

MOUNT WERNER WATER AND SANITATION DISTRICT
Routt County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2023 AND 2022

**MOUNT WERNER WATER AND SANITATION DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mt. Werner Water and Sanitation District
Steamboat Springs, Colorado

Opinion

We have audited the financial statements of the business-type activities of Mt. Werner Water and Sanitation District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Mt. Werner Water and Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Mt. Werner Water and Sanitation District, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows 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 (GAAS) Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mt. Werner 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 Mt. Werner 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 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mt. Werner 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 Mt. Werner 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 on pages IV through IX be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mt. Werner Water and Sanitation District's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis), Schedule of Debt Service Requirements to Maturity, and Segment Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed above are fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Mt. Werner Water and Sanitation District's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Watson Coon Ryan, LLC

CENTENNIAL, COLORADO
SEPTEMBER 17, 2024

**MOUNT WERNER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Management's Discussion and Analysis

The management of Mount Werner Water and Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2023 and 2022. Please read it in conjunction with the financial statements, which follow this section.

Overview of the District's Operations and Economic Factors

The District was formed in 1965 to provide water and sanitation services for the newly developing Steamboat Ski Area and Resort; it is organized as a special district pursuant to state statute and is a political subdivision of the State of Colorado. An elected 5-member board of directors governs the District.

The District owns and operates the Fish Creek Filtration Plant and supplies potable water to its customers in the resort area of Steamboat Springs – an area of approximately four-square miles which includes all properties generally south of Fish Creek and within the City limits. Through an intergovernmental agreement, the District also supplies potable water to the City of Steamboat Springs. The District's wastewater is treated in a regional wastewater treatment facility owned by the City of Steamboat Springs. The District owns and maintains approximately 57 miles of sewer mains and 57 miles of water mains. The District and the City of Steamboat Springs hold the most senior water rights in Fish Creek, the principal raw water supply for the Fish Creek Filtration Plant. In 1996, the District doubled the capacity of the Fish Creek Reservoir, owned by the City of Steamboat Springs, to secure water storage in that facility.

District revenues come from three major sources:

- Water and sewer service charges
- Revenue from other governments and private entities
- Plant Investment Fees ("Tap Fees")

Revenue from District service charges has remained steady with negligible collection problems. Remaining open land parcels and platted lots within District boundaries indicate that the District is approximately 75% "built-out" under current zoning regulations and that there remains substantial growth potential in the District's customer base. Several intergovernmental agreements are in place assuring revenues for the operation and maintenance of facilities. Plant Investment Fees depend on private investment decisions on new construction. This revenue goes into the District's capital reserves which are dedicated to funding capital improvements related to growth; they are not used to fund operations.

Personnel costs and related benefits comprise the largest operational expense.

The District is committed to providing its customers with the highest quality and most cost-effective water and wastewater services while preserving public health, protecting the environment, and ensuring the utmost customer satisfaction.

The District is equally dedicated to maintaining a work environment where every employee is recognized as a fundamental part of the organization, thereby encouraging teamwork and individual contributions.

**MOUNT WERNER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of financial statements and notes to financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Mount Werner Water and Sanitation District operates as a utility enterprise fund and presents its financial statements using the accrual basis of accounting used by most private-sector companies. As an enterprise fund, the District's basic financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. The financial statement also includes Notes that provide more detailed information of significant elements within the financial statement.

The statements of net position present information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statements of net position present information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statements of cash flows report the District's cash flows from operating, noncapital financing, capital, and investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The supplementary information contained in this report provides a schedule of expenses, budget and actual information, and debt service requirements.

The District has no component units, nor is it a component unit of any other entity.

**MOUNT WERNER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Schedule of Revenues Expenditures, and Changes in Fund Balance

The following table represents the variance between the District's actual revenues and expenditures and the budgeted amounts.

	Actual vs. Budget		VARIANCE
REVENUE SUMMARY	2023 ACTUAL	2023 BUDGET	Favorable (Unfavorable)
Service Charges	\$ 3,355,410	\$ 3,272,053	\$ 83,357
Water/Wastewater Meter Tap Fees	936,497	725,000	211,497
Water Filtration O & M – City Share	372,065	335,000	37,065
Interest Income	6,340	-	6,340
Other	152,897	145,000	7,897
Total Revenues	\$ 4,823,209	\$ 4,477,053	\$ 346,156
EXPENDITURE SUMMARY			
Administration	\$ 834,474	\$ 1,157,010	\$ 322,536
Distribution & Collection	814,804	902,704	87,900
Water Filtration	882,897	673,767	(209,130)
Raw Water Supply	69,415	84,500	15,085
Total Operating Costs	\$ 2,601,590	\$ 2,817,981	\$ 216,391
Operating Income	\$ 2,221,619	\$ 1,659,072	\$ 562,547
Capital Expenses	\$ 2,735,417	\$ 2,332,560	\$ (402,857)
Debt Service Expenses	\$ 399,393	\$ 399,387	\$ (6)
Revenue Over (Under) Expense	\$ (913,191)	\$ (1,072,875)	\$ (159,684)

Revenues:

The variation between 2023 actual and 2023 budgeted revenues were primarily due to:

- Tap fees were \$211,497 more than anticipated.
- Revenue for service charges was \$83,357 higher than budget.
- Other Revenue was higher than budget primarily for New Meter Fees \$10,984 in excess of budget.

