

LAKE DURANGO WATER AUTHORITY

ANNUAL FINANCIAL STATEMENTS
And Independent Auditors' Report

DECEMBER 31, 2023 AND 2022



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1785 West 2320 South
Salt Lake City, UT 84119

801-972-4800

801-972-8941

www.HaynieCPAs.com

Independent Auditors' Report

Members of the Board of Directors
Lake Durango Water Authority

Opinion

We have audited the accompanying financial statements of the business-type activity of Lake Durango Water Authority (the Authority) as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Authority'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 the business-type activity of Lake Durango Water Authority, as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lake Durango Water Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 Lake Durango Water Authority'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.

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

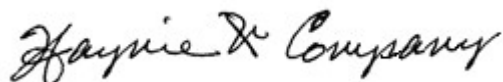
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Lake Durango Water Authority's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado
July 29, 2024

Lake Durango Water Authority Management's Discussion and Analysis

As management of the Lake Durango Water Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2023, with comparative information presented for the year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the Authority.

The Authority (formed in 2007) operates a water system that provides domestic water service to portions of western La Plata County in the State of Colorado. In July 2009, the Authority successfully purchased the assets of the Lake Durango Water Company (Water Company) and took over the operation of the water system. The Authority purchased assets totaling \$3,296,197 financed by a long-term loan from the Colorado Water Resources & Power Development Authority of \$2,000,000 and revenue bonds of \$500,000 as well as a water royalty agreement for approximately \$1,050,000.

The Authority has partnered with the La Plata West Water Authority, Southern Ute Tribe and Ute Mountain Ute Tribe to construct a pipeline to deliver water from Lake Nighthorse to Lake Durango Reservoir. The Authority contributed \$3,000,000 to the project financed by a \$500,000 Colorado Water Conservation Board (CWCB) grant and a \$2,500,000 CWCB loan. The Authority has purchased 150 acre-feet depletions equal to 300 acre-feet supply of ALP Project Water from the Animas La Plata Water Conservancy District and is in Agreement to purchase an additional 50 acre-feet depletions equal to 100 acre-feet supply. The pipeline project was completed in September 2020 and the Authority is now able to pump to Lake Durango as necessary.

In 2018, La Plata County resolved that the Authority has sufficient water supply for 1,817 taps.

Financial Highlights

- In 2023 operating revenues were 14% higher than prior year due to unchanged water rates for three years until a 15% rate increase that occurred in March of 2023.
- In 2023 operating expenditures were 4% higher than prior year, attributed to increases in chemicals and supplies expense as well as contract services.

Overview of the Financial Statements

The financial statements of the Authority are presented as a special purpose government engaged only in business-type activities – providing domestic water services to certain areas of La Plata County.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases and decreases in Net Position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the Authority.

Lake Durango Water Authority Management's Discussion and Analysis

The *Statement of Revenues, Expenses, and Changes in Net Position* reports the changes that have occurred during the year to the Authority's Net Position. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* reports the Authority's cash flows from operating, noncapital financing, capital, and investing activities.

FINANCIAL SUMMARY AND ANALYSIS

These financial statements distinguish functions of the Authority that will be principally supported by charges for services, grant resources, and other fees. The functions of the Authority include effective and economical operation of the Authority's services within the jurisdictional boundaries of the Authority. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Assets	2023	2022
Current assets	\$ 684,279	\$ 737,791
Capital assets, net	7,254,275	7,214,629
<i>Total assets</i>	<u>7,938,554</u>	<u>7,952,420</u>
 Liabilities		
Current liabilities	209,676	324,979
Long-term liabilities	3,088,167	3,296,426
<i>Total liabilities</i>	<u>3,297,843</u>	<u>3,621,405</u>
 Net Position		
Net investments in capital assets	3,986,960	3,743,271
Restricted for operations and maintenance	784,286	170,928
Unrestricted	(130,535)	416,816
<i>Total net position</i>	<u>\$ 4,640,711</u>	<u>\$ 4,331,015</u>

The largest portion of the Authority's Net Position is the net investment in capital assets.

