

NORTH PECOS WATER AND SANITATION DISTRICT

FINANCIAL STATEMENTS
December 31, 2023 and 2022

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Pecos Water and Sanitation District

Opinions

We have audited the accompanying financial statements of North Pecos Water and Sanitation District as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the North Pecos Water and Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Pecos Water and Sanitation District as of December 31, 2023 and 2022, and the respective changes in financial position and, 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. 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 North Pecos 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Pecos 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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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 of 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 North Pecos 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 North Pecos 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 opinions on the financial statements that collectively comprise North Pecos Water and Sanitation District's basic financial statements. The budgetary comparison schedule – Non-GAAP basis, as listed in the table of contents, 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 Budgetary Comparison Schedule – Non-GAAP Basis is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Fort Collins, Colorado
July 1, 2024

Management's Discussion and Analysis

North Pecos Water & Sanitation District

Management's Discussion and Analysis

Introduction:

The North Pecos Water & Sanitation District's management discussion and analysis is intended to provide you, the reader and user of our financial statements, with (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual, approved budget; and, (e) an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on the 2023 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 7.

Overview of the Financial Statements of the District:

The audited financial statements of the District are:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements

These statements, and the Supplementary Information, as listed in the table of contents, provide information about the District's financial position as of each December 31, its results of operations and the resulting cash flows for each year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the budgetary comparison schedule, these are presented with current year and prior year comparison.

The **Statement of Net Position** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining the status quo.

The **Statement of Revenues, Expenses, and Changes in Net Position** provides information about the components – Operating Revenues, Operating Expenses and Non-Operating Revenues and Expenses – of the District's annual operating activities and how those activities affected net position.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating and investment activities affected the District's cash balances.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other

required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The Budgetary Comparison Schedule of Revenues and Expenditures provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, this will include a comparison of the originally approved budget with the final amended budget.

Condensed Comparative Financial Information:

Statement of Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets			
Cash and cash equivalents	\$ 2,794,435	\$ 2,264,020	\$ 2,326,950
Other current assets	3,848,121	3,640,433	3,720,153
	<u>6,642,556</u>	<u>5,904,453</u>	<u>6,047,103</u>
Non Current Assets			
Capital assets – net	\$ 7,076,491	\$ 7,101,239	\$ 6,970,290
Total Assets	<u>13,719,047</u>	<u>13,005,692</u>	<u>13,017,393</u>
Current Liabilities	<u>269,457</u>	<u>115,669</u>	<u>76,776</u>
Total Liabilities	<u>269,457</u>	<u>115,669</u>	<u>76,776</u>
Net Position			
Net investment in capital assets	7,076,491	7,101,239	6,970,290
Unrestricted	6,373,099	5,788,784	5,970,327
Total Net Position	<u>\$ 13,449,590</u>	<u>\$ 12,890,023</u>	<u>\$ 12,940,617</u>

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 2,704,083	\$ 2,536,639	\$ 2,102,869
Operating Expenses	<u>2,700,612</u>	<u>2,916,973</u>	<u>1,954,532</u>
Operating Income (Loss)	<u>3,471</u>	<u>(380,334)</u>	<u>148,337</u>
Non Operating Revenues (Expenses)	<u>556,096</u>	<u>329,740</u>	<u>808,356</u>
Change in Net Position	<u>559,567</u>	<u>(50,594)</u>	<u>956,693</u>
Net Position, Beginning of Year	<u>12,890,023</u>	<u>12,940,617</u>	<u>11,983,924</u>
Net Position, End of Year	<u>\$ 13,449,590</u>	<u>\$ 12,890,023</u>	<u>\$ 12,940,617</u>

Statement of Cash Flows

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash from (for) Operating Activities	\$ 388,231	\$ (120,400)	\$ 355,732
Cash from (for) Capital and Related Financing Activities	96,180	112,800	289,965
Cash from (for) Investing Activities	<u>46,004</u>	<u>(55,330)</u>	<u>5,517</u>
Increase (Decrease)	530,415	(62,930)	651,214
Cash and Cash Equivalents, Beginning of Year	<u>2,264,020</u>	<u>2,326,950</u>	<u>1,675,736</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,794,435</u>	<u>\$ 2,264,020</u>	<u>\$ 2,326,950</u>

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 7.

