills indefinitely to help defray the costs of additional water-related products. This option was exercised in 2014 and will continue to be exercised.

REQUESTS FOR INFORMATION

This financial report is designed to provide our customers, investors, creditors and other financial users with a general overview of the District's finances. If you have questions about this report or need additional financial information, contact our General Manager, Jeff Hodge, at 719-488-3603.

BASIC FINANCIAL STATEMENTS

DONALA WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

| ASSETS | 2023 | 2022 |
|--|---------------|---------------|
| | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 9,927,120 | \$ 8,015,748 |
| Investments | 6,012,423 | 5,823,807 |
| Investment interest receivable | 41,271 | 33,211 |
| Cash with County Treasurer | 17,502 | 18,009 |
| Accounts receivable, users | 474,334 | 414,372 |
| Property taxes receivable | 2,653,032 | 2,175,748 |
| Inventory | 190,051 | 250,003 |
| | | |
| Total current assets | 19,315,733 | 16,730,898 |
| Noncurrent assets: | | |
| Capital assets, net of depreciation and amortization | 41,087,130 | 41,067,235 |
| | | |
| Total noncurrent assets | 41,087,130 | 41,067,235 |
| | | |
| Total assets | 60,402,863 | 57,798,133 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred charge on refunding | 65,591 | 70,636 |
| | | |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 300,689 | 315,560 |
| Accrued interest expense | 73,821 | 81,725 |
| Compensated absences | 19,157 | 27,623 |
| Current portion, loans payable | 276,522 | 265,678 |
| Current portion, bonds payable | 210,000 | 210,000 |
| | | |
| Total current liabilities | 880,189 | 900,586 |
| Noncurrent liabilities: | | |
| Loans payable, less current portion | 933,159 | 1,216,425 |
| Bonds payable, less current portion | 9,006,957 | 9,233,837 |
| Lease payable, less current portion | 94,787 | - |
| Compensated absences | 155,719 | 137,257 |
| | | |
| Total noncurrent liabilities | 10,190,622 | 10,587,519 |
| | | |
| Total liabilities | \$ 11,070,811 | \$ 11,488,105 |

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

DONALA WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

| DEFERRED INFLOWS OF RESOURCES | <u>2023</u> | <u>2022</u> |
|--------------------------------------|-----------------------------|-----------------------------|
| Unavailable property tax revenue | \$ 2,653,032 | \$ 2,175,748 |
| Total deferred inflows of resources | <u>2,653,032</u> | <u>2,175,748</u> |
| NET POSITION | | |
| Net investment in capital assets | 30,538,747 | 30,211,931 |
| Restricted | 1,560,873 | 1,521,873 |
| Unrestricted | <u>14,644,991</u> | <u>12,471,112</u> |
| Total net position | <u><u>\$ 46,744,611</u></u> | <u><u>\$ 44,204,916</u></u> |

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

DONALA WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---------------|---------------|
| Operating revenues: | | |
| Charges for services: | | |
| Water sales | \$ 3,231,014 | \$ 3,408,859 |
| Sewer assessments | 2,410,645 | 2,270,173 |
| Inspection fees | 1,850 | 6,000 |
| Water and sewer penalties | 15,919 | 14,502 |
| Other | 1,013,098 | 134,194 |
| Total operating revenue | 6,672,526 | 5,833,728 |
| Operating expenses: | | |
| Water and sanitation operations | 5,327,788 | 4,823,135 |
| General and administrative expenses | 1,642,131 | 1,701,436 |
| Total operating expenses | 6,969,919 | 6,524,571 |
| Operating income (loss) | (297,393) | (690,843) |
| Non-operating revenues (expenses): | | |
| General property tax | 2,177,986 | 2,206,893 |
| Specific ownership tax | 227,826 | 229,697 |
| Interest income | 687,630 | 120,144 |
| Availability of service | 2,975 | 9,275 |
| Gain (loss) on disposal of capital assets | (38,514) | (126) |
| Amortization of loan premium | 18,579 | 18,572 |
| Bond expense | (39,755) | (39,755) |
| Interest expense | (234,189) | (259,163) |
| Total nonoperating revenues (expenses) | 2,802,538 | 2,285,537 |
| Income before capital contributions | 2,505,145 | 1,594,694 |
| Capital contributions | 34,550 | 105,925 |
| Change in net position | 2,539,695 | 1,700,619 |
| Net position, beginning | 44,204,916 | 42,504,297 |
| Net position, ending | \$ 46,744,611 | \$ 44,204,916 |