**MOUNT WERNER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Operating Expenses:

The variation between 2023 actual and 2022 budgeted expenditures were primarily due to:

- Administration:
 - Personnel costs were \$199,269 less than budgeted.
 - Professional fees were \$39,212 less than budgeted.
 - Office and support systems were \$149,951 less than budgeted.
 - Other Administrative expenses were 28,271 less than budgeted.

- Distribution and Collection:
 - Personnel costs were \$111,864 less than budgeted.
 - General Operating and Maintenance expenses were \$24,747 more than budgeted.

- Water Filtration:
 - Personnel costs were \$124,774 under budget due to the Operations Manager position allocating less time to the Fish Creek Plant vs general administration.
 - Other Water Filtration expenses were \$8,719 more than budgeted.
 - Utilities were \$25,190 less than budgeted.
 - Chemicals were \$102,749 more than budgeted.

Capital Expenditures:

	2023
Capital improvements completed in 2023 were:	
• Water Main Extensions/Replacements	\$ 685,296
• Phases 2 and 3 Core Trail Sewer Interceptor	526,628
• Filtration Plant Improvements (Phase 2A & 2B)	794,171
• New Wellfield Expansion Infiltration Gallery	65,255
• Water Conservation Plan	8,777
• Equipment/Vehicles/File server (FC Plant)	169,497
• Water Distribution	42,112
• Public Sewer Contributions	8,698
• Ski Time Square Sewer Replacement	175,671
• Maintenance Shop Remodel	19,490
• Office Electric & Heating	83,640
• Equipment & Furniture	111,459
• Waste Water Collection Master Plan	44,723
Total Capital Expenditures	\$ 2,735,417

**MOUNT WERNER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Statement of Revenue, Expenses & Changes in Net Position

REVENUE SUMMARY	2021	2022	2023
Service Charges	\$ 2,530,376	\$ 2,824,684	\$ 3,355,410
Water/Wastewater Tap Fees	841,505	843,264	936,497
Water Filtration O&M - City Share	304,713	361,263	372,065
Interest Income	3,710	56	6,340
Other	305,879	187,909	152,897
Total Revenues	\$ 3,986,183	\$ 4,217,176	\$ 4,823,209
EXPENDITURE SUMMARY	2021	2022	2023
Administration	\$ 756,235	\$ 859,509	\$ 834,474
Distribution & Collection	715,165	684,448	814,804
Water Filtration	696,705	786,531	882,897
Raw Water Supply	52,986	66,912	69,415
Interest Payments - Debt Service	-	76,348	143,942
Depreciation	1,797,556	1,822,430	1,958,602
Total Costs	\$ 4,018,647	\$ 4,296,178	\$ 4,704,134
Income (Loss)	\$ (32,464)	\$ (79,002)	\$ 119,075

Condensed Statements of Net Position

	2021	2022	2023
Current Assets	\$ 3,351,933	\$ 2,822,808	\$ 3,203,569
Non-Current Assets	19,098	15,733	16,487
Restricted	602,514	646,591	650,398
Capital Assets, net accum depreciation	33,666,982	35,549,080	35,914,146
Total Assets	\$ 37,640,527	\$ 39,034,212	\$ 39,784,600
Current Liabilities	\$ 1,276,197	\$ 1,525,984	\$ 1,153,513
Long Term Liabilities	3,595,717	4,818,617	5,822,401
Total Liabilities	\$ 4,871,914	\$ 6,344,601	\$ 6,975,914
Invested in Capital, Net of Debt	\$ 29,942,034	\$ 30,504,039	\$ 29,816,460
Unrestricted	2,271,306	1,586,223	2,341,828
Restricted	555,273	599,350	650,398
Total Net Position	\$ 32,768,613	\$ 32,689,611	\$ 32,808,686

**MOUNT WERNER WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

Capital Assets

At the end of 2023, the District had invested \$35,914,146, net of depreciation, in a broad range of infrastructure including water and sewer mains, storage tanks, raw water reservoir, water filtration plant, administration facilities, vehicles, equipment, participation fees and water rights as shown in the following table.

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Water System	\$ 36,290,408	\$ 37,871,787	\$ 39,225,139
Sewer System	20,424,551	22,262,150	22,969,507
Fish Creek Reservoir	7,472,325	7,472,325	7,472,325
Land	2,813,841	2,813,841	2,813,841
Buildings and Improvements	1,061,641	1,068,691	1,171,822
Equipment & Vehicles	568,330	617,793	729,252
Water Rights	52,953	52,953	52,953
Less accumulated depreciation	<u>(35,017,067)</u>	<u>(36,610,460)</u>	<u>(38,520,693)</u>
Net Property, Plant, and Equipment	<u>\$ 33,666,982</u>	<u>\$ 35,549,080</u>	<u>\$ 35,914,146</u>

REQUEST FOR INFORMATION

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

Frank Alfone, General Manager
P.O. Box 770940, Steamboat Springs, CO 80477
Tel: 970-879-2424
Email: falfone@mwwater.com

BASIC FINANCIAL STATEMENTS

**MOUNT WERNER WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
Current Assets:		
Cash And Cash Equivalents	\$ 1,428,530	\$ 863,037
Accounts Receivable	1,460,777	1,614,947
Prepaid Expenses	95,388	67,898
Inventories	218,874	276,926
Total Current Assets	3,203,569	2,822,808
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation	35,914,146	35,549,080
Restricted Cash - Funds Held In Escrow	-	47,241
Restricted Cash - Operations And Maintenance Reserve	650,398	599,350
Prepaid Expenses	6,927	6,173
Security Deposit	9,560	9,560
Total Assets	39,784,600	39,034,212
LIABILITIES		
Current Liabilities:		
Accounts Payable And Accrued Expenses	235,691	268,638
Retainage Payable	-	339,320
Due to Other Governments	618,084	617,257
Compensated Absences Liability	24,453	27,104
Funds Held in Escrow	-	47,241
Current Portion of Notes Payable	275,285	226,424
Total Current Liabilities	1,153,513	1,525,984
Noncurrent Liabilities:		
Notes Payable, Net of Current Portion	5,822,401	4,818,617
Total Liabilities	6,975,914	6,344,601
NET POSITION		
Net Investment in Capital Assets	29,816,460	30,504,039
Restricted For:		
Operations and Maintenance Reserve	650,398	599,350
Unrestricted	2,341,828	1,586,223
Total Net Position	\$ 32,808,686	\$ 32,689,611

See accompanying Notes to Basic Financial Statements.