Analysis of Financial Position and Operating Results:

Net position increased in 2023 by \$559,567 to \$13,449,590 which is the result of the operating income of \$3,471 and net non-operating income of \$556,096.

Unrestricted cash, cash equivalents, and investments of the District at December 31, 2023, totaled \$2,794,435, which represents approximately 20% of the District's total assets.

Capital Assets, net of accumulated depreciation, of the District at December 31, 2023, totaled \$7,076,491.

Operating income / (loss) for 2023 was \$3,471 in 2023 compared to (\$380,334) in 2022. This was principally due to decreased sewage treatment costs for the year and increased revenues.

Net non-operating revenues for 2023 was more than in 2022, due to higher investment earnings and tap fees. For more information about these changes in net position and the operating activities, please review the accompanying audited financial statements beginning on page 7.

Analysis of Budgetary Comparison Schedule of Revenues and Expenditures:

Actual revenues in 2023 were \$2,085,887 lower than the original and final budgeted revenues for the District. This is principally due to lower tap fees and contributed lines. The District's actual expenditures in 2023 were \$3,071,367 less than the original and final budgeted expenditures. The difference is related to lower tap fees paid to Metro Water Recovery and lower than expected capital outlay. For more information about the budgeted and actual revenues and expenditures, please review the Budgetary Comparison Schedule of Revenues and Expenditures, as listed in the table of contents, in the accompanying audited financial statements.

Capital Asset and Long Term Debt Activity:

The District does not have any long-term debt.

The District depreciates its capital assets. See Note 1 of Notes to Financial Statements – Summary of Significant Accounting Policies – Assets and Liabilities – Capital Assets and Note 4 of Notes to Financial Statements – Capital Assets. The District had \$246,620 of capital additions during the year that were contributed by developers. The District did not have any disposals during the year.

Facts, Decisions, and Conditions That May Impact Future Financial Condition or Operating Results:

- Tap fees expected to be received in 2024 as growth continues in the District.
- Moderate increases in water and sewer service fees are expected in 2024.

For more information contact North Pecos Water and Sanitation District, 6900 North Pecos Street, Denver, CO 80221.

Basic Financial Statements

North Pecos Water and Sanitation District
Statement of Net Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,794,435	\$ 2,264,020
Investments	3,639,886	3,472,594
Accounts receivable-service charges	182,406	145,445
Prepaid expenses	25,829	22,394
Total Current Assets	6,642,556	5,904,453
Noncurrent Assets		
Capital assets		
Nondepreciable	108,204	108,204
Depreciable	12,367,034	12,120,414
Less: Accumulated depreciation	(5,398,747)	(5,127,379)
Net Capital Assets	7,076,491	7,101,239
Total Assets	13,719,047	13,005,692
Liabilities		
Current Liabilities		
Accounts payable	157,406	4,199
Accrued vacation	18,198	11,896
Customer and developer deposits	74,122	97,108
Other accrued liabilities	19,731	2,466
Total Current Liabilities	269,457	115,669
Total Liabilities	269,457	115,669
Net Position		
Net investment in capital assets	7,076,491	7,101,239
Unrestricted	6,373,099	5,788,784
Total Net Position	\$ 13,449,590	\$ 12,890,023