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

DONALA WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 6,610,714 | \$ 5,788,933 |
| Cash payments to suppliers for goods and services | (4,058,951) | (3,659,256) |
| Cash payments to employees | (1,470,493) | (1,375,569) |
| Cash received from inspection fees | 1,850 | 6,000 |
| Cash received from availability of service fees | 2,975 | 9,275 |
| | <u>1,086,095</u> | <u>769,383</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Cash received from general and specific ownership tax revenues | 2,406,318 | 2,436,861 |
| | <u>2,406,318</u> | <u>2,436,861</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Tap fees and water development fees | 34,550 | 105,925 |
| Payment of long-term debt | (519,714) | (465,256) |
| Interest paid on capital debt | (242,092) | (244,204) |
| Acquisition and construction of capital assets | (1,304,983) | (3,838,185) |
| Bond expense | (39,755) | (39,755) |
| | <u>(2,071,994)</u> | <u>(4,481,475)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (1,128,841) | (4,952,293) |
| Maturities of investments | 1,025,000 | 1,425,000 |
| Interest received | 594,794 | 259,410 |
| | <u>490,953</u> | <u>(3,267,883)</u> |
| Net cash provided (used) by investing activities | <u>490,953</u> | <u>(3,267,883)</u> |
| Net increase (decrease) in cash and cash equivalents | 1,911,372 | (4,543,114) |
| Cash and cash equivalents at beginning of year | 8,015,748 | 12,558,862 |
| | <u>8,015,748</u> | <u>12,558,862</u> |
| Cash and cash equivalents at end of year | <u>\$ 9,927,120</u> | <u>\$ 8,015,748</u> |

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

DONALA WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|--------------|--------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ (297,393) | \$ (690,843) |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | |
| Availability of service fees | 2,975 | 9,275 |
| Depreciation and amortization | 1,446,211 | 1,368,240 |
| Changes in assets and liabilities: | | |
| <i>(Increase) decrease in:</i> | | |
| Accounts receivable | (59,962) | (38,794) |
| Inventory | 59,952 | - |
| <i>Increase (decrease) in:</i> | | |
| Accounts payable | (75,684) | 134,336 |
| Compensated absences | 9,996 | (12,831) |
| Total Adjustments | 1,383,488 | 1,460,226 |
| Net cash provided (used) by operating activities | \$ 1,086,095 | \$ 769,383 |
| Non-cash investing, capital and financing activities: | | |
| Increase (decrease) in fair market value of investments | \$ 84,776 | \$ (164,413) |

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

NOTES TO FINANCIAL STATEMENTS

DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Donala Water and Sanitation District (the District) was organized in 1972 as a local governmental unit (a “Special District”) under the laws of the State of Colorado in order to provide water and sewer services to residents within its boundaries.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The District is a special district governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The District has no component units for which either discrete or blended presentation is required.

B. 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) report information on all of 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.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in bank accounts, certificates of deposits with original maturities of 90 days or less and amounts held in ColoTrust, including restricted cash and cash equivalents.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

Accounts receivable, users

The accounts receivable are due from a large number of customers for the purchase of water and for sanitation assessments. An allowance for doubtful accounts is not required as the District can place a lien on property for unpaid water sales.

Inventory

Inventory consists of materials and supplies and is stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Restricted Cash and Investments

The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the statement of net position because they are maintained in separate accounts and their use is limited by debt and loan agreements.

Loan Premiums

Loan premiums are amortized, on a straight-line method, over the life of each loan.

DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. The capitalization threshold is \$5,000.

Collection mains and other improvements installed upon formation of the District at the expense of developers and subdividers are not recorded in the balance sheet and depreciation thereon has not been charged against revenues as records are not available to establish valuation for such property.

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. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of buildings, equipment and vehicles is computed using the straight-line method over the estimated useful lives of the depreciable property. The estimated useful lives are as follows:

Water Plant:

| | |
|------------------------|--------------|
| Water wells and system | 7 - 40 years |
| Water mains | 40 years |
| Water pump station | 40 years |
| Water storage | 5 - 40 years |
| Water plant | 5 - 40 years |

Sanitation Plant:

| | |
|----------------------|---------------|
| Sanitation mains | 40 years |
| Treatment facilities | 15 - 40 years |

Equipment and Vehicles:

| | |
|----------------------|--------------|
| Office equipment | 3 - 7 years |
| Other equipment | 3 - 7 years |
| Vehicles | 5 years |
| Maintenance Building | 5 - 40 years |

The cost of water rights includes acquisition costs, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Leases

Lessee: The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease assets in the financial statements. The District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net position flow assumption

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

E. REVENUES AND EXPENSES

Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of January 1. The tax levy is payable in two installments due February 28 and June 15, or in one installment due April 30. The El Paso County Treasurer bills and collects the District’s property tax. District property tax revenues are recognized when levied. The tax rate for the year ended December 31, 2023 and 2022 was 21.296 and 21.296 mills, respectively. The District’s assessed valuation for 2023 and 2022 was \$101,963,830 and \$103,546,530, respectively.