Lake Durango Water Authority Management's Discussion and Analysis

Revenue	2023	2022
Operating Revenue	\$ 1,187,920	\$ 1,060,610
Non-operating revenue	<u>51,867</u>	<u>76,950</u>
<i>Total revenue</i>	<u>1,239,787</u>	<u>1,137,560</u>
 Expenses		
Operating expenses	820,218	788,628
Non-operating expenses	<u>109,873</u>	<u>112,030</u>
<i>Total expenses</i>	<u>930,091</u>	<u>900,658</u>
<i>Change in Net Position</i>	309,696	251,198
Net Position - beginning of year	<u>4,331,015</u>	<u>4,079,817</u>
Net Position - end of year	<u>\$ 4,640,711</u>	<u>\$ 4,331,015</u>

Revenues

The Authority has two major revenue sources: (1) water sales and (2) fees. Fees include Acquisition and Capital Improvement Fee, Water Royalty Fee, and Tap Sales Fee. The Authority charges for domestic water used by the customers within its jurisdiction. Fees charged to the customers are pledged for debt reduction payments, capital improvements, and payments for the royalty agreement with the former owner.

Expenses

The Authority's major expenses consist of salaries and employee benefits, office and administrative, chemicals and supplies, professional fees, depreciation, and repairs and maintenance.

The overall financial position of the Authority has increased.

BUDGETARY HIGHLIGHTS

The Authority prepares its budget on the accrual basis of accounting.

- In 2023 operating revenues were consistent with budgeted expectations.
- In 2023 operating expenditures were 6% lower than budgeted expectations, attributed to chemicals and supplies.

Lake Durango Water Authority Management's Discussion and Analysis

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the Authority's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to: Matt Nesbit, General Manager, Lake Durango Water Authority, P.O. Box 657, Durango, CO 81302 or call (970) 247-4062

Basic Financial Statements

Lake Durango Water Authority
Statements of Net Position
December 31, 2023 and 2022

	2023	2022 (as restated)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 444,510	\$ 522,434
Accounts receivable, net	218,063	207,357
Prepays	13,706	-
Tap fees receivable	8,000	8,000
Total Current Assets	684,279	737,791
Capital Assets:		
Capital assets, not being depreciated	1,933,811	1,822,168
Capital assets being depreciated, net	5,320,464	5,392,461
Net Capital Assets	7,254,275	7,214,629
Total Assets	\$ 7,938,554	\$ 7,952,420
Liabilities		
Current Liabilities:		
Accounts payable	\$ 22,231	\$ 147,799
Accrued liabilities	8,297	2,248
Water royalty payable - current portion	67,500	65,484
Notes payable - current portion	111,648	109,448
Total Current Liabilities	209,676	324,979
Long-term Liabilities:		
Water royalty payable	274,144	320,112
Notes payable	2,814,023	2,976,314
Total Long-term Liabilities	3,088,167	3,296,426
Net Position		
Net investment in capital assets	3,986,960	3,743,271
Restricted for operations and maintenance	784,286	170,928
Unrestricted	(130,535)	416,816
Total Net Position	4,640,711	4,331,015
Total Liabilities and Net Position	\$ 7,938,554	\$ 7,952,420

The accompanying notes are an integral part of these statements.

