# ST. MARY'S GLACIER WATER AND SANITATION DISTRICT
# BASIC FINANCIAL STATEMENTS

**December 31, 2023**

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JOHN CUTLER
& ASSOCIATES

Board of Directors
St. Mary's Glacier Water and Sanitation District
Idaho Springs, Colorado

## INDEPENDENT AUDITORS' REPORT

**Report on the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities, business-type activities and each major fund, of the St. Mary's Glacier Water and Sanitation District (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the St. Mary's Glacier 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 the St. Mary's Glacier Water and Sanitation District to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information on page 22 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 (GASB) 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.

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

John Cutler & Associates, LLC

July 30, 2024

# BASIC FINANCIAL STATEMENTS

ST. MARY'S GLACIER WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION
December 31, 2023

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
|---|---|---|---|
| ASSETS | | | |
| Cash and Cash Equivalents | $ - | $ 201,165 | $ 201,165 |
| Cash and Cash Equivalents - Restricted | - | 70 | 70 |
| User Accounts Receivable, Net of Allowance for Doubtful Accounts | - | 65,427 | 65,427 |
| Certified User Accounts Receivable | - | 38,891 | 38,891 |
| Property Taxes Receivable | 64,559 | - | 64,559 |
| Grant Receivables | - | 367,309 | 367,309 |
| Loan Accounts Receivable | - | 510,000 | 510,000 |
| Other Receivables | 1,929 | 322 | 2,251 |
| Prepaid Expenses | - | 30,991 | 30,991 |
| Capital Assets, Not Depreciated | - | 4,252,861 | 4,252,861 |
| Capital Assets, Depreciated Net of Accumulated Depreciation | - | 2,859,707 | 2,859,707 |
| TOTAL ASSETS | 66,488 | 8,326,743 | 8,393,231 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts Payable | $ 12,390 | $ 859,854 | $ 872,244 |
| Unearned Revenues | - | 23,972 | 23,972 |
| Accrued Expenses | - | 202 | 202 |
| Noncurrent Liabilities | | | |
| Due in One Year | - | 60,848 | 60,848 |
| Due in More Than One Year | - | 1,878,304 | 1,878,304 |
| TOTAL LIABILITIES | 12,390 | 2,823,180 | 2,835,570 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Property Tax Revenues | 64,559 | - | 64,559 |
| NET POSITION | | | |
| Net Investment in Capital Assets | - | 5,434,264 | 5,434,264 |
| Restricted for Emergencies | 1,524 | - | 1,524 |
| Unrestricted | (11,985) | 69,299 | 57,314 |
| TOTAL NET POSITION | $ (10,461) | $ 5,503,563 | $ 5,493,102 |

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

ST. MARY'S GLACIER WATER AND SANITATION DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

| | | PROGRAM REVENUES | NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION | | |
|---|---|---|---|---|---|
| FUNCTIONS/PROGRAMS | Expenses | Charges for Services | Governmental Activities | Business-Type Activities | TOTAL |
| **Governmental Activities** | | | | | |
| General Government | $ 70,755 | $ - | $ (70,755) | $ - | $ (70,755) |
| Total Governmental Activities | 70,755 | - | (70,755) | - | (70,755) |
| **Business-Type Activities** | | | | | |
| Water and Sanitation Enterprise Fund | 1,016,337 | 994,789 | - | (21,548) | (21,548) |
| Total Primary Government | $ 1,087,092 | $ 994,789 | (70,755) | (21,548) | (92,303) |
| | GENERAL REVENUES | | | | |
| | Property Tax | | 42,208 | - | 42,208 |
| | Specific Ownership Tax | | 3,441 | - | 3,441 |
| | Interest | | 220 | 17,590 | 17,810 |
| | TOTAL GENERAL REVENU | | 45,869 | 17,590 | 63,459 |
| | CHANGE IN NET POSITIOI | | (24,886) | (3,958) | (28,844) |
| | NET POSITION, Beginning | | 14,425 | 5,507,521 | 5,521,946 |
| | NET POSITION, Ending | | $ (10,461) | $ 5,503,563 | $ 5,493,102 |