The accompanying notes are an integral part of these financial statements

North Pecos Water and Sanitation District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Water charges	\$ 1,478,672	\$ 1,518,226
Sewer charges	925,258	868,885
Developer reimbursements	263,695	146,334
Other operating revenue	36,458	3,194
Total Operating Revenues	<u>2,704,083</u>	<u>2,536,639</u>
Operating Expenses		
Wages and employee benefits	386,606	416,247
General and administration	549,346	380,147
Maintenance and operations	155,128	360,455
Sewage treatment fees	409,706	546,812
Purchased water	928,458	954,962
Depreciation	271,368	258,350
Total Operating Expenses	<u>2,700,612</u>	<u>2,916,973</u>
Operating Income (Loss)	<u>3,471</u>	<u>(380,334)</u>
Nonoperating Revenues (Expenses)		
Tap fees collected	547,600	217,362
Tap fees remitted to Metro Wastewater	(204,800)	(104,562)
Net investment income (loss)	213,296	(172,359)
Total Nonoperating Revenues (Expenses)	<u>556,096</u>	<u>(59,559)</u>
Income (Loss) Before Capital Contributions	559,567	(439,893)
Capital Contributions		
Contributed lines	-	389,299
Change in Net Position	<u>559,567</u>	<u>(50,594)</u>
Net Position, beginning of year	<u>12,890,023</u>	<u>12,940,617</u>
Net Position, end of year	<u>\$ 13,449,590</u>	<u>\$ 12,890,023</u>

The accompanying notes are an integral part of these financial statements

North Pecos Water and Sanitation District
Statement of Cash Flows
For the Year Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Cash received from customers	\$ 2,644,136	\$ 2,558,234
Cash paid to suppliers	(1,961,923)	(2,378,624)
Cash paid to employees	(293,982)	(300,010)
Net cash provided (used) by operating activities	388,231	(120,400)
Cash Flows From Capital And Related Financing Activities		
Tap fees, net of pass through	342,800	112,800
Acquisitions and construction of capital assets	(246,620)	-
Net cash (used) by capital and related financing activities	96,180	112,800
Cash Flows From Investing Activities		
Net receipt (purchase) of investments	(66,000)	(128,731)
Investment earnings	112,004	73,401
Net cash provided by investing activities	46,004	(55,330)
Net increase (decrease) in cash and cash equivalents	530,415	(62,930)
Cash and cash equivalents, beginning of year	2,264,020	2,326,950
Cash and cash equivalents, end of year	\$ 2,794,435	\$ 2,264,020
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Loss	\$ 3,471	\$ (380,334)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities		
Depreciation	271,368	258,350
Changes in assets and liabilities (Increase) decrease in:		
Accounts receivable	(36,961)	(14,915)
Prepaid expenses	(3,435)	(22,394)
Increase (decrease) in:		
Accounts payable	153,207	(5,782)
Compensated absences	6,302	5,699
Other accrued liabilities	(5,721)	38,976
Net Cash Provided (Used) by Operating Activities	\$ 388,231	\$ (120,400)

The accompanying notes are an integral part of these financial statements

North Pecos Water and Sanitation District
Notes to Financial Statements
December 31, 2023

Note 1 Summary of Significant Accounting Policies

The North Pecos Water and Sanitation District is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water and sanitation services within its jurisdictional boundaries.

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

Financial Reporting Entity

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

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

Basis of Presentation

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements established standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis

**North Pecos Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022**

Note 1 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (continued)

section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Budgets and Budgetary Accounting

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

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or revised by the District Board.

Allowance of Doubtful Accounts

No allowance is made for bad debts in the accompanying financial statements as substantially all revenues of the district originate from charges to the owners of the District, and the District has the ability to place liens on the property.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed once a month on 30 day cycles.

Assets and Liabilities

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets - assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation over the estimated useful lives of the assets is computed using the straight-line method. The estimated useful lives are 50 years for water and wastewater lines, 50 years for disposal facilities, and 3 to 20 years for operating and office equipment.

Accrued vacation and sick pay - District employees accrue vacation and sick pay benefits based on tenure. The District recognizes the expense as they are incurred. Vacation and sick time that is not used upon termination of employment is paid out by the District.

**North Pecos Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022**

Note 1 Summary of Significant Accounting Policies (Continued)

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted net position – all other net position that does not meet the definition of “restricted” or net investment in capital assets.” These net position are available for future operations or distributions.

Cash Equivalents

For purposes of the statement of cash flows and the statement of net position, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The District considers certificates of deposit with maturities of more than three months at date of purchase as investments.

