

LA PLATA WEST WATER AUTHORITY

ANNUAL FINANCIAL REPORT
And Independent Auditors' Report

DECEMBER 31, 2023 AND 2022





Table of Contents

	Page
INDEPENDENT AUDITORS' REPORT	i-ii
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	iii-vii
BASIC FINANCIAL STATEMENTS:	
Statements of Net Position	1
Statements of Revenues, Expenses and Changes in Net Position	2
Statements of Cash Flows	3
Notes to Basic Financial Statements	4-14
SUPPLEMENTARY INFORMATION:	
Statement of Revenue, Expenditures and Changes in Funds Available Budget and Actual (Budgetary Basis)	15



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Independent Auditors' Report

Members of the Board of Directors
La Plata West Water Authority

Opinions

We have audited the accompanying financial statements of the business-type activities of La Plata West Water 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 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 the business-type activities of La Plata West 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of La Plata West Water Authority 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, 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 La Plata West 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

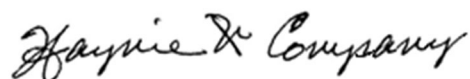
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 La Plata West Water Authority's financial statements as a whole. The budgetary comparison schedule 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 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 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 financial statements as a whole.



Littleton, Colorado

July 16, 2024

La Plata West Water Authority Management's Discussion and Analysis

As management of the La Plata West 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 is an independent political subdivision operating under the statutes governing water authorities of the State of Colorado that was formed under an Establishment Agreement dated November 30, 2007. It began operations in January 2008.

The Authority intends to continue a long history of work to develop a domestic water system in rural southwest La Plata County. The proposed water system may also serve the Southern Ute Indian Tribe and the Ute Mountain Ute Tribe.

Water Intake Structure

In July, 2009, the Authority completed construction of a water intake structure at Lake Nighthorse which was funded by grants of \$1,100,000 from the State of Colorado, \$69,000 from the Southwestern Water Conservation District, \$3,000,000 from the Southern Ute Indian Tribe (SUIT) and \$1,500,000 from the Ute Mountain Ute Tribe (UMUT).

The Authority entered into an agreement with the Ute Tribes during 2013 that specifies ownership of the intake structure is to be proportional to the funding provided by the entities in prior years for the construction of the intake structure. As a result, the intake structure is owned 52.9% by the SUIT, 26.5% by the UMUT, and 20.6% by the Authority. The costs incurred by the Ute Tribes of \$4,341,802 for the construction had previously been recorded as a capital asset and contribution income by the Authority, and a prior period adjustment as of December 31, 2013 had been recorded to remove this amount from capital assets and net position on the Authority's financial statements.

Remaining Phases of the Water System

During 2013 and 2014, The Authority, the Ute Tribes and Lake Durango Water Authority (LDWA) entered into agreements whereby the Authority would supervise the construction of raw water pipelines between the intake structure and the lake at LDWA. The pipelines provide access for the Authority and LDWA to water for domestic use with the portion of the pipelines being funded by the Ute Tribes providing for long-term capacity for Tribal use. The Ute Tribes and LDWA committed \$2,000,000 and \$2,800,000, respectively, toward this project. Construction of the pipelines began late fall of 2016 with a completion date of October 2018.

Lake Durango Water Authority Agreement

The Authority entered into an agreement dated March 4, 2014 with the Lake Durango Water Authority (LDWA). The agreement indicated that grant funding will be obtained by LDWA to fund the Authority's portion of the costs related to the 210 Pipeline referenced in the Ute Tribe Agreements section above. Pursuant to the agreement, LDWA provided funding for the construction

La Plata West Water Authority Management's Discussion and Analysis

of the pipeline segment known as the 125 Pipeline which runs from County Road 210 cross-country to County Road

125. The 125 Pipeline is owned by the Authority. The agreement also provided LDWA funding for the construction of the pipeline segment known as the Lake Durango Pipeline. This pipeline runs from County Road 125 to the lake at LDWA. This pipeline segment is owned by LDWA. As provided in the agreement, the Authority and LDWA assigned a portion of the capacity of the water transported through the lines that the Authority owns to LDWA. LDWA also allocated 23 Acre Feet of storage capacity in the lake at Lake Durango to the Authority.