**MOUNT WERNER WATER AND SANITATION DISTRICT STATEMENTS OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
OPERATING REVENUES		
Water and Wastewater Service Charges	\$ 3,355,410	\$ 2,824,684
Water Filtration Plant Operating and Maintenance Sharing	372,065	361,263
Other	41,913	62,610
Total Operating Revenues	3,769,388	3,248,557
OPERATING EXPENSES		
Administration	834,474	859,509
Water Distribution and Wastewater Collection	814,804	684,448
Water Filtration	882,897	786,531
Raw Water Supply	69,415	66,912
Depreciation and Amortization	1,958,602	1,822,430
Total Operating Expenses	4,560,192	4,219,830
OPERATING INCOME (LOSS)	(790,804)	(971,273)
NONOPERATING REVENUE (EXPENSES)		
Interest Income	6,340	56
Total Nonoperating Revenues	6,340	56
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	(784,464)	(971,217)
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES		
Plant Investment Fees	936,497	843,264
New Meter Fees	110,984	125,299
Debt Service Interest Payments	(143,942)	(76,348)
Total Other Revenues, Expenses, Gains, and Losses	903,539	892,215
CHANGE IN NET POSITION	119,075	(79,002)
Net Position - Beginning of Year	32,689,611	32,768,613
NET POSITION - END OF YEAR	\$ 32,808,686	\$ 32,689,611

See accompanying Notes to Basic Financial Statements.

**MOUNT WERNER WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers	\$ 3,769,388	\$ 3,248,557
Cash Payments to Employees for Services	(1,215,408)	(1,212,462)
Cash Payments to Other Suppliers of Goods or Services	(1,576,301)	(1,310,395)
Net Cash Provided by Operating Activities	977,679	725,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Notes Payable	1,308,096	1,449,324
Plant Investment Fees Collected	936,497	810,370
New Meter Fees Collected	110,984	125,299
City Contribution of Capital Costs	411,755	-
Debt Service Payments	(399,393)	(205,579)
Payments to Acquire, Construct, and Improve Capital Assets	(2,735,417)	(3,704,532)
Net Cash Used by Capital and Related Financing Activities	(367,478)	(1,525,118)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Earnings	6,340	56
Net Cash Provided by Investing Activities	6,340	56
NET CHANGE IN CASH AND CASH EQUIVALENTS	616,541	(799,362)
Cash and Cash Equivalents - Beginning of Year	1,462,387	2,261,749
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,078,928	\$ 1,462,387
COMPOSITION OF CASH AND CASH EQUIVALENTS AT YEAR-END		
Cash and Cash Equivalents	\$ 1,428,530	\$ 863,037
Restricted Cash - Operations and Maintenance Reserve	650,398	599,350
Total Cash and Cash Equivalents	\$ 2,078,928	\$ 1,462,387

See accompanying Notes to Basic Financial Statements.

**MOUNT WERNER WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY ACTIVITIES		
Operating Income (Loss)	\$ (790,804)	\$ (971,273)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Depreciation and Amortization	1,958,602	1,822,430
Increase (Decrease) in:		
Accounts Receivable, Net of Capital Reimbursement	\$ (154,170)	\$ (216,900)
Prepaid Expenses	(28,244)	29,484
Inventories	(58,052)	(123,533)
(Decrease) Increase in:		
Accounts Payable and Accrued Expenses	52,173	47,439
Compensated Absences Liability	(2,651)	(9,768)
Due to Other Governments, Net of Plant Investments	827	147,821
Net Cash Provided by Operating Activities	\$ 977,681	\$ 725,700

See accompanying Notes to Basic Financial Statements.

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 DEFINITION OF REPORTING ENTITY

Mount Werner Water and Sanitation District (the District), was organized in 1965 to provide water and sanitation services for the then newly developing Steamboat Ski Area and Resort. The District was formed as a special district pursuant to Title 32 of Colorado Revised Statutes (CRS). The District treats and distributes water for the mountain resort area of Steamboat Springs and provides water to the City of Steamboat Springs (the City) for distribution to its customers. The District also provides the infrastructure for the collection of wastewater within the District that is treated at the City's wastewater treatment plant. The District and City share raw water storage in Fish Creek Reservoir and share ownership of the Fish Creek Filtration Plant.

The District has employees, who perform various operations and administration functions while other functions are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets. Redemptions of bonds and loans are recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received or collectible.

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District 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 an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

Budgets are adopted on a non-GAAP basis wherein depreciation is not budgeted; capital expenditures are budgeted and recorded as expenditures; debt service payments are budgeted and recorded as expenditures.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, District management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

The District did not adopt any supplemental appropriations for the year ended December 31, 2023

The District did not have expenditures in excess of appropriations for the year ended December 31, 2023.