Lake Durango Water Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues:		
Water sales and fees	\$ 1,163,855	\$ 999,274
Other revenue	24,111	61,336
Total Operating Revenues	1,187,966	1,060,610
Operating Expenses:		
Salaries and benefits	354,962	334,964
Chemicals and supplies	110,042	110,892
Depreciation and amortization	115,384	104,915
Office and administrative	40,898	35,613
Utilities	65,497	55,623
Professional and contractual services	59,799	65,303
Repairs and maintenance	41,605	32,839
Transportation	17,608	15,283
Other expenses	14,423	33,196
Total Operating Expenses	820,218	788,628
Operating Income	367,748	271,982
Non-operating Revenues and Expenses:		
Tap sales	51,581	76,950
Interest income	240	40
Interest expense	(109,873)	(112,030)
Gain on Insurance	-	14,256
Net Non-operating Revenues and Expenses	(58,052)	(20,784)
Change in Net Position	309,696	251,198
Net Position —beginning of year (as restated)	4,331,015	4,079,817
Net Position —end of year	\$ 4,640,711	\$ 4,331,015

The accompanying notes are an integral part of these statements.

Lake Durango Water Authority
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,177,260	\$ 981,407
Cash paid to suppliers for goods and services	(483,097)	(358,801)
Cash paid to employees for services	(354,962)	(334,964)
Net Cash From Operating Activities	339,201	287,642
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital grants	-	43,200
Purchase of capital assets	(198,982)	(171,593)
Principal paid on capital debt	(160,091)	(157,933)
Interest paid on capital debt	(109,873)	(112,030)
Net Cash From Capital and Related Financing Activities	(468,946)	(398,356)
Cash Flows from Investing Activities:		
Tap fees received	51,581	76,950
Interest income received	240	40
Net Cash From Investing Activities	51,821	76,990
Net Change in Cash and Cash Equivalents	(77,924)	(33,724)
Cash and Cash Equivalents—beginning of year	522,434	556,158
Cash and Cash Equivalents—end of year	\$ 444,510	\$ 522,434
Reconciliation of Net Operating Income to		
Net Cash From Operating Activities:		
Operating income	\$ 367,748	\$ 271,982
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	115,384	104,915
Changes in assets and liabilities:		
Accounts receivable	(10,706)	(36,003)
Prepaid	(13,706)	-
Accounts payable	(125,568)	(10,052)
Accrued liabilities	6,049	-
Total Adjustments	(28,547)	58,860
Net Cash From Operating Activities	\$ 339,201	\$ 330,842

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

Lake Durango Water Authority

Notes to Basic Financial Statements

December 31, 2023 and 2022

1. Organization

Organization

Lake Durango Water Authority (the Authority) was formed on December 18, 2007 pursuant to a Memorandum of Agreement (the Agreement) dated July 17, 2007 by Durango West Metropolitan District No. 1 (Metro District), Durango West Metropolitan District No. 2 (Metro District), and La Plata County, Colorado (the County). The Authority is an independent political subdivision operating under the statutes governing water authorities of the State of Colorado and has its own governing board consisting of five members that are appointed by the establishing entities. One member is appointed by each Metro District and three are appointed by the County, including two retail customers and one independent person who is not a customer of the Authority. The Authority was established to allow for public ownership and operation of a water system that provides domestic water service to portions of western La Plata County.

Reporting Entity

The financial statements include only the Authority, as there are no component units required to be included in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61.

2. Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The Authority's fund is classified as an enterprise fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on

Lake Durango Water Authority

Notes to Basic Financial Statements

December 31, 2023 and 2022 (continued)

2. Summary of Significant Accounting Policies (continued)

capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Authority reports all activity in one enterprise fund which is a proprietary fund type.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Authority had no cash equivalents at December 31, 2023 and 2022.

Accounts Receivable

Accounts receivable consist of amounts due from various retail and bulk customers from water sales, tap sales, and acquisition fees. They are stated net of an allowance for doubtful accounts. As of December 31, 2023 and 2022, management believes all accounts receivable are fully collectible; therefore, no allowance for doubtful accounts has been recorded.

Revenue Recognition

Revenues are recognized when earned. Metered water accounts are read and billed monthly on 30-day cycles. Unbilled water charges are accrued for the period of time from the last meter reading through year end and are included in receivables.