The Authority began in November 2018 with Phase 1, the pipeline construction for the domestic water system for rural southwest La Plata County. The remaining phases will take place over the next several years. LPWWA received funding from U.S.D.A. Rural Development. Phase 1 was completed in September 2020.

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.

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

La Plata West Water Authority Management's Discussion and Analysis

Assets	2023	2022
Current assets	\$ 352,942	\$ 261,836
Non-current assets	9,112,746	9,201,974
<i>Total assets</i>	<u>9,465,688</u>	<u>9,463,810</u>
Liabilities		
Current liabilities	105,494	72,846
Long-term liabilities	2,811,710	2,874,837
<i>Total liabilities</i>	<u>2,917,204</u>	<u>2,947,683</u>
Net Position		
Net investment in capital assets	6,227,557	6,297,531
Unrestricted	320,927	218,596
<i>Total net position</i>	<u>\$ 6,548,484</u>	<u>\$ 6,516,127</u>

The largest portion of the Authority's Net Position is net investment in capital assets. The District used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Overall, the District's total net position increased \$32,357 during 2023 and decreased \$63,289 during 2022.

Capital assets decreased as of December 31, 2023, by \$119,413. The decrease was largely due to accumulated depreciation on current assets and fewer additions during the year.

A increase of \$32,648 in current liabilities as of December 31, 2023 consisted primarily of an increase in current portion of long term debt during the year.

Long term liabilities consist of the loan payable which decreased in current year.

Revenue		
Operating revenues	\$ 431,091	\$ 328,940
Non-operating revenues	100,342	31,001
<i>Total revenue</i>	<u>531,433</u>	<u>359,941</u>
Expenses		
Operating expenses	423,519	346,009
Non-operating expenses	75,557	77,221
<i>Total expenses</i>	<u>499,076</u>	<u>423,230</u>
<i>Change in Net Position</i>	32,357	(63,289)
Net Position - beginning of year	<u>6,516,127</u>	<u>6,579,416</u>
Net Position - end of year	<u>\$ 6,548,484</u>	<u>\$ 6,516,127</u>

La Plata West Water Authority Management's Discussion and Analysis

Revenues

The Authority has two major revenue sources: (1) water sales and (2) grants and contributions. Fees include Monthly Water base fees and overconsumption fees. The Authority charges for domestic water used by the customers within its jurisdiction.

Operating revenues which consists of raw water pipeline usage increased 24% in 2023 and increased by 1% in 2022.

An increase of 69% in non-operating revenues is primarily due to an SDA grant received in 2023. 2022 had a significant decrease of 473% due to fewer grants received during the year.

Expenses

The Authority's major expenses consist of professional fees, depreciation, and repairs and pipeline operation and maintenance costs.

Operating expenses experienced an increase of \$77,510 during 2023 and an increase of \$3,590 during 2022. The 2023 increase was due primarily to an increase in professional fees and expenses for pipelines. The 2022 increase was due primarily to an increase in expenses for pipelines.

Non-operating expenses decreased in 2023 by \$1,664 due primarily to a decrease in repair and maintenance expenses during the year. Non-operating expenses decreased in 2022 by \$9,105 due primarily to a decrease in interest expense.

The overall financial position of the Authority has increased.