Accounts Receivable

Amounts due to the District from charges for services provided are reported as accounts receivable. The District's management review accounts receivable periodically to consider the collectability of the balances. The District's management believes all accounts receivable to be fully collectible as of December 31, 2023 and 2022. Therefore, no allowance for uncollectible accounts has been established.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include land, water rights, buildings, distribution and collection systems and machinery and equipment are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 for water and wastewater infrastructure, or more than \$5,000 for other equipment. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water Storage, Treatment, and Distribution Systems	10 to 40 Years
Wastewater Treatment, Collection, and Transmission Systems	30 to 40 Year
Buildings and Improvements	30 Years
Vehicles, Equipment, and Software	5 to 15 Years

Compensated Absences Liability

District employees accrue vacation and compensatory time benefits with each pay period. Employees can carryforward a certain amount of unused vacation hours as of December 31 based upon the employee's length of employment with the District and unused vacation is paid to employees upon termination. Employees can carryforward no more than 20 hours of compensatory time as of December 31.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. All compensated absence liabilities include salary-related payments, where applicable. The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated absence liability at the fund reporting level only when due.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative financial information in total. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2022 from which the summarized financial information was derived.

Leases and Subscription-Based IT Arrangements

Under GASB 87 and 96, the District recognizes short-term lease or short term subscription payments as outflows of resources based on the payment provisions of the lease contract.

Recently Issued Accounting Pronouncements

GASB Statement No 96 - In May 2020, GASB issued statement No 96, *SBITA (Subscription-Based Information Technology Arrangements)*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for subscription-based accounting based on the foundational principle that subscription leases are financings of the right to use an underlying asset. The provisions in statement 96 are effective for reporting periods beginning after June 15, 2022. The District implemented GASB Statement No. 96, *SBIT*, in the year ending December 31, 2023. No significant arrangements were identified, and as such, no changes have been made to the financial statements as a result of implementing this standard.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023 and 2022, are classified in the accompanying financial statements as follows:

	2023	2022
Statement of Net Position		
Cash and Cash Equivalents	\$ 1,428,530	\$ 910,278
Cash and Cash Equivalents - Restricted	650,398	599,350
Total Cash and Investments	\$ 2,078,929	\$ 1,509,628

Cash and investments as of December 31, 2023 and 2022, consist of the following:

	2023	2022
Deposits with Financial Institutions	\$ 2,075,527	\$ 1,506,454
Investments	3,402	3,174
Total Cash and Investments	\$ 2,078,929	\$ 1,509,628

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

At December 31, 2023 and 2022, the District's cash deposits had a bank balance of \$2,387,907 and \$2,711,175, respectively; and a carrying balance of \$2,078,929 and \$1,506,198, respectively. Of the bank balances, \$250,000 and \$297,241 as of December 31, 2023 and 2022, respectively, was covered by federal deposit insurance and \$1,783,934 and \$1,208,957, respectively, was uninsured but collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (PDPA).

Investments

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

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

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

<u>Investment</u>	<u>Maturity</u>	<u>2023</u>	<u>2022</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST PLUS+)	Weighted-Average Under 60 Days	<u>\$ 3,402</u>	<u>\$ 3,174</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The state Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. 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 any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor’s. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Restricted Cash and Investments

The District entered into a Public Improvements Completion Agreement with a developer whereby the District has collected \$46,480 at the time of building permit application to be held in a separate interest-bearing escrow account. The escrow balance as of December 31, 2023 and 2022 was \$-0- and \$47,241, respectively.

As of December 31, 2023 and 2022, cash and cash equivalents in the amount of \$650,398 and \$599,350, respectively are restricted for operations and maintenance reserve fund related to the 2021 CWRPDA Notes Payable.

MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the years ended December 31, 2023 and 2022, follows:

	2023			December 31, 2023 Balance
	December 31, 2022 Balance	Additions	Deletions	
Nondepreciable Capital Assets:				
Land, Improvements, and Easements	\$ 2,813,841	\$ -	\$ -	\$ 2,813,841
Water Rights	52,953	-	-	52,953
Total Nondepreciable Capital Assets	2,866,794	-	-	2,866,794
Depreciable Capital Assets:				
Water Storage, Treatment and Distribution Systems	45,344,112	1,353,352		46,697,464
Wastewater Treatment, Collection and Transmission System	22,262,150	755,726	(48,369)	22,969,507
Buildings and Improvements	1,068,691	103,131	-	1,171,822
Vehicles, Equipment, and Software	617,793	111,459		729,252
Total Depreciable Capital Assets	69,292,746	2,323,668	(48,369)	71,568,045
Less: Accumulated Depreciation	(36,610,460)	(1,958,602)	48,369	(38,520,693)
Net Depreciable Capital Assets	32,682,286	365,066	-	33,047,352
Total Capital Assets, Net	<u>\$ 35,549,080</u>	<u>\$ 365,066</u>	<u>\$ -</u>	<u>\$ 35,914,146</u>
	2022			December 31, 2022 Balance
	December 31, 2021 Balance	Additions	Deletions	
Nondepreciable Capital Assets:				
Land, Improvements, and Easements	\$ 2,813,841	\$ -	\$ -	\$ 2,813,841
Water Rights	52,953	-	-	52,953
Total Nondepreciable Capital Assets	2,866,794	-	-	2,866,794
Depreciable Capital Assets:				
Water Storage, Treatment and Distribution Systems	43,762,733	1,786,879	(205,500)	45,344,112
Wastewater Treatment, Collection and Transmission System	20,424,551	1,837,599	-	22,262,150
Buildings and Improvements	1,061,641	7,050	-	1,068,691
Vehicles, Equipment, and Software	568,330	73,000	(23,537)	617,793
Total Depreciable Capital Assets	65,817,255	3,704,528	(229,037)	69,292,746
Less: Accumulated Depreciation	(35,017,067)	(1,822,430)	229,037	(36,610,460)
Net Depreciable Capital Assets	30,800,188	1,882,098	-	32,682,286
Total Capital Assets, Net	<u>\$ 33,666,982</u>	<u>\$ 1,882,098</u>	<u>\$ -</u>	<u>\$ 35,549,080</u>