Compensated Absences

Full-time employees of the District may carryover up to 416 hours of unused paid time off (PTO) to the following year. Any PTO in excess of 416 hours will be paid into the employees 457b plan. The District’s policy is to recognize the costs of these compensated absences when incurred.

Operating and non-operating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund’s principal ongoing operations. The principal operating revenues of the fund are water and sanitation assessments, late and reconnect charges, and inspection fees. Operating expenses include all expenses incurred to provide water and sanitation services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

G. COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative total data for the prior year have been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

**DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

Budgets are adopted on a comprehensive basis of accounting other than generally accepted accounting principles. The primary differences are that bond and note proceeds are treated as a budget source and capital expenditures and bond and note principal payments are treated as a budget use. Depreciation expense is not considered a budget expense. An annual appropriated budget is adopted for the proprietary fund. All annual appropriations lapse at fiscal year-end.

Expenditures may not legally exceed budgeted appropriations.

The budgeted revenues and expenses represent the original budget adopted or as amended by the Board.

The District follows these procedures in establishing the budgetary data reflected in the Financial Statements.

1. In the fall, the manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the District to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted by the Board.
4. The manager is authorized to transfer budgeted amounts between line items of the District; however, any revisions that alter the total expenditures of the District must be approved by the Board of Directors.
5. In December, the Board certifies the mill levy to El Paso County.
6. During the year, formal budgetary integration is employed as a management control device.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

Custodial credit risk—deposits. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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.

As of December 31, 2023 and 2022, the carrying amounts of the District's deposits were \$1,378,273 and \$434,846, respectively and the bank balances were \$999,962 and \$533,153, respectively. Of the total bank balances, \$250,000 was covered by FDIC insurance at each year ended December 31, 2023 and 2022. The remaining balances of \$749,962 and \$283,153 fall under the provisions of the Colorado Public Deposit Protection Acts which are collateralized in single institution pools.

**DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The District is authorized by Colorado State Statutes to invest in the following:

- ◆ Bonds and other interest-bearing obligations of the United States government.
- ◆ Bonds and other interest-bearing obligations which are guaranteed by the United States government.
- ◆ Bonds which are a direct obligation of the State of Colorado, or of any city, county or school district therein.
- ◆ Notes or bonds issued to the “National Housing Act”.
- ◆ Repurchase agreements.
- ◆ Local government investment pools.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy limits its investment portfolio to investment maturities not to exceed five years from the date of purchase.

Credit Risk. The District’s investment policy limits investments as described above. As of December 31, 2023, the District’s investments in U.S. Treasuries and Agencies were rated AAA by Standard & Poor’s. All other investments were rated AAA.

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

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities</u> | | | |
|----------------------------|----------------------|------------------------------|--------------------------|---------------------|---------------------|
| | | <u>Less Than 90 Days</u> | <u>90 Days to 1 Year</u> | <u>1 to 2 Years</u> | <u>2 to 5 Years</u> |
| ColoTrust | \$ 8,548,847 | \$ 8,548,847 | \$ - | \$ - | \$ - |
| U.S. Treasuries & Agencies | <u>6,012,423</u> | <u>124,605</u> | <u>2,064,677</u> | <u>2,816,762</u> | <u>1,006,379</u> |
| Total | <u>\$ 14,561,270</u> | <u>\$ 8,673,452</u> | <u>\$ 2,064,677</u> | <u>\$ 2,816,762</u> | <u>\$ 1,006,379</u> |

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

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities</u> | | | |
|----------------------------|----------------------|------------------------------|--------------------------|---------------------|---------------------|
| | | <u>Less Than 90 Days</u> | <u>90 Days to 1 Year</u> | <u>1 to 2 Years</u> | <u>2 to 5 Years</u> |
| ColoTrust | \$ 7,580,531 | \$ 7,580,532 | \$ - | \$ - | \$ - |
| Money Market | 371 | 371 | - | - | - |
| U.S. Treasuries & Agencies | <u>5,823,807</u> | <u>224,102</u> | <u>781,278</u> | <u>4,818,426</u> | <u>-</u> |
| Total | <u>\$ 13,404,709</u> | <u>\$ 7,805,005</u> | <u>\$ 781,278</u> | <u>\$ 4,818,426</u> | <u>\$ -</u> |

DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

ColoTrust is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal function of ColoTrust. Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by ColoTrust. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments with ColoTrust because they are not evidenced by securities that exist in physical or book entry form.