Grants

Grant revenue consists of funding provided to the Authority by various governmental agencies to assist the Authority in providing domestic water services. Grant revenue is recorded when amounts become known and due to the Authority. Grant receivables are recorded when the capital project costs are incurred prior to the receipt of funds. There was \$0 and \$43,200 in grant revenue received in 2023 and 2022, respectively.

Capital Assets

Capital assets include assets with an estimated useful life of more than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated useful lives of 25 to 60 years for the water system, plant, and lines.

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

Lake Durango Water Authority

Notes to Basic Financial Statements

December 31, 2023 and 2022 (continued)

2. Summary of Significant Accounting Policies (continued)

Net Position

The Authority's Net Position is classified as follows:

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation of these assets and related debt balances reduce this category.

Restricted Net Position – Restricted expendable net position includes resources in which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted Net Position – Unrestricted net position represents resources derived from general Authority revenues. The resources are used to conduct the Authority's operations.

Use of Restricted/Unrestricted Net Position – When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted net position first.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Budgets

The Authority adheres to the following procedures in establishing its annual budget:

- A. The Authority files an annual budget in accordance with state law.
- B. The budget officer is required to submit a proposed budget to the Board of Directors (the Board) each year by October 15.
- C. Public hearings are conducted by the Board to obtain tap holder comments.
- D. Expenses may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget.
- E. Budget appropriations lapse at the end of each year.
- F. The Authority adopts budgets on a modified accrual basis with the inclusion of depreciation.

Budgetary Basis of Accounting

While the Authority reports net position, results of operations and changes in net position on the basis of accounting principles generally accepted in the United State of America (U.S.

Lake Durango Water Authority

Notes to Basic Financial Statements

December 31, 2023 and 2022 (continued)

2. Summary of Significant Accounting Policies (continued)

GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts and disbursements. The Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (Budgetary Basis) presented as supplemental information is presented on the budgetary basis to provide meaningful comparison of actual results with the budget.

3. Correction of an Error in Previously Issued Financial Statements

GASB Statement No. 100, Accounting Changes and Error Corrections. As of December 31, 2023, the District adopted GASB Statement No. 100, Accounting Changes and Error Corrections, effective for fiscal years beginning after June 15, 2023. This Statement provides guidance on accounting for and reporting accounting changes and error corrections, aiming to improve the clarity and consistency of financial reporting in these areas. The early adoption of GASB Statement No. 100 has been applied retrospectively to all periods presented in these financial statements. Adoption of this standard enhances the relevance and reliability of its financial statements by providing a more transparent framework for accounting changes and error corrections.

During fiscal year 2023, the District determined that the water royalty liability and expenses were understated by \$79,452 for the year ended December 31, 2021. In addition, the resulting long term portion of the water royalty liability was understated by \$79,452 for the year ended December 31, 2022. The effect of correcting that error is shown in the table below.

Adjustments to and Restatements of Beginning Balances

	As Previously Reported	Error Correction	December 31, 2022 As Restated
Water royalty payable - long term portion	\$ 240,660	\$ 79,452	\$ 320,112
Net Position, End of the year	4,410,467	(79,452)	4,331,015

4. Cash and Investments

Custodial Credit Risk – Deposits

The Colorado Public Deposit Protection Act (PDPA) governs the Authority’s deposits. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal deposit insurance (FDIC) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to 102% of the uninsured deposits. The Colorado Division of Banking is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Lake Durango Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

4. Cash and Investments (continued)

At the year end of 2023 and 2022, the Authority had carrying balances and bank balances as follows:

	Carrying Balance	Bank Balance
Cash in checking and money market accounts in 2023	\$ 444,510	\$ 445,449

	Carrying Balance	Bank Balance
Cash in checking and money market accounts in 2022	\$ 522,434	\$ 522,427

The Authority maintains cash balances at local financial institutions which are insured by the FDIC up to \$250,000 per institution. At year-end \$275,452 of the Authority's bank balance was covered by FDIC insurance and the remaining bank balance was covered by the PDPA.