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CWRPDA #W21F091	\$ 2,670,389	\$ 259,934	\$ (121,441)	\$ 2,808,882	\$ 125,264
CWRPDA #D21F091	2,374,652	-	(104,233)	2,270,419	106,592
CWRPDA #W22F471	-	1,048,162	(29,777)	1,018,385	43,429
Total	<u>\$ 5,045,041</u>	<u>\$ 1,308,096</u>	<u>\$ (255,451)</u>	<u>\$ 6,097,686</u>	<u>\$ 275,285</u>

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CWRPDA #W21F091	\$ 1,731,027	\$ 1,008,039	\$ (68,677)	\$ 2,670,389	\$ 122,191
CWRPDA #D21F091	1,993,921	441,285	(60,554)	2,374,652	104,233
Total	<u>\$ 3,724,948</u>	<u>\$ 1,449,324</u>	<u>\$ (129,231)</u>	<u>\$ 5,045,041</u>	<u>\$ 226,424</u>

The details of the District's Loan Agreements with Colorado Water Resource Power and Development Authority (CWRPDA) are as follows:

Notes Payable Series #W21F091

The District entered into a \$3,000,000 loan agreement (#W21F091) with CWRPDA on May 11, 2021. The note is payable in an initial installment of \$15,961 on May 1, 2022 followed by semi-annual installments of \$97,345 on May 1 and November 1 thereafter including interest at 2.50% through maturity on November 1, 2041. Proceeds of the note are to be used for a project consisting of replacement and upsizing of interceptor piping and associated appurtenances. Principal drawn on the loan through December 31, 2023 was \$3,000,000.

Notes Payable Series #D21F091

The District entered into a \$2,500,000 loan agreement (#D21F091) with CWRPDA on May 11, 2021. The note is payable in an initial installment of \$12,993 on May 1, 2022 followed by semi-annual installments of \$79,280 on May 1 and November 1 thereafter including interest at 2.25% through maturity on November 1, 2041. Proceeds of the note are to be used for a project consisting of construction of a new infiltration gallery well and pump station. Principal drawn on the loan through December 31, 2023 was \$2,434,206.

Notes Payable Series #W22F471

The District entered into a \$1,250,000 loan agreement (#W22F471) with CWRPDA on August 4, 2022. The note is payable in an initial installment of \$6,497 on May 1, 2023 followed by semi-annual installments of \$39,640 on May 1 and November 1 thereafter including interest at 2.25% through maturity on November 1, 2042. Proceeds of the note are to be used for a project consisting of replacement and upsizing of interceptor piping and associated appurtenances. Principal drawn on the loan through December 31, 2023 was \$1,048,162.

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

To the extent principal on any Notes is not paid when due, principal shall remain outstanding until paid. To the extent interest on any Notes is not paid when due, such unpaid interest shall compound on each interest payment date, at the rate then borne by the Note. The Notes are not subject to early termination. The Notes are not subject to Acceleration. The Notes Payable Series #W21F091 had \$0 of undrawn lines of credit as of December 31, 2023. The Notes Payable Series #D21F091 had \$64,794 of undrawn lines of credit as of December 31, 2023. The Notes Payable Series #W22F471 had \$201,837 of undrawn lines of credit as of December 31, 2023. No assets have been pledged as collateral on the Notes Payable.

The Loan agreements require the District to maintain an operations and maintenance fund equal to three months of operation and maintenance expenses, excluding depreciation. The District maintains reserves of \$650,398 for this purpose as of December 31, 2023.

The CWRPDA loan agreements also include a rate covenant whereby the District's water and wastewater system net revenue, after meeting operation and maintenance expenses, is required to be sufficient to cover 110% of the debt service coming due. The following District's calculation of the rate covenant for the year ended December 31, 2023:

System Revenues:	
Charges for Services:	
Water	\$ 2,694,340
Wastewater Collection	661,070
Water Filtration Plant Operating and Maintenance	
Sharing	<u>372,065</u>
Total System Revenues	3,727,475
System Operating Expenses:	
Water	3,739,069
Wastewater	821,123
Total System Operating Expenses	<u>2,601,590</u>
Net System Revenues	<u><u>\$ 1,125,885</u></u>
Annual Debt Service Payments	<u><u>\$ 275,285</u></u>
Net System Revenues/Annual Debt Service Payments	<u><u>409%</u></u>

The District's net system revenues were sufficient to meet the rate covenant requirements for the year ended December 31, 2023.