Use of Estimates in the Preparation of Financial Statements

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

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2023, and 2022, the District’s cash deposits had a carrying balance of \$1,722,379 and \$1,237,965 and a corresponding bank balance of \$1,379,791, and \$1,511,268, of which \$250,000 and \$250,000 was insured by the Federal Deposit Insurance Corporation, respectively.

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. The eligible collateral is specified under 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

North Pecos Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note 2 Cash and Investments (Continued)

another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Colorado Divisions of Banking 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. The District had \$1,129,791 and \$1,261,268 of assets collateralized under PDPA at December 31, 2023 or 2022, respectively.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023, and 2022, none of the District's bank deposits were exposed to custodial credit risk.

Investments

The District does not have a formal investment policy. Colorado statutes specify in which investment instruments the units of local government may invest:

- Obligations of the United States and certain United States government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of United States local government entities.
- Bankers' acceptances of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

At December 31, 2023 and 2022, the District had \$1,057,525 and \$1,003,879, respectively, 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 offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+ - The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. 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 section 24-75-601, C.R.S., as amended.

COLOTRUST EDGE - The Trust operates similarly to a money market fund and each share is equal in value to \$10.00. The portfolio may invest in U.S. Treasury securities and 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.

North Pecos Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note 2 Cash and Investments (Continued)

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 and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), CSAFE which is recorded at amortized cost, and COLOTRUST which is recorded at net asset value. As of December 31, 2023 and 2022, the District had the following investments:

Investment	Statement of Net Position Classification	Maturity	2023	2022
Fixed Income Securities	Investment	1-5 years	3,639,886	3,472,594
Money Market	Cash Equivalent	under 60 days	14,053	21,698
Colostrust	Cash Equivalent	under 60 days	1,057,525	1,003,879
Total Investments			4,711,464	4,498,171

The fixed income securities were valued using level one inputs. The money market account was unrated at December 31, 2023. A summary of cash and cash equivalents at December 31, 2023 and 2022, is as follows:

	2023	2022
Petty cash	\$ 478	\$ 478
Cash deposits	1,722,379	1,237,965
Money market account	14,053	21,698
COLOTRUST	1,057,525	1,003,879
Total cash and cash equivalents	\$ 2,794,435	\$ 2,264,020

**North Pecos Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022**

Note 3 Accounts Receivable

Accounts receivable balance at December 31, 2023 and 2022, was comprised of the following:

	<u>2023</u>	<u>2022</u>
Water and sewer charges	\$ 182,406	\$ 145,445
Less allowance for doubtful accounts	-	-
Net Accounts Receivable	<u>\$ 182,406</u>	<u>\$ 145,445</u>

Note 4 Capital Assets

A summary of changes to capital assets for 2023 and 2022 is as follows:

	<u>Balance at 12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2023</u>
Nondepreciable				
Land	\$ 108,204	\$ -	\$ -	\$ 108,204
Total Nondepreciable	<u>108,204</u>	<u>-</u>	<u>-</u>	<u>108,204</u>
Depreciable				
Buildings	307,600	-	-	307,600
Water system	8,103,093	-	-	8,103,093
Sewer system	3,363,290	246,620	-	3,609,910
Vehicles and equipment	346,431	-	-	346,431
Total Depreciable	<u>12,120,414</u>	<u>246,620</u>	<u>-</u>	<u>12,367,034</u>
TOTAL	<u>12,228,618</u>	<u>246,620</u>	<u>-</u>	<u>12,475,238</u>
Less Accumulated Depreciation				
Buildings	(264,169)	(7,887)	-	(272,056)
Water system	(3,011,243)	(171,597)	-	(3,182,840)
Sewer system	(1,512,965)	(87,165)	-	(1,600,130)
Vehicles and equipment	(339,002)	(4,719)	-	(343,721)
Total Accumulated Depreciation	<u>(5,127,379)</u>	<u>(271,368)</u>	<u>-</u>	<u>(5,398,747)</u>
Net Capital Assets	<u>\$ 7,101,239</u>	<u>\$ (24,748)</u>	<u>\$ -</u>	<u>\$ 7,076,491</u>

**North Pecos Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022**

Note 4 Capital Assets (Continued)