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

ST. MARY'S GLACIER WATER AND SANITATION DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

| | | GENERAL FUND |
|---|---|---|
| ASSETS | | |
| Cash and Cash Equivalents | $ | - |
| Property Taxes Receivables | | 64,559 |
| Other Receivables | | 1,929 |
| TOTAL ASSETS | $ | 66,488 |
| | | |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts Payable | $ | 12,390 |
| | | |
| DEFERRED INFLOWS OF OF RESOURCES | | |
| Deferred Property Tax Revenues | | 64,559 |
| | | |
| FUND BALANCES | | |
| Restricted for Emergencies | | 1,524 |
| Unassigned | | (11,985) |
| | | |
| TOTAL FUND BALANCES | | (10,461) |
| | | |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | $ | 66,488 |

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

ST. MARY'S GLACIER WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2023

| | GENERAL FUND |
|---|---|
| REVENUES | |
| Property Taxes and Other Taxes | $ 42,208 |
| Specific Ownership Taxes | 3,441 |
| Interest | 220 |
| TOTAL REVENUES | 45,869 |
| EXPENDITURES | |
| General and Administration | 50,798 |
| TOTAL EXPENDITURES | 50,798 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (4,929) |
| OTHER FINANCING SOURCES (USES) | |
| Transfers Out | (19,957) |
| NET CHANGE IN FUND BALANCE | (24,886) |
| FUND BALANCES, Beginning | 14,425 |
| FUND BALANCES, Ending | $ (10,461) |

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

ST. MARY'S GLACIER WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
December 31, 2023

| | WATER AND SANITATION ENTERPRISE FUND |
|---|---|
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents | $ 201,165 |
| Cash and Cash Equivalents - Restricted | 70 |
| User Accounts Receivable, Net of Allowance for Doubtful Accounts | 65,427 |
| Certified User Accounts Receivable | 38,891 |
| Grants Receivable | 367,309 |
| Loan Accounts Receivable | 510,000 |
| Other Receivables | 322 |
| Prepaid Expenses | 30,991 |
| Total Current Assets | 1,214,175 |
| Long-term Assets | |
| Capital Assets, Not Depreciated | 4,252,861 |
| Capital Assets, Net of Accumulated Depreciation | 2,859,707 |
| Total Long-term Assets | 7,112,568 |
| TOTAL ASSETS | 8,326,743 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 859,854 |
| Accrued Expenses | 202 |
| Unearned Revenue | 23,972 |
| Current Portion of Long Term Debt | 60,848 |
| Total Current Liabilities | 944,876 |
| Long-Term Liabilities | |
| Construction Loan Payable | 1,678,304 |
| Direct Loan Payable | 200,000 |
| Total Long-Term Liabilities | 1,878,304 |
| TOTAL LIABILITIES | 2,823,180 |
| NET POSITION | |
| Net Investment in Capital Assets | 5,434,264 |
| Restricted for Debt Service | 70 |
| Unrestricted | 69,229 |
| TOTAL NET POSITION | $ 5,503,563 |

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

ST. MARY'S GLACIER WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
Year Ended December 31, 2023

| | WATER AND SANITATION ENTERPRISE FUND |
|---|---|
| OPERATING REVENUES | |
| Use Fees and Surcharges | $ 876,423 |
| Availability of Service Fees | 68,366 |
| System Development Fees | 25,500 |
| Administrative Transfer Fees | 24,500 |
| Other | 17,590 |
| TOTAL OPERATING REVENUES | 1,012,379 |
| OPERATING EXPENSES | |
| Plant Operations | 932,623 |
| General and Administration | 399,668 |
| Depreciation | 206,923 |
| TOTAL OPERATING EXPENSES | 1,539,214 |
| OPERATING INCOME (LOSS) | (526,835) |
| NON-OPERATING REVENUES (EXPENSES) | |
| Grants | 202,920 |
| Foregiveness of Loan | 300,000 |
| Transfers In | 19,957 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | 522,877 |
| NET INCOME | (3,958) |
| NET POSITION, Beginning | 5,507,521 |
| NET POSITION, Ending | $ 5,503,563 |