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 275,285	\$ 144,029	\$ 419,314
2025	281,830	137,484	419,314
2026	288,532	130,782	419,314
2027	295,394	123,920	419,314
2028	302,419	116,895	419,314
2029-2033	1,623,476	473,093	2,096,569
2034-2038	1,826,014	270,556	2,096,570
2039-2042	1,204,736	55,797	1,260,533
Total	<u>\$ 6,097,686</u>	<u>\$ 1,452,556</u>	<u>\$ 7,550,242</u>

NOTE 6 AGREEMENTS

Water Treatment Plant Agreement

In November 2005, the District and City entered into an agreement for the treatment and disposal of sewage in the Steamboat Springs region. Per terms of the agreement, the District collects service charges from its residential and commercial customers for wastewater treatment and passes these payments through to the City. Wastewater treatment receipts are not recognized as revenues by the District. Additionally, the City does not charge the District for operating expenses attributable to the treatment of wastewater.

Agreement to Expand Fish Creek Reservoir

In July 1994, the District and City entered into an agreement to enlarge the storage capacity of the Fish Creek Reservoir. The agreement required the District to pay all construction costs of the enlargement project. The District funded the project with a \$4,630,000 loan from the Colorado Water Resources and Power Development Authority (CWRPDA) and the District's reserve funds.

In 2002, the agreement was amended allowing the City, at its option annually, to reserve a percentage of the water filling under the enlargement, by paying \$175,000 to the District. The City's allotment percentage of the annual amount of water filling in the enlargement is fixed in perpetuity to be 2.518% multiplied by the number of years the City made the option payment to the District. The City made the option payment each year from 2000 through 2011 resulting in a perpetual reserved allotment of 27.698% of the annual fill in the enlargement pool.

Filtration Bay Stand-By Capacity

In May 2018, the District entered into an agreement with the City to lease 50% of the actual production capacity of two filter bays owned by the City. The lease was effective July 1, 2017 for a 20-year term ending June 30, 2037. The lease can be terminated sooner by either party with 30 months' notification. The lease amount was based upon 50% of the cost of the two filter bays. The District incurred lease expense of \$39,483 and \$40,573 for the years ended December 31, 2023 and 2022, respectively.

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 AGREEMENTS (CONTINUED)

Ski Time Improvements Agreement

In September 2023, the District and the City entered into an agreement to construct street improvements and a turnaround. The agreement required the District to reimburse the City for all construction costs related to water and wastewater collections infrastructure improvements completed during the project. The estimated total cost for this project is \$637,298. The City may impose a penalty of 1% on amount due of overdue balances and is allowed to remit progress pay applications. As of December 31, 2023, 10% of the project was completed.

Stagecoach Reservoir Storage Agreement

The District entered into an agreement with the Upper Yampa Water Conservancy District (UYWCD) on April 4, 1988 to purchase 200-acre feet of storage water in Stagecoach Reservoir annually on a “take or pay basis” at a price of \$35.00 per acre foot for a term of 30 years. At the end of the 30-year period the District has the continuing right for the life of Stagecoach Reservoir to purchase annually the 200-acre feet of storage at a price per acre foot based upon UYWCD’s costs of operating, repairing, renovating, and maintaining Stagecoach Reservoir. The District paid \$98.24 per acre foot of storage water for the year ended December 31, 2023.

Yamcolo Reservoir Storage Agreement

The District entered into an extension and amendment agreement with UYWCD effective May 19, 2011 for 300-acre feet of storage water in the Yamcolo Reservoir for 30 years terminating July 15, 2041. The purchase price is subject to an annual CPI increase. The District paid \$91.42 per acre foot of storage water for the year ended December 31, 2023.

NOTE 7 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2023 and 2022, the District had net investment in capital assets, calculated as follows:

Net Investment in Capital Assets	2023	2022
Capital Assets, Net	\$ 35,914,146	\$ 35,549,080
Current Portion of Long-Term Obligations	(275,285)	(226,424)
Noncurrent Portion of Long-Term Obligations	(5,822,401)	(4,818,617)
Total	<u>\$ 29,816,460</u>	<u>\$ 30,504,039</u>

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 NET POSITION (CONTINUED)

Restricted net position includes amounts that are 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. The District applies restricted net positions first when both restricted and unrestricted resources are available. The District had restricted net position as of December 31, 2023 and 2022, as follows:

	2023	2022
Restricted Net Position		
Operations and maintenance reserve	\$ 650,398	\$ 599,350
Total Restricted Net Position	\$ 650,398	\$ 599,350

The District's unrestricted net position as of December 31, 2023 and 2022, is \$2,341,829 and \$1,586,223, respectively.

NOTE 8 RISK MANAGEMENT

Except as provided under the Colorado Governmental Immunity Act, as may be amended from time to time, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations that apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

**MOUNT WERNER WATER AND SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District is of the opinion that its water activity enterprise, and all activities related thereto are carried on as an Enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45.;1-01, et seq. The District's annual budget and financial statements are deemed by the District to be the annual budget and financial statements of the Enterprise.

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

NOTE 10 COMMITMENTS AND CONTINGENCIES

Retirement Plan

All employees can participate in a Simplified Employee Pension Individual Retirement Account (SEP-IRA) plan that is a qualified plan as defined by IRS Code Section 408(k) and Colorado Revised Statutes (CRS) 24.54. Employees are eligible to participate after a three-month probationary period. The District contributes 6% of employees' wages to the plan and the SEP-IRA accounts are self-directed and managed by the employees. All employees are fully vested immediately. District contributions to the SEP-IRA accounts were \$ 49,314 and \$48,628 for the years ended December 31, 2023 and 2022, respectively.

NOTE 11 SUBSEQUENT EVENTS

Line of Credit

On January 31, 2024, the District entered into an agreement with Mountain Valley Bank for revolving draw line of credit in an amount not to exceed \$2,000,000. The interest rate is 7.5% and the note will mature on February 1, 2026. The agreement calls for any outstanding accrued interest to be paid monthly, beginning on March 1, 2024. All outstanding unpaid principal and accrued interest is due in full on February 1, 2026.