5. Capital Assets

In accordance with the Agreement, the Authority acquired the assets of Lake Durango Water Company on July 15, 2009 for a purchase price of \$3,296,197. The acquisition was financed by a long-term note payable and bonds payable as disclosed in Note 5.

In addition, the Agreement requires the Authority to pay an additional consideration to the former owners of Lake Durango Water Company in the form of a water royalty based on water usage also disclosed in Note 7.

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Lake Durango Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

5. Capital Assets (continued)

A summary of changes in capital assets in 2023 is as follows:

	Balance December 31, 2022	Additions/ (Deletions)	Adjustments/ Transfers	Balance December 31, 2023
Capital assets, not being depreciated:				
Land and land rights	\$ 603,293	\$ -	\$ -	\$ 603,293
Water rights	1,218,875	86,643	-	1,305,518
Construction in progress	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
<i>Total capital assets, not being depreciated</i>	<u>1,822,168</u>	<u>111,643</u>	<u>-</u>	<u>1,933,811</u>
Capital assets, being depreciated:				
ALP Pipeline	2,991,066	-	-	2,991,066
Water system - Source, plant & lines	3,298,379	43,386	-	3,341,765
Vehicles	<u>151,668</u>	<u>-</u>	<u>-</u>	<u>151,668</u>
<i>Total capital assets, being depreciated</i>	<u>6,441,113</u>	<u>43,386</u>	<u>-</u>	<u>6,484,499</u>
Less accumulated depreciation:	<u>(1,048,652)</u>	<u>(115,384)</u>	<u>-</u>	<u>(1,164,036)</u>
<i>Total capital assets, being depreciated, net</i>	<u>5,392,461</u>	<u>(71,998)</u>	<u>-</u>	<u>5,320,463</u>
<i>Capital assets, net</i>	<u>\$ 7,214,629</u>	<u>\$ 39,645</u>	<u>\$ -</u>	<u>\$ 7,254,275</u>

Depreciation expense for the year ended December 31, 2023 was \$115,384.

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Lake Durango Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

5. Capital Assets (continued)

A summary of changes in capital assets in 2022 is as follows:

	Balance December 31, 2021	Additions/ (Deletions)	Adjustments/ Transfers	Balance December 31, 2022
Capital assets, not being depreciated:				
Land and land rights	\$ 603,293	\$ -	\$ -	\$ 603,293
Water rights	<u>1,133,255</u>	<u>85,620</u>	<u>-</u>	<u>1,218,875</u>
<i>Total capital assets, not being depreciated</i>	<u>1,736,548</u>	<u>85,620</u>	<u>-</u>	<u>1,822,168</u>
Capital assets, being depreciated:				
ALP Pipeline	2,991,066	-	-	2,991,066
Water system - Source, plant & lines	3,254,903	43,476	-	3,298,379
Vehicles	<u>154,808</u>	<u>29,285</u>	<u>(32,425)</u>	<u>151,668</u>
<i>Total capital assets, being depreciated</i>	<u>6,400,777</u>	<u>72,761</u>	<u>(32,425)</u>	<u>6,441,113</u>
Less accumulated depreciation:	<u>(948,961)</u>	<u>(104,915)</u>	<u>5,224</u>	<u>(1,048,652)</u>
<i>Total capital assets, being depreciated, net</i>	<u>5,451,816</u>	<u>(32,154)</u>	<u>(27,201)</u>	<u>5,392,461</u>
<i>Capital assets, net</i>	<u>\$ 7,188,364</u>	<u>\$ 53,466</u>	<u>\$ (27,201)</u>	<u>\$ 7,214,629</u>

Depreciation expense for the year ended December 31, 2022 was \$104,195.