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

ST. MARY'S GLACIER WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
Year Ended December 31, 2023
Increase (Decrease) in Cash

| | WATER AND SANITATION ENTERPRISE FUND |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Operations | $ 1,175,409 |
| Cash Paid for Operations | (1,526,089) |
| Net Cash Provided by Operating Activities | (350,680) |
| CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES | |
| Purchase of Capital Assets | (396,499) |
| Proceeds of Long-Term Debt | 500,000 |
| Principal Payments on Loan | (60,848) |
| Net Cash (Used) by Financing Activities | 42,653 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers from Other Funds | 19,957 |
| NET INCREASE (DECREASE) IN CASH | (288,070) |
| CASH, Beginning | 489,305 |
| CASH, Ending | $ 201,235 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES | |
| Operating Income (Loss) | $ (526,835) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities | |
| Depreciation Expense | 206,923 |
| Changes in Assets and Liabilities | |
| Accounts Receivable | 163,030 |
| Prepaid Expenses | (6,360) |
| Accounts Payable | 13,220 |
| Retainage Payable | (199,164) |
| Accrued Expenses | (18) |
| Unearned Revenue | (1,476) |
| Total Adjustments | 176,155 |
| Net Cash Provided (Used) by Operating Activities | $ (350,680) |

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

## NOTE 1: ***<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>***

The St. Mary's Glacier Water and Sanitation District (The "District") operates under the regulations pursuant to the Colorado Revised Statutes that designate a Board of Directors to act as the governing authority. The District's primary function is to provide water and sanitary sewer services to the residents of Clear Creek County, Colorado. The majority of the District's operations and administrative functions are provided through contract service arrangements.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

### Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the District.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

*Business-Type Activities*

The accounting policies of the District's business-type activities conform to generally accepted accounting principles as applicable to governmental units accounted for as an enterprise fund. The enterprise fund is used for the business-type activities since the District's water and sanitation operations 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.

**NOTE 1:** ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

The District's business-type financial statements are maintained using accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred regardless of when the cash is received and distributed.

The District distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing business of providing water and wastewater services. The District's primary business-type activities operating revenues are from charges to customers for sales of water and sewer service. Operating expenses include the cost of sales and service, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

*Governmental Activities*

The governmental activities financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and the unrestricted resources as they are needed.

The District reports the following major governmental fund:

> *General Fund* – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**NOTE 1:** ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

The District reports the following major proprietary fund:

*Water and Sanitation Enterprise Fund* – The Water and Sanitation Enterprise Fund is used to account for those operations financed and operated in a manner similar to a private business or where the Board of Directors has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Assets, Liabilities and Fund Balance/Net Position**

*Cash and Cash Equivalents* – Cash and cash equivalents include amounts in deposit accounts and short-term investments with an original maturity of three months or less.

*User Fees and User Fees Receivables* – The District extends credit to property owners within the District for water usage, sanitary sewer services and other user fees. User fees receivables are reviewed by District management on a monthly basis. It is the District's policy to certify past due user fees receivables annually with the Clear Creek County Treasurer for collection. In addition, the District may file a lien upon or foreclose on the owner's property for past due user accounts receivables. As the District believes that it will collect the majority of its user fees they have not established an allowance for doubtful accounts.

*Prepaid Expenses* – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the statement of net position.

*Inventory* – Inventories of materials and supplies are recorded on the balance sheet at the lower of cost or market using the first-in, first-out method of accounting.

*Fair Value of Financial Instruments* – The District's financial instruments include cash and cash equivalents, user fees receivable, accounts payable and deferred inflows of resources. The District estimates that the fair value of these financial instruments as of December 31, 2023, does not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial

## NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

**Assets, Liabilities and Fund Balance/Net Position** (Continued)

*Capital Assets* – Capital assets, which include property and equipment, are reported in the applicable business-type activities columns in the statement of net position. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Property and equipment of the District is depreciated using the straight - line method over the following estimated useful lives:

| | |
|---|---|
| Infrastructure – Water System | 20 - 35 years |
| Infrastructure – Waste Water System | 45 years |
| Office and Field Equipment | 3 – 10 years |

*Long-Term Obligations* - In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the business-type activities or proprietary fund type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**NOTE 1:** ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

**Assets, Liabilities and Fund Balance/Net Position** (Continued)

*Property Taxes* – Property taxes are levied in the current year and collected in the subsequent year have been accrued as a receivable at year-end and deferred until collected. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15.