SUPPLEMENTARY INFORMATION

**MOUNT WERNER WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUNDS AVAILABLE – BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual	Variance
OPERATING REVENUES			
Service Charges:			
Water	\$ 2,636,905	\$ 2,694,340	\$ 57,435
Wastewater Collection	635,148	661,070	25,922
Water Filtration Plant Operating and Maintenance Sharing	335,000	372,065	37,065
Other	45,000	41,913	(3,087)
Total Operating Revenues	<u>3,652,053</u>	<u>3,769,388</u>	<u>117,335</u>
OPERATING EXPENDITURES			
Administration:			
Wages and Benefits	635,308	436,039	199,269
Professional Fees	168,776	129,564	39,212
Office and Support Systems	128,629	78,678	49,951
Insurance	35,796	38,116	(2,320)
Water Conservation	10,000	7,025	2,975
Master Planning	9,996	5,268	4,728
Other	168,505	139,784	28,721
Total Administration	<u>1,157,010</u>	<u>834,474</u>	<u>322,536</u>
Water Distribution and Wastewater Collection:			
Wages and Benefits	482,364	370,500	111,864
Utilities	61,326	61,667	(341)
Operating and Maintenance	356,014	380,761	(24,747)
Other	3,000	1,876	1,124
Total Water Distribution and Wastewater Collection	<u>902,704</u>	<u>814,804</u>	<u>87,900</u>
Water Filtration:			
Wages and Benefits	284,095	408,869	(124,774)
Utilities	116,422	91,232	25,190
Chemicals	130,625	233,374	(102,749)
Operating and Maintenance	82,142	80,220	1,922
Filter Bay Lease	39,483	39,483	-
Other	21,000	29,719	(8,719)
Total Water Filtration	<u>673,767</u>	<u>882,897</u>	<u>(209,130)</u>

**MOUNT WERNER WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUNDS
AVAILABLE – BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual	Variance
OPERATING EXPENDITURES (CONTINUED)			
Raw Water Supply:			
Water Purchases	\$ 48,000	\$ 48,672	\$ (672)
Stream Gauges	6,500	6,778	(278)
Watershed Protection	5,000	4,788	212
Wellfield Monitoring and Protection	6,000	5,958	42
Other	19,000	3,219	15,781
Total Raw Water Supply	84,500	69,415	15,085
Total Operating Expenditures	2,817,981	2,601,590	216,391
OPERATING INCOME	834,072	1,167,798	333,726
NONOPERATING REVENUES (EXPENDITURES)			
Water Plant Investment Fees	500,000	672,314	172,314
Wastewater Plant Investment Fees	225,000	264,183	39,183
New Meter Fees	100,000	110,984	10,984
Interest Income	-	6,340	6,340
City Contribution of Capital Costs	-	411,755	411,755
Capital Outlay	(2,332,560)	(2,735,417)	(402,857)
Debt Service:			
Principal	(256,201)	(255,451)	750
Interest	(143,186)	(143,942)	(756)
Loan Proceeds	-	1,308,096	1,308,096
Total Nonoperating Revenues (Expenditures)	(1,906,947)	(361,138)	1,545,809
NET INCOME (LOSS) - BUDGETARY BASIS	\$ (1,072,875)	806,660	\$ 1,879,535
ADJUSTMENTS TO GAAP BASIS			
Capitalized Expenditures, net of City		2,323,662	
Debt Service Principal Payments		255,451	
Depreciation		(1,958,602)	
Loan Proceeds		(1,308,096)	
Total Adjustments to GAAP Basis		(687,585)	
CHANGE IN NET POSITION - GAAP BASIS		119,075	
Fund Balance - Beginning of Year		32,689,611	
FUND BALANCE - END OF YEAR		\$ 32,808,686	

**MOUNT WERNER WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023**

\$3,000,000 Sewer Interceptor Loan (CWRPDA #W21F091) Dated May 11, 2021 Interest Rate at 2.500% Due May 1 and November 1				\$2,500,000 Infiltration Gallery Loan (CWRPDA #D21F091) Dated May 11, 2021 Interest Rate at 2.250% Due May 1 and November 1			
	Principal	Interest	Total	Principal	Interest	Total	
2024	\$ 125,264	\$ 69,425	\$ 194,690	\$ 106,592	\$ 51,969	\$ 158,560	
2025	128,416	66,274	194,690	109,003	49,557	158,560	
2026	131,646	63,044	194,690	111,470	47,090	158,560	
2027	134,958	59,732	194,690	113,992	44,568	158,560	
2028	138,353	56,337	194,690	116,571	41,989	158,560	
2029	141,833	52,856	194,690	119,209	39,351	158,560	
2030	145,401	49,288	194,690	121,906	36,654	158,560	
2031	149,059	45,631	194,690	124,664	33,896	158,560	
2032	152,809	41,881	194,690	127,485	31,075	158,560	
2033	156,653	38,037	194,690	130,370	28,190	158,560	
2034	160,594	34,096	194,690	133,319	25,241	158,560	
2035	164,634	30,056	194,690	136,336	22,224	158,560	
2036	168,775	25,915	194,690	139,421	19,139	158,560	
2037	173,021	21,669	194,690	142,575	15,985	158,560	
2038	177,373	17,316	194,690	145,801	12,759	158,560	
2039	181,835	12,854	194,690	149,100	9,460	158,560	
2040	186,410	8,280	194,690	152,474	6,086	158,560	
2041	191,848	3,591	195,439	90,130	2,636	92,766	
2042	-	-	-	-	-	-	
Total	<u>\$ 2,808,882</u>	<u>\$ 696,282</u>	<u>\$ 3,505,163</u>	<u>\$ 2,270,419</u>	<u>\$ 517,869</u>	<u>\$ 2,788,288</u>	