Reconciliation of Deposits and Investments to the Statements of Net Position

| | <u>2023</u> | <u>2022</u> |
|----------------------------|---------------------|---------------------|
| Cash and cash equivalents: | | |
| Deposits | \$ 1,378,273 | \$ 434,846 |
| Money Market | - | 371 |
| ColoTrust | <u>8,548,847</u> | <u>7,580,531</u> |
| | <u>\$ 9,927,120</u> | <u>\$ 8,015,748</u> |
| Investments: | | |
| U.S. Treasuries & Agencies | <u>\$ 6,012,423</u> | <u>\$ 5,823,807</u> |

Restricted cash and investments

Property taxes levied for debt service and availability of service fees are deposited into separate accounts. As of December 31, 2023 and 2022, \$15,873 and \$15,873 of cash and investments were restricted for debt service payment and availability of service.

Tabor reserves were \$295,000 and \$256,000 for years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, \$1,250,000 was restricted as an operating and maintenance reserve as required by debt covenants.

Restricted cash is included in cash and cash equivalents.

DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 - FAIR VALUE MEASUREMENT

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

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

| | December 31, 2023 | | | |
|----------------------------------|-------------------|----------------|----------------|--------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Investments - unrestricted | | | | |
| U.S. Treasury Notes | \$ - | \$ 595,944 | \$ - | \$ 595,944 |
| Agency Notes | - | 5,416,479 | - | 5,416,479 |
| Total Investments - unrestricted | \$ - | \$ 6,012,423 | \$ - | \$ 6,012,423 |

| | December 31, 2022 | | | |
|----------------------------------|-------------------|----------------|----------------|--------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Investments - unrestricted | | | | |
| U.S. Treasury Notes | \$ - | \$ 244,764 | \$ - | \$ 244,764 |
| Agency Notes | - | 5,579,043 | - | 5,579,043 |
| Total Investments - unrestricted | \$ - | \$ 5,823,807 | \$ - | \$ 5,823,807 |

DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

| | <u>Beginning</u> <u>Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending</u> <u>Balance</u> |
|--|------------------------------------|--------------------|------------------|---------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land and water rights | \$ 9,308,063 | \$ - | \$ - | \$ 9,308,063 |
| Construction in progress | <u>1,888,028</u> | <u>936,086</u> | <u>-</u> | <u>2,824,114</u> |
| Total capital assets, not being depreciated | <u>11,196,091</u> | <u>936,086</u> | <u>-</u> | <u>12,132,177</u> |
| Capital assets, being depreciated: | | | | |
| Water Plant: | | | | |
| Water wells and system | 18,665,773 | 429,711 | (65,660) | 19,029,824 |
| Water mains | 2,577,856 | - | - | 2,577,856 |
| Water pump station | 664,526 | - | (308) | 664,218 |
| Water storage | 1,663,230 | - | - | 1,663,230 |
| Residual Mgmt Facility | 2,408,157 | - | - | 2,408,157 |
| Water plant | <u>4,108,627</u> | <u>-</u> | <u>-</u> | <u>4,108,627</u> |
| Total Water Plant | <u>30,088,169</u> | <u>429,711</u> | <u>(65,968)</u> | <u>30,451,912</u> |
| Sanitation Plant: | | | | |
| Sanitation mains | 4,307,619 | - | (12,988) | 4,294,631 |
| Treatment facilities | <u>12,215,158</u> | <u>-</u> | <u>(24,251)</u> | <u>12,190,907</u> |
| Total Sanitation Plant | <u>16,522,777</u> | <u>-</u> | <u>(37,239)</u> | <u>16,485,538</u> |
| Equipment, Vehicles and Maintenance | | | | |
| Office equipment | 45,198 | - | - | 45,198 |
| Other equipment | 2,417,498 | - | (83,087) | 2,334,411 |
| Vehicles | 465,354 | - | (20,715) | 444,639 |
| Maintenance building | <u>358,986</u> | <u>-</u> | <u>-</u> | <u>358,986</u> |
| Total Equipment and Vehicles | <u>3,287,036</u> | <u>-</u> | <u>(103,802)</u> | <u>3,183,234</u> |
| Total capital assets, being depreciated | 49,897,982 | 429,711 | (207,009) | 50,120,684 |
| Less accumulated depreciation | <u>(20,026,838)</u> | <u>(1,399,937)</u> | <u>168,495</u> | <u>(21,258,280)</u> |
| Total capital assets, being depreciated, net | <u>29,871,144</u> | <u>(970,226)</u> | <u>(38,514)</u> | <u>28,862,404</u> |

**DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 – CAPITAL ASSETS (CONTINUED)

| | | | | |
|---|----|------------|------------|---------------|
| SBITAs assets being amortized | | | | |
| Software | \$ | - | \$ 138,823 | \$ 138,823 |
| Less accumulated amortization for: | | | | |
| Software | | - | (46,274) | (46,274) |
| Total SBITAS assets being amortized, net | | - | 92,549 | 92,549 |
| Capital assets, net of accumulated Depreciation/amortization | | 29,871,144 | (877,677) | 28,954,953 |
| Total capital assets, net | \$ | 41,067,235 | \$ 58,409 | \$ 41,087,130 |

NOTE 6 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with IRC §457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The District contributes 2% of the employees’ salary upon enrollment with a matching 7% if the participant defers at least 3% of their salary. The District’s contributions during 2023 and 2022 were \$100,107 and \$55,700.

NOTE 7 - LONG-TERM LIABILITIES

Compensated Absences Payable

| | | |
|--|-------------|-------------|
| Compensated absences consisted of the following: | <u>2023</u> | <u>2022</u> |
| Paid time off | \$ 174,876 | \$ 164,880 |

Colorado Water Resources and Power Development Authority Loans

On May 1, 2006, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) in the amount of \$4,906,910. Loan proceeds were used to finance an upgrade and expansion of the existing wastewater treatment facility. This loan is payable semiannually in varying amounts from \$117,456 to \$175,142 including interest at 3.64%. This loan is to be repaid from and secured by a pledge of the net water and sanitation revenues of the District.

The annual requirements to amortize loans are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|---------------------|-----------------|
| 2024 | \$ 276,522 | \$ 3,180 |
| 2025 | 281,944 | - |
| 2026 | 303,632 | - |
| 2027 | <u>330,742</u> | <u>-</u> |
| Total | <u>\$ 1,192,840</u> | <u>\$ 3,180</u> |

DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Refunding Bonds

\$9,475,000 of Revenue Refunding Bonds Series 2020 were issued on October 27, 2020 for the purpose of refunding the District's 2007 and 2011 CWRPDA loans and the loan with Gray Family Management Trust. Principal payments are due annually through September 1, 2040. Interest payments are due semi-annually on March 1 and September 1 and accrue at an annual interest rate between 0.65% and 3.00%.

The annual requirements to amortize bonds are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|---------------------|---------------------|
| 2024 | \$ 210,000 | \$ 221,463 |
| 2025 | 215,000 | 219,259 |
| 2026 | 220,000 | 216,786 |
| 2027 | 215,000 | 213,596 |
| 2028 | 540,000 | 210,156 |
| 2029 – 2033 | 2,860,000 | 884,490 |
| 2034 – 2038 | 3,235,000 | 508,276 |
| 2039 – 2040 | <u>1,435,000</u> | <u>64,950</u> |
| Total | <u>\$ 8,930,000</u> | <u>\$ 2,538,976</u> |

Changes in Long-term Liabilities

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-----------------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Loans payable: | | | | | |
| CWRPDA Loan, 2006A | | | | | |
| Principal | \$ 1,458,518 | \$ - | \$ (265,678) | \$ 1,192,840 | \$ 276,522 |
| Issuance premium | <u>23,585</u> | <u>-</u> | <u>(6,744)</u> | <u>16,841</u> | <u>-</u> |
| Total loans payable | <u>1,482,103</u> | <u>-</u> | <u>(272,422)</u> | <u>1,209,681</u> | <u>276,522</u> |
| Bonds payable: | | | | | |
| 2020 Bond | | | | | |
| Principal | 9,140,000 | - | (210,000) | 8,930,000 | 210,000 |
| Issuance premium | <u>303,837</u> | <u>-</u> | <u>(16,880)</u> | <u>286,957</u> | <u>-</u> |
| Total bonds payable | <u>9,443,837</u> | <u>-</u> | <u>(226,880)</u> | <u>9,216,957</u> | <u>210,000</u> |
| Compensated absences | 164,880 | 9,996 | - | 174,876 | 19,157 |
| SBITA Leases | <u>-</u> | <u>138,823</u> | <u>(44,036)</u> | <u>94,787</u> | <u>46,238</u> |
| Total long-term liabilities | <u>\$ 11,090,820</u> | <u>\$ 148,819</u> | <u>\$ (543,338)</u> | <u>\$ 10,696,301</u> | <u>\$ 551,917</u> |

DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 - NET POSITION

Net position is reported in three separate categories—net investment in capital assets; net position-restricted; and net position-unrestricted.