*Use of Estimates* – The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates. The District has estimated the useful lives of its depreciable capital assets and the allowance for doubtful user accounts receivable.

*Net Position* – The business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position are liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third-party limitations on their use.

*Fund Balance* – The District utilizes the fund balance presentation as required under GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances, as applicable, are categorized as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact. The District had no non-spendable resources as of December 31, 2023.

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation. The District has restricted emergency reserves as required by State statutes.

**NOTE 1:** ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

**Assets, Liabilities and Fund Balance/Net Position** (Continued)

Committed – represents amounts that may only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose, unless the District's Board of Directors remove or change the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance;

Assigned – represents amounts that the District intends to use for specific purposes, as expressed by the District's Board of Directors or a District official delegated the authority to assign such amounts. The District had no assigned resources as of December 31, 2023.

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District purchases commercial insurance for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

## NOTE 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

### Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15, the District staff submits to the District Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

- Following receipt of the proposed budget, the District publishes notice of the hearing at which the adoption of the proposed budget will be considered, a statement that the proposed budget is available for inspection, and that any interested elector may file objections to the proposed budget prior to its adoption. The budget hearing is held at a regular or special Board of Directors' meeting.

- Following the budget hearing, the Board of Directors adopts the budget and makes appropriations for the budget year. The District also certifies a mill levy for collection in the budget year. Because the District certifies a mill levy, the adoption of the budget, appropriations and certification of the mill levy must occur on or before December 15. Expenditures in excess of the amounts appropriated for a Fund or transfer of moneys between Funds must be approved by the Board of Directors in the same manner as the adoption of the budget.

- Budgeted amounts in the financial statements are as originally adopted or as amended by the District Board of Directors. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

**NOTE 3:** ***DEPOSITS AND INVESTMENTS***

A summary of deposits and investments as of December 31, 2023 follows:

| | |
|---|---|
| Cash Deposits | $ 201,165 |
| Investments | 70 |
| Total | **$ 201,235** |

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. At December 31, 2023, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2023, the District had deposits with financial institutions with a carrying amount of $201,165. The bank balances with the financial institutions were $183,987 the full amount was covered by federal depository insurance.

**Investments**

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District does follow the policies required by the State of Colorado regarding types of investments and maturity dates.

## NOTE 3: ***DEPOSITS AND INVESTMENTS*** (Continued)

**Investments** (Continued)

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Local Government Investment Pools

The District had invested $70 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to $1.00.

Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

## NOTE 4: ***AVAILIBILITY OF SERVICE FEE***

For 2023, the District assessed an annual availability of service ("AOS") fee in the amount of $170 to properties not yet connected to the District's water system but located within 100 feet of a District water main line. The AOS fee is applied to the payment of principal and interest on the District's long-term debt

## NOTE 5: ***CAPITAL ASSETS***

Capital Assets activity for the year ended December 31, 2023, is summarized below.

| | Balance 12/31/2022 | Additions | Deletions | Balance 12/31/2023 |
|---|---|---|---|---|
| **Business-Type Activities** | | | | |
| Capital Assets, not depreciated | | | | |
| Land | $ 20,937 | $ - | $ - | $ 20,937 |
| Water System Design - CIP | 3,835,425 | 396,499 | - | 4,231,924 |
| Total Capital Assets, not depreciated | 3,856,362 | 396,499 | - | 4,252,861 |
| Capital Assets, depreciated | | | | |
| Buildings | 17,192 | - | - | 17,192 |
| Infrastructure – Water System | 3,694,304 | - | - | 3,694,304 |
| Infrastructure – Waste Water System | 2,535,410 | - | - | 2,535,410 |
| Office and Field Equipment | 146,265 | - | - | 146,265 |
| Total Capital Assets, depreciated | 6,393,171 | - | - | 6,393,171 |
| Less: Accumulated Depreciation | | | | |
| Buildings | 10,770 | 453 | - | 11,223 |
| Infrastructure – Water System | 1,548,211 | 138,537 | - | 1,686,748 |
| Infrastructure – Waster Water System | 1,632,886 | 56,342 | - | 1,689,228 |
| Office and Field Equipment | 134,674 | 11,591 | - | 146,2665 |
| Total Accumulated Depreciation | 3,326,541 | 206,923 | - | 3,533,464 |
| Total Capital Assets, depreciated, Net | 3,066,630 | (206,923) | - | 2,859,707 |
| Business-Type Activities, Capital Assets, Net | **$ 6,922,992** | **$ 189,576** | **$ -** | **$ 7,112,568** |