6. Long-Term Liabilities

Notes payable consisted of the following at December 31, 2023:

Note payable to a state governmental entity, due in biannual installments of \$61,971 including interest at 2%, maturing in May 2029, collateralized by the source of repayment (Net Revenue).	\$ 642,494
La Plata West Water Authority Project	<u>2,283,177</u>
<i>Total Notes Payable</i>	<u>2,925,671</u>
Less current portion	<u>(111,648)</u>
<i>Long-term Portion of Notes Payable</i>	<u>\$ 2,814,023</u>

Lake Durango Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

6. Long-Term Liabilities (continued)

Notes payable consisted of the following at December 31, 2022:

Note payable to a state governmental entity, due in biannual installments of \$61,971 including interest at 2%, maturing in May 2029, collateralized by the source of repayment (Net Revenue).	\$ 751,942
La Plata West Water Authority Project	<u>2,333,820</u>
<i>Total Notes Payable</i>	<u>3,085,762</u>
Less current portion	<u>(109,448)</u>
<i>Long-term Portion of Notes Payable</i>	<u>\$ 2,976,314</u>

The Authority's notes payable will mature as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 111,648	\$ -	\$ 111,648
2024	113,892	52,668	166,560
2025	116,181	54,775	170,956
2026	118,517	56,696	175,213
2027	120,899	56,663	177,562
Thereafter	61,358	2,060,349	2,121,707
	<u>\$ 642,494</u>	<u>\$ 2,281,151</u>	<u>\$ 2,923,646</u>

The note payable to the governmental entity includes covenants which the Authority is required to meet. The Authority believes it is in compliance with the covenant requirements as of December 31, 2023.

La Plata West Water Authority Project

In 2014 the Authority entered into an agreement to participate in the La Plata West Water Authority Project. This project is designed to bring water from Lake Nighthorse to Lake Durango. The project will add an additional 400 acre feet of water per year to the Authority's reserves. The project is financed through a loan of up to \$2,525,000 and a grant of \$500,000 funded by the Colorado Water Conservation Board (CWCB) and is secured by water revenue. Payments on the loan were not scheduled to begin until one year after the project was substantially complete, which occurred on January 1, 2019. The loan agreement requires the establishment and funding of a debt service reserve fund when the first payment was due. Interest is accrued on the loan at a rate of 4% and was capitalized during the construction period which ended in 2018. The Authority incurred total project costs of \$2,981,475, reflected in the total capital assets balance of which \$2,500,000 were financed by drawing on the CWCB loan. This amount is included with long-term notes payable on the statement of net position. The remaining project costs are financed by the CWCB grant. As of December 31, 2023, and 2022 the loan balance was \$2,283,177 and \$2,333,820, respectively.

Lake Durango Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

6. Long-Term Liabilities (continued)

Changes in long-term notes and bonds for the year ended December 31, 2023 were as follows:

	Balance at December 31, 2022	Additions	Payment	Balance at December 31, 2023	Due Within One Year
Notes payable					
CWCB	\$ 2,333,820	\$ -	\$ (50,643)	\$ 2,283,177	\$ -
CWRPDA	751,942	-	(109,448)	642,494	111,648
Total	<u>\$ 3,085,762</u>	<u>\$ -</u>	<u>\$ (160,091)</u>	<u>\$ 2,925,671</u>	<u>\$ 111,648</u>

Changes in long-term notes and bonds for the year ended December 31, 2022 were as follows:

	Balance at December 31, 2021	Additions	Payment	Balance at December 31, 2022	Due Within One Year
Notes payable					
CWCB	\$ 2,384,462	\$ -	\$ (50,642)	\$ 2,333,820	\$ -
CWRPDA	859,233	-	(107,291)	751,942	109,448
Total	<u>\$ 3,243,695</u>	<u>\$ -</u>	<u>\$ (157,933)</u>	<u>\$ 3,085,762</u>	<u>\$ 109,448</u>

7. Water Purchase Agreement

Water Royalty Payable

In accordance with the Agreement, additional consideration was given for the purchase of the assets of the Lake Durango Water Company in the form of a Water Royalty Agreement. Each July, the royalty payment is recalculated based on water usage for the previous year in accordance with the Water Royalty Agreement. Authority management estimated the 2024 payment at \$67,500. The estimated amount has also been recorded as value given for land and components of the water system and subsequent changes from recalculations each July result in increases or decreases to these assets.