Net investment in capital assets consists of capital assets net of accumulated depreciation and capital-related deferred outflows of resources; reduced by borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2023 and 2022, net investment in capital assets was as follows:

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Net investment in capital assets: | | |
| Capital assets, net of depreciation | \$ 40,994,581 | \$ 41,067,235 |
| Long-term liabilities: | | |
| Due within one year | (486,522) | (475,678) |
| Due in more than one year | (10,034,903) | (10,450,262) |
| Deferred on refunding | <u>65,591</u> | <u>70,636</u> |
| Total net investment in capital assets | <u>\$ 30,538,747</u> | <u>\$ 30,211,931</u> |

Net position-restricted is the difference between non-capital assets whose use is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation, and related liabilities and deferred inflows of resources (excluding capital-related borrowings). As of December 31, 2023 and 2022, net position-restricted was as follows:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------|---------------------|---------------------|
| Net position-restricted: | | |
| Debt service reserve | \$ 15,873 | \$ 15,873 |
| Operating and Maintenance reserve | 1,250,000 | 1,250,000 |
| Tabor – emergency reserve | <u>295,000</u> | <u>256,000</u> |
| Total net position-restricted | <u>\$ 1,560,873</u> | <u>\$ 1,521,873</u> |

Any portion of net position not already classified as either net investment in capital assets or net position-restricted, is automatically classified as net position-unrestricted.

DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 – INTERGOVERNMENTAL AGREEMENTS

Intergovernmental agreement with Forest Lakes Metropolitan District and Triview Metropolitan District

The District entered into an agreement dated November 11, 1999, subsequently amended on October 25, 2001, with Forest Lakes Metropolitan District and Triview Metropolitan District to define ownership rights in the wastewater treatment plant. Under the amended agreement Triview and Forest Lakes transferred part ownership to the District.

In 2009 the Districts completed an expansion of the plant to 1.75 MGD. Under the terms of the above agreements, the three Districts reallocated ownership. The current ownership is 44.0% owned by Triview, 17.1% by Forest Lakes, and 38.9% by Donala. The plant is currently being operated by Donala and all parties are responsible for their respective share of operations and maintenance costs, based on the relative share of actual flows.

In addition, in accordance with the November 11, 1999 agreement, an ownership interest in a 24” interceptor was transferred to the Forest Lakes. As a result of the transfer, the interceptor is owned 50% by Triview, 25% by Forest Lakes, and 25% by the District.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker’s compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during any of the last three fiscal years.

NOTE 11 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

Fiscal year spending and revenue limits are determined based on the prior year’s spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On May 2, 2006, the voters of the District approved that taxes may be increased \$810,000 annually in 2007 and by whatever additional amounts are raised annually thereafter by continuing to collect but not increasing the tax rate of 12.810 mills levied by the District for payment of debt service, which was authorized by District voters in 1993 for general obligation bonds which were defeased in 2006. The voters also approved that the proceeds of these taxes and the District’s operational mill levy, any investment income therefrom, and all other District revenue be collected and spent without limitation or condition, as a voter-approved revenue change under Article X, Section 20 of the Colorado Constitution and as a voter approved mill levy under Colorado Revised Statutes section 29-1-302(2) (B).

**DONALA WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 11 - AMENDMENT TO COLORADO CONSTITUTION (CONTINUED)

On May 4, 2010, the voters of the District approved that taxes may be increased \$412,000 annually in collection year 2011 and by whatever additional amounts are raised annually thereafter by the imposition of an additional mill levy of not more than 5 mills; and that the proceeds of such taxes may be collected and spent without limitation or condition pursuant to Colorado Revised Statutes section 29-1-302(2) (B).