## NOTE 6: ***LONG-TERM DEBT***

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2023.

| | Balance 12/31/2022 | Additions | Reductions | Balance 12/31/2023 | Due In One Year |
|---|---|---|---|---|---|
| Project Construction Loan | $ 1,800,000 | $ - | $ 60,848 | $ 1,739,152 | $ 60,848 |
| DWRF Loan | - | 500,000 | 300,000 | 200,000 | 3,267 |
| Total | **$ 1,800,000** | **$ 500,000** | **$ 360,848** | **$ 1939,152** | **$ 64,115** |

**NOTE 6:** ***LONG-TERM DEBT*** (Continued)

**$3,000,000 Project Construction Loan ("Construction Loan")**

In December 2018, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority ("CWRPDA") under which CWRPDA agreed to loan to the District up to $3 million for the installation of a new well, the rehabilitation of an existing well and improvements to the District's drinking water distribution system as defined in the loan agreement.

The District irrevocably pledged and granted a lien upon the source of repayment as described in the Loan agreement for the punctual payment of the principal and the interest, as applicable. The Loan requires the payment of principal and interest, as applicable, semi-annually on May 1 and November 1 in accordance with the schedule as amended as necessary. The Loan carries an interest rate of 0%.

Under the terms of the Construction Loan agreement, the District shall establish and maintain an operating and maintenance reserve in an amount equal to three months of operating and maintenance expenses, excluding depreciation. As of December 31, 2023, the District was in compliance.

At the discretion of CWRPDA, to the extent funds are available, and the District is deemed eligible, the Construction Loan maybe forgiven in an amount equal to 100% of the principal amount pursuant to the terms and conditions of the loan agreement. In February 2019, CWRPDA awarded the District $1.2 million of principal forgiveness. As such, while the total amount of the loan remains at $3 million, the District's total potential outstanding loan principal balance will be no more than $1.8 million.

During 2020, the District received a requested draw totaling $144,752 of which, $83,905 was forgiven. As discussed above, the District is required to make semi-annual payments on the Construction Loan based upon the total potential outstanding loan principal balance of $1.8 million. In 2022 and 2023, the District made principal payments as required totaling $60,848 and $60,848, respectively. As such, the principal payments reduced the amount of the forgiveness.

## NOTE 6: ***LONG-TERM DEBT*** (Continued)

**Drinking Water Revolving Fund Supplemental Disadvantaged Communities Program Direct Loan**

In March 2023, the District entered into a direct loan agreement with the Colorado Water Resources and Power Development Authority in the amount of $500,000 of which amount includes up to $300,000 in up-front principal forgiveness. The loan is for a term of up to 30 years at an interest rate of 1.25%. The loan was approved with the following conditions: the requirement to deliver necessary documentation to the CDPHE drinking water compliance section for completion of surface water treatment and optimal corrosion control.

The future minimum payments are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 64,115 | $ 1,455 | $ 65,570 |
| 2025 | 66,515 | 2,442 | 68,957 |
| 2026 | 66,586 | 2,370 | 68,956 |
| 2027 | 66,658 | 2,299 | 68,957 |
| 2028 | 66,731 | 2,226 | 68,957 |
| 2029-2033 | 334,777 | 10,003 | 344,780 |
| 2034-2038 | 336,740 | 8,040 | 344,780 |
| 2039-2043 | 338,830 | 5,950 | 344,780 |
| 2044-2048 | 341,054 | 3,726 | 344,780 |
| 2049-2053 | 257,146 | 1,360 | 258,506 |
| Total Debt Service Requirements | **$ 1,939,152** | **$ 39,871** | **$ 1,979,023** |

## NOTE 7: ***COMMITMENTS AND CONTINGENCIES***

**Vidler Water Agreement**

In 1974, the District entered into an agreement with the Vidler Tunnel Water Company to purchase annually in perpetuity, 25 acre feet of water. In 1994, this agreement was renegotiated to provide, among other things, an annual escalation based on the U.S. City Average All Urban Consumers Price Index as published by the U.S. Department of Labor, Bureau of Labor Statistics. For the year ended December 31, 2023, the District paid $7,043 under this agreement.