**MOUNT WERNER WATER AND SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2023**

			\$1,250,000 Water Revolving Loan (CWRPDA #W22F471) Dated August 4, 2022 Interest Rate at 2.250% Due May 1 and November 1			Grand Totals		
	Principal	Interest	Total	Principal	Interest	Total		
2024	\$ 43,429	\$ 22,635	\$ 66,064	\$ 275,285	\$ 144,029	\$ 419,314		
2025	44,411	21,653	66,064	281,830	137,484	419,314		
2026	45,416	20,648	66,064	288,532	130,782	419,314		
2027	46,444	19,620	66,064	295,394	123,920	419,314		
2028	47,495	18,569	66,064	302,419	116,895	419,314		
2029	48,569	17,495	66,064	309,611	109,703	419,314		
2030	49,668	16,396	66,064	316,976	102,338	419,314		
2031	50,792	15,272	66,064	324,515	94,798	419,313		
2032	51,941	14,123	66,064	332,235	87,079	419,314		
2033	53,117	12,947	66,064	340,139	79,175	419,314		
2034	54,319	11,746	66,064	348,232	71,082	419,314		
2035	55,548	10,517	66,064	356,517	62,797	419,314		
2036	56,804	9,260	66,064	365,000	54,314	419,314		
2037	58,090	7,974	66,064	373,686	45,628	419,314		
2038	59,404	6,660	66,064	382,579	36,735	419,314		
2039	60,748	5,316	66,064	391,684	27,630	419,314		
2040	62,123	3,941	66,064	401,006	18,307	419,313		
2041	63,528	2,536	66,064	345,506	8,762	354,268		
2042	66,539	1,098	67,637	66,540	1,098	67,638		
Total	<u>\$ 1,018,385</u>	<u>\$ 238,405</u>	<u>\$ 1,256,790</u>	<u>\$ 6,097,686</u>	<u>\$ 1,452,556</u>	<u>\$ 7,550,242</u>		

**MOUNT WERNER WATER AND SANITATION DISTRICT
SEGMENT INFORMATION
DECEMBER 31, 2023**

The District accounts for its water and wastewater activities within one enterprise fund. Summary financial information for each activity is presented below.

	Water Department	Wastewater Department	Total
CONDENSED STATEMENT OF NET POSITION			
Assets:			
Current Assets	\$ 4,673,730	\$ (812,832)	\$ 3,860,898
Capital Assets, Net	20,474,066	15,440,076	35,914,142
Other Assets	9,560	-	9,560
Total Assets	<u>25,157,356</u>	<u>14,627,244</u>	<u>39,784,600</u>
Liabilities:			
Current Liabilities	319,597	833,916	1,153,513
Noncurrent Liabilities	2,164,827	3,657,574	5,822,401
Total Liabilities	<u>2,484,424</u>	<u>4,491,490</u>	<u>6,975,914</u>
Net Position:			
Net Investment in Capital Assets	18,202,647	11,613,813	29,816,460
Restricted	565,362	85,036	650,398
Unrestricted	3,904,923	(1,563,095)	2,341,828
Total Net Position	<u>\$ 22,672,932</u>	<u>\$ 10,135,754</u>	<u>\$ 32,808,686</u>

	Water Department	Wastewater Department	Total
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating Revenues	\$ 3,108,318	\$ 661,070	\$ 3,769,388
Depreciation Expense	(1,477,622)	(480,980)	(1,958,602)
Other Operating Expenses	(2,261,447)	(340,143)	(2,601,590)
Operating Income (Loss)	<u>(630,751)</u>	<u>(160,053)</u>	<u>(790,804)</u>
Nonoperating Revenues (Expenses):			
Interest Income	5,072	1,268	6,340
Plant Investment Fees	672,314	264,183	936,497
Debt Service Interest Payments	(54,332)	(89,610)	(143,942)
Other Nonoperating Revenues	110,984	-	110,984
Total Nonoperating Revenues	<u>734,038</u>	<u>175,841</u>	<u>909,879</u>
Change in Net Position	103,287	15,788	119,075
Beginning Net Position	22,569,634	10,119,977	32,689,611
Ending Net Position	<u>\$ 22,672,921</u>	<u>\$ 10,135,765</u>	<u>\$ 32,808,686</u>

**MOUNT WERNER WATER AND SANITATION DISTRICT
SEGMENT INFORMATION (CONTINUED)
DECEMBER 31, 2023**

CONDENSED STATEMENT OF CASH FLOWS	<u>Water Department</u>	<u>Wastewater Department</u>	<u>Total</u>
Net Cash Provided (Used) by:			
Operating Activities	\$ 714,952	\$ 262,727	\$ 977,679
Capital and Related Financing Activities	(359,958)	(7,520)	(367,478)
Investing Activities	6,155	185	6,340
Net Change in Cash and Cash Equivalents	<u>361,149</u>	<u>255,392</u>	<u>616,541</u>
Beginning Cash and Cash Equivalents	<u>1,462,387</u>		<u>1,462,387</u>
Ending Cash and Cash Equivalents	<u><u>\$ 1,823,536</u></u>	<u><u>\$ 255,392</u></u>	<u><u>\$ 2,078,928</u></u>