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

SUPPLEMENTARY INFORMATION

DONALA WATER AND SANITATION DISTRICT
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Water and sanitation operations: | | |
| Repair and maintenance | \$ 633,704 | \$ 412,917 |
| Utilities | 635,596 | 690,483 |
| Solid waste removal | 110,843 | 124,118 |
| Chemicals and lab | 257,681 | 181,939 |
| Truck and backhoe | 21,272 | 19,273 |
| District engineer | - | 37,248 |
| Professional engineer | 607,120 | 159,337 |
| Other professional services | - | - |
| Salaries | 1,016,754 | 930,596 |
| Payroll taxes | 74,919 | 75,684 |
| Pension expense | 100,107 | 55,700 |
| Depreciation and amortization | 1,399,937 | 1,368,240 |
| Tools and equipment | 25,772 | 8,831 |
| Legal | 23,103 | 13,700 |
| Water purchases | 389,743 | 704,330 |
| AFCURE | 31,237 | 40,739 |
| | 5,327,788 | 4,823,135 |
| Total Water and Sanitation Operating Expenses | | |
| General and administrative expenses: | | |
| Accounting and audit expense | 25,700 | 23,900 |
| County treasurer fees | 32,670 | 33,197 |
| Depreciation and amortization | 46,274 | - |
| Director fees | 5,700 | 6,230 |
| Fees and permits | 81,303 | 67,078 |
| Insurance | 399,071 | 455,339 |
| Legal | 79,120 | 72,584 |
| Other | 253,020 | 79,176 |
| Office expense | 71,918 | 100,683 |
| Salaries | 262,895 | 282,302 |
| Benefits | 2,578 | 3,096 |
| Payroll taxes | 20,114 | 12,228 |
| Publication expense | 4,030 | 3,971 |
| Telephone | 38,575 | 39,235 |
| Training | 47,881 | 36,418 |
| Contract service | 104,409 | 437,123 |
| Repairs and maintenance | 166,873 | 48,876 |
| | 1,642,131 | 1,701,436 |
| Total General and Administrative Expenses | \$ 1,642,131 | \$ 1,701,436 |

See the accompanying independent auditors' report.

DONALA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Actual | Budget | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|--|
| REVENUES | | | |
| Beginning fund balance | \$ 13,992,985 | \$ 10,315,565 | \$ 3,677,420 |
| Water sales | 3,231,014 | 3,915,347 | (684,333) |
| Sewer assessments | 2,410,645 | 1,439,716 | 970,929 |
| Inspection fees | 1,850 | 7,500 | (5,650) |
| Water and sewer penalties | 15,919 | - | 15,919 |
| Other | 1,013,098 | 1,003,145 | 9,953 |
| General property tax | 2,177,986 | 2,175,748 | 2,238 |
| Specific ownership tax | 227,826 | 200,000 | 27,826 |
| Interest income | 687,630 | 243,300 | 444,330 |
| Availability of service | 2,975 | 5,250 | (2,275) |
| Bond proceeds | - | 10,000,000 | (10,000,000) |
| Radium reimbursement | - | 1,650,000 | (1,650,000) |
| Loop reimbursement | - | 1,000,000 | (1,000,000) |
| Capital contributions | 34,550 | 145,000 | (110,450) |
| TOTAL REVENUES | 23,796,478 | 32,100,571 | (8,304,093) |
| EXPENDITURES | | | |
| Water and sanitation operations: | | | |
| Repair and maintenance | 633,704 | 1,003,000 | 344,000 |
| Residuals management | - | 96,200 | 180,000 |
| Utilities | 635,596 | 455,371 | (180,225) |
| Solid waste removal | 110,843 | - | (110,843) |
| Chemicals and lab | 257,681 | 78,905 | (178,776) |
| Truck and backhoe | 21,272 | 58,000 | 36,728 |
| Professional engineer | 607,120 | 335,000 | (272,120) |
| Salaries | 1,016,754 | 696,414 | (320,340) |
| Payroll taxes | 74,919 | 52,231 | (22,688) |
| Pension expense | 100,107 | 48,749 | (51,358) |
| Tools and equipment | 25,772 | 15,000 | (10,772) |
| Inspection fees | - | 2,000 | 2,000 |
| Legal Fees | 23,103 | - | (23,103) |
| Waste plant expenses | - | 1,821,193 | 1,821,193 |
| Water purchases | 389,743 | 1,792,812 | 1,403,069 |
| AFCURE | 31,237 | - | (31,237) |
| Total water and sanitation operations | \$ 3,927,851 | \$ 6,454,875 | \$ 2,585,528 |

See the accompanying independent auditors' report.