	Balance at 12/31/2021	Additions	Deletions	Balance at 12/31/2022
Nondepreciable				
Land	\$ 108,204	\$ -	\$ -	\$ 108,204
Total Nondepreciable	<u>108,204</u>	<u>-</u>	<u>-</u>	<u>108,204</u>
Depreciable				
Buildings	307,600	-	-	307,600
Water system	7,713,794	389,299	-	8,103,093
Sewer system	3,363,290	-	-	3,363,290
Vehicles and equipment	346,431	-	-	346,431
Total Depreciable	<u>11,731,115</u>	<u>389,299</u>	<u>-</u>	<u>12,120,414</u>
TOTAL	<u>11,839,319</u>	<u>389,299</u>	<u>-</u>	<u>12,228,618</u>
Less Accumulated Depreciation				
Buildings	(256,282)	(7,887)	-	(264,169)
Water system	(2,849,582)	(161,661)	-	(3,011,243)
Sewer system	(1,428,883)	(84,082)	-	(1,512,965)
Vehicles and equipment	(334,282)	(4,720)	-	(339,002)
Total Accumulated Depreciation	<u>(4,869,029)</u>	<u>(258,350)</u>	<u>-</u>	<u>(5,127,379)</u>
Net Capital Assets	<u>\$ 6,970,290</u>	<u>\$ 130,949</u>	<u>\$ -</u>	<u>\$ 7,101,239</u>

Note 5 Employee Retirement Plan

The District has implemented a SIMPLE IRA (Savings Incentive Match Plan for employees) administered by American Century for the full-time employees of the District. The District may make contributions up to 3% of the eligible employees' annual salaries. Employees were allowed to contribute up to \$13,500 and \$13,000 of their compensation in 2023 and 2022. The total employee contributions amounted to \$6,870 and \$7,715 for 2023 and 2022, respectively. District contributions amounted to \$15,835 and \$18,002 for 2023 and 2022, respectively. At December 31, 2023 and 2022, no amounts were due to the plan.

Note 6 Tax, Spending, and Debt Limitation

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 which apply to the State of Colorado and all local governments. 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's management believes a significant portion of its operations qualifies for this exclusion.

North Pecos Water and Sanitation District
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note 6 Tax, Spending, and Debt Limitation (Continued)

Spending and revenue limits are determined based on the prior year's fiscal year spending as adjusted for allowable increases for inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless retention of such revenue has been approved by the voters.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

Note 7 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation and associated coverages, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. The District's settled claims have not exceeded its insurance coverage in any of the last three years.

Note 8 Reclassifications

Certain items have been reclassified from the previous year to conform with the presentation of the current year's financial statements.

Other Supplementary Information

North Pecos Water and Sanitation District
Budgetary Comparison Schedule - Non GAAP Basis
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Water charges	\$ 1,965,549	\$ 1,478,672	\$ (486,877)
Sewer charges	1,166,367	\$ 925,258	(241,109)
Tap fees	1,218,950	547,600	(671,350)
Net investment income	60,000	213,296	153,296
Other income	390,000	36,458	(353,542)
Contributed lines	750,000	-	(750,000)
Developer reimbursements	-	263,695	263,695
Total Revenues	<u>5,550,866</u>	<u>3,464,979</u>	<u>\$ (2,085,887)</u>
Expenses			
Wages and employee benefits	578,300	386,606	191,694
General and administration	1,137,550	549,346	588,204
Maintenance and operations	470,000	155,128	314,872
Sewage treatment fees	409,706	409,706	-
Purchased water	1,165,000	928,458	236,542
Tap fees paid to Metro Wastewater	489,475	204,800	284,675
Capital outlay	1,702,000	246,620	1,455,380
Total Expenses	<u>5,952,031</u>	<u>2,880,664</u>	<u>3,071,367</u>
Revenues (under) Expenditures	<u>\$ (401,165)</u>	<u>\$ 584,315</u>	<u>\$ 985,480</u>
Reconciliation to statement of revenues, expenditures and changes in net position			
Capital outlay		246,620	
Depreciation		<u>(271,368)</u>	
Change in net position		<u>559,567</u>	