On December 15, 2016, the Board of Directors, signed a contract for the purchase of 200 acre feet of water depletions from the Animas La Plata Water Conservancy District (ALPWCD). The initial purchase of 50 acre feet of water depletions occurred on March 31, 2017 with additional purchases of 25 acre feet of water depletions scheduled for purchase of each subsequent year. The seventh and final purchase of 25 acre-feet of depletions were purchased in April 2022 for a total of 200 acre-feet of depletion and 200 acre-feet of storage.

Lake Durango Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

7. Water Purchase Agreement (continued)

LDWA shall also pay an administration fee to the ALPWCD of 3% on any amounts paid to the ALPWCD for the acquisition, including the per acre foot charge. Finally, LDWA shall pay the operating, maintenance, and replacement costs attributable to each portion of the acquisition under the agreement since the ALPWCD's first incremental purchase in 2013.

8. Tax, Spending and Debt Limitations

In November 1992, voters passed an amendment to the Constitution of the State of Colorado, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment does not apply to the Authority because it does not have the power to levy taxes or hold elections. This determination has been confirmed by opinions of general and bond counsel for the Authority which have been accepted by the state agencies making loans to the Authority.

9. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. During 2023 and 2022, the Authority maintained commercial insurance for these risks of loss.

10. Subsequent Events

The Authority has evaluated subsequent events through July 29, 2024 the date that the financial statements were available to be issued.

Supplementary Information

Lake Durango Water Authority
Statement of Revenues, Expenditures and Changes in Funds Available
Budget and Actual (Budgetary and GAAP Basis)
For the Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water sales and fees	\$ 1,138,531	\$ 1,163,855	\$ 25,324
Tap sales	83,000	51,581	(31,419)
Other	19,000	24,111	5,111
Total Operating Revenues	<u>\$ 1,240,531</u>	<u>\$ 1,239,547</u>	<u>\$ (984)</u>
Operating Expenses:			
Salaries and benefits	\$ 323,958	\$ 354,962	\$ (31,004)
Chemicals and supplies	68,200	110,042	(41,842)
Depreciation and amortization	100,000	115,384	(15,384)
Office and administrative	33,094	40,898	(7,804)
Utilities	58,241	65,497	(7,256)
Professional and contractual services	79,450	59,799	19,651
Repairs and maintenance	34,000	41,605	(7,605)
Transportation	9,000	17,608	(8,608)
Ditch assessment	2,970	2,970	-
Contingency	20,000	-	20,000
Pipeline operating expense	72,217	11,453	60,764
Royalty Fees Paid Out	54,669	-	54,669
Rate Study	15,000	-	15,000
Total Expenses	<u>\$ 870,799</u>	<u>\$ 820,218</u>	<u>\$ 50,581</u>
Total Operating Income	369,732	419,329	49,597
Non-operating Revenues and Expenses:			
Other grants	100,000	-	(100,000)
Interest income	750	240	(510)
Interest expense	(107,847)	(109,873)	(2,026)
Total Non-operating Revenues (Expenses)	(7,097)	(109,633)	(102,536)
Funds Available, Budgetary Basis	365,135	309,696	(52,939)
Funds Available - beginning of the year	<u>541,083</u>	<u>474,603</u>	<u>(66,480)</u>
Funds Available - end of the year, budgetary basis	<u>\$ 906,218</u>	<u>\$ 784,299</u>	<u>\$ (119,419)</u>