**NOTE 7:** ***COMMITMENTS AND CONTINGENCIES*** (Continued)

**Contract Operator Agreement**

On February 26, 2019, the District entered into a contract with ORC Water Professionals, Inc. for services, as defined in the agreement, related to the operation of the District with an independent contractor. Under the terms of the agreement, the independent contractor receives a monthly service fee of $15,346. Additional services as necessary and approved are to be based upon the estimated number of hours to be incurred and hourly rates as specified in the agreement. The agreement automatically and successively renews each calendar year. The agreement may be terminated by either party by providing notice no less than 30 days prior to the termination date.

**Contract Management Agreement**

The District has a contract for services with Pinnacle Consulting Group dated December 1, 2017, amended. The services provided are defined in the agreement, related to the accounting services and limited management services of the District with an independent contractor. The agreement is to automatically renew on January 1 for an additional one-year term, subject to annual budgeting and appropriations by the District unless otherwise terminated by either the contractor or the District. Under the terms of the agreement the annual fee is to be based upon the estimated number of hours to be incurred and hourly rates as specified in the agreement.

**Office and Storage Lease**

The District has an informal lease for office and storage space with St. Mary's Glacier Metropolitan District under which they paid St. Mary's Glacier Metropolitan District $3,758 for 2023. This lease was effective on January 1, 2023 and requires annual payments of $4,500.

**Grants**

Grants awarded to the District may contain clauses providing that the grants and related expenditures are subject to financial reporting, audit and possible subsequent adjustment. As of December 31, 2023 the District believes it has complied with all of the specific requirements and has not received notification of any potential adjustments.

**Drinking Water System Improvement Contracts**

In 2020, the District awarded contracts related to the on-going design and construction of the District's drinking water system improvements. As of December 31, 2023, the open amount of the construction in process contracts was $4,561,059.

**NOTE 7:** ***COMMITMENTS AND CONTINGENCIES*** (Continued)

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. On November 1, 2011, voters approved a ballot referendum to exempt the District from limitations imposed by TABOR.

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. As of December 31, 2023, an emergency reserve of $1,300 was recorded in the General Fund.

**NOTE 8:** ***SUBSEQUENT EVENTS***

Potential subsequent events were considered through July 30, 2024. It was determined that the no events were required to be disclosed through this date.

# REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY'S GLACIER WATER AND SANITATION DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2023

| | 2023 | | | |
|---|---|---|---|---|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) |
| REVENUES | | | | |
| Property Taxes and Other Taxes | $ 42,235 | $ 42,235 | $ 42,208 | $ (27) |
| Specific Ownership Taxes | 2,956 | 2,957 | 3,441 | 484 |
| Interest | - | - | 220 | 220 |
| TOTAL REVENUES | 45,191 | 45,192 | 45,869 | 677 |
| EXPENDITURES | | | | |
| Operations | | | | |
| Accounting and Audit | 9,000 | 9,000 | 9,000 | - |
| Legal | 13,500 | 24,500 | 14,444 | 10,056 |
| Office Supplies and Miscellaneous | 16,500 | 27,816 | 26,081 | 1,735 |
| Treasuer Fees | 1,267 | 1,267 | 1,273 | (6) |
| TOTAL EXPENDITURES | 40,267 | 62,583 | 50,798 | 11,785 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 4,924 | (17,391) | (4,929) | 12,462 |
| OTHER FINANCING USES | | | | |
| Transfers In (Out) | - | - | (19,957) | (19,957) |
| NET CHANGE IN FUND BALANCE | 4,924 | (17,391) | (24,886) | (7,495) |
| FUND BALANCE, Beginning | 2,171 | 18,215 | 14,425 | (3,790) |
| FUND BALANCE, Ending | $ 7,095 | $ 824 | $ (10,461) | $ (11,285) |

See the accompanying independent auditors' report.