DONALA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Actual | Budget | Variance Favorable (Unfavorable) |
|--------------------------------------|---------------------|----------------------|--|
| EXPENDITURES (continued) | | | |
| General and administrative expenses: | | | |
| Accounting and audit expense | \$ 25,700 | \$ 24,617 | \$ (1,083) |
| County treasurer fees | 32,670 | 33,200 | 530 |
| Director fees | 5,700 | 2,000 | (3,700) |
| Fees and permits | 81,303 | 15,000 | (66,303) |
| Insurance | 399,071 | 301,914 | (97,157) |
| Legal | 79,120 | 89,300 | 10,180 |
| Other | 253,020 | 10,000 | (243,020) |
| Office expense | 71,918 | 88,800 | 16,882 |
| Salaries | 262,895 | - | (262,895) |
| Benefits | 2,578 | - | (2,578) |
| Payroll taxes | 20,114 | - | (20,114) |
| Publication expense | 4,030 | 5,000 | 970 |
| Telephone | 38,575 | 31,832 | (6,743) |
| Training | 47,881 | 30,000 | (17,881) |
| Contract service | 104,409 | 259,680 | 155,271 |
| Repairs and maintenance | 166,873 | - | (166,873) |
| | <u>1,595,857</u> | <u>891,343</u> | <u>(704,514)</u> |
| | | | |
| Capital expenditures | 1,365,797 | 16,522,000 | 15,156,203 |
| Principal payment on long-term debt | 519,714 | 265,678 | (254,036) |
| Bond expense | 39,755 | 210,000 | 170,245 |
| Interest expense | 234,189 | 274,407 | 40,218 |
| Contingency | - | 1,624,050 | 1,624,050 |
| | <u>-</u> | <u>1,624,050</u> | <u>1,624,050</u> |
| | | | |
| TOTAL EXPENDITURES | <u>\$ 7,683,163</u> | <u>\$ 26,242,353</u> | <u>\$ 18,617,694</u> |

See the accompanying independent auditors' report.

DONALA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN NET POSITION
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Actual | Budget | Variance Favorable (Unfavorable) |
|--|----------------------|---------------------|--|
| EXCESS OF REVENUE OVER EXPENDITURES | \$ 16,113,315 | \$ 5,858,218 | \$ 10,255,097 |
| Less: | | | |
| Depreciation and amortization | (1,446,211) | | |
| Beginning fund balance | (13,992,985) | | |
| Loss on sale of assets | (38,514) | | |
| Add: | | | |
| Amortization of loan premium | 18,579 | | |
| Capital expenditures | 1,365,797 | | |
| Principal payment on bonds | 519,714 | | |
| CHANGE IN NET POSITION | \$ 2,539,695 | | |

Ending fund balance is calculated as follows:

| | |
|---------------------------------|----------------------|
| Current assets | \$ 19,315,733 |
| Current liabilities | (880,189) |
| Current portion, long-term debt | 486,522 |
| Compensated absences | (155,719) |
| Deferred inflows | (2,653,032) |
| | \$ 16,113,315 |

See the accompanying independent auditors' report.

**DONALA WATER AND SANITATION DISTRICT
DEBT SERVICE COVERAGE AND RESERVE REQUIREMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | |
|---|--------------------------------|
| Revenues | |
| Water sales | \$ 3,231,014 |
| Sewer assessments | 2,410,645 |
| Inspection fees | 1,850 |
| Water and sewer penalties | 15,919 |
| Other | 1,013,098 |
| Tax revenue | 2,405,812 |
| Interest income | 687,630 |
| Availability of service | 2,975 |
| Capital contributions | <u>34,550</u> |
| TOTAL REVENUES | <u>9,803,493</u> |
| Operating Expenses | 6,969,919 |
| Less: depreciation and amortization | <u>(1,446,211)</u> |
| NET OPERATING EXPENSES | <u>5,523,708</u> |
| NET REVENUES (PLEDGED PROPERTY) | <u><u>\$ 4,279,785</u></u> |
| 2024 Debt service on obligations secured by Pledged Property: | |
| Loans (principal and interest) | \$ 279,702 |
| Loans (administration fees) | 39,255 |
| Bonds (principal and interest) | <u>431,464</u> |
| Total Debt Service | 750,421 |
| Net Revenues | <u>\$ 4,279,785</u> |
| DEBT SERVICE COVERAGE FACTOR | <u><u>570.32%</u></u> |
| OPERATION & MAINTENANCE RESERVE: | |
| Operating expenses (net of depreciation) | \$ 5,523,708 |
| 3 month reserve | <u>25%</u> |
| Calculated three month reserves | \$ 1,380,927 |
| Required reserves - lesser of three months or \$1,250,000 | \$ 1,250,000 |
| Actual Reserve (See Note 8) | \$ 1,250,000 |

See the accompanying independent auditors' report.