Capital Assets and Long-Term Debt

2016 marked the year LPWWA began supervising the construction of raw water pipelines between the intake structure and the lake at LDWA. The construction was met with some delays, including wildlife migration, Eagle nesting and rock blasting. LPWWA receive a \$500,000 grant to up-size an 8" pipeline segment to a 16" pipeline that improved the capacity for our domestic project. The project was substantially completed July 17, 2019 with all the pipeline installed, road and an Intake Structure building completed. A few outstanding construction repairs were completed to be in 2020 after a Memorandum of Agreement was completed by the Bureau of Reclamation and SHIPO. However, with COVID outbreak some items are still needing to be completed as of the date of this audit report. Early in 2017 LPWWA submitted the Preliminary Engineering Report (PER) Pipeline for Phase 1, the Environmental Assessment (EA) and Cultural Study to USDA. A majority of the work we did in 2017 was to acquire easements from land owners, hire an attorney to develop required bond for our construction loan, find a bank or other institution to cover the construction loan and to develop a Right of Way map that corresponded to the easements. On March 30th 2017 we received our "Letter of Conditions" (LOC) that we reviewed and accepted. We were to have

La Plata West Water Authority Management's Discussion and Analysis

concluded those conditions by August 30th but required an extension to December 30th, 2017 which was granted.

The final acceptance for the LOC with Amendments to the March 30th, 2018 LOC was September 27, 2018. We broke ground with our new contractor for Phase 1 of the rural domestic water delivery system on November 5th, 2018. We restructured the basis of the construction project which now includes two separate contractors; one for the distribution pipeline and a second contract with a different contractor for the Water Storage Tank. This actually helped reduce the project costs, albeit the first bids were well over anticipated cost.

The final funding and budget from USDA includes:

Applicant:	\$1,162,000
Loan #01:	\$2,754,000
Grant #02:	\$ 510,000
Grant #03:	<u>\$ 700,000</u>
	\$5,126,000

Our local bank; TBK Bank financed our 'Construction Loan' as the interim funding source. The first monies to be expended were the Applicant Contributions, then the construction loan of \$2,754,000. Costs needed for the project above that amount will come out of the grant funds. During December of 2019, the construction loan was spent, and USDA paid off the construction loan with TBK Bank as per the loan specifications. This fact concludes that Federal Funds in excess of \$750,000 qualified LPWWA for a Single Audit in 2019. Expenditure of grant funds in 2020 qualified LPWWA for a Single Audit in 2020. No Single Audit requirement existed for 2021 through 2023. In 2023 LPWWA worked with LDWA and La Plata County Government to install a water fill station to help serve the community, which was determined feasible and noncompetitive to selling taps, which was our main objective.

Future Operations

The Authority expects that it will take several years to construct all remaining phases of the domestic water system. Funding for operating expenses will come from the base rate fee, water usage fee, small grants, and contributions. We are actively engaged in pursuing loan and grant funding for our next project; Phase 2, an extension of Phase 1. Our future outlook includes a water treatment plant.

BUDGETARY HIGHLIGHTS

The Authority prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay, in addition to operations and non-operating revenue and contributions.

- 2023 operating revenue was consistent with the budget.
- 2023 operating expenses were lower due to professional and operation and maintenance fees anticipated that did not occur.

La Plata West 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: James Campbell, Board President, La Plata West Water Authority, 555 County Road 122, Hesperus, CO 81326.

Basic Financial Statements

La Plata West Water Authority
Statements of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 243,508	\$ 165,316
Receivables		
Customers	97,767	78,613
Prepaid expense	<u>11,667</u>	<u>17,907</u>
Total Current Assets	<u>352,942</u>	<u>261,836</u>
Non-Current Assets:		
Restricted cash - water tap deposits & loan reserve	246,128	215,923
Restricted cash - project funds held for others	-	20
Capital assets, net	<u>8,866,618</u>	<u>8,986,031</u>
Net Capital Assets	<u>9,112,746</u>	<u>9,201,974</u>
Total Assets	<u>9,465,688</u>	<u>\$ 9,463,810</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 10,060	\$ 8,600
Accrued interest on note payable	14,820	14,820
Loan payable - current portion	<u>80,614</u>	<u>49,426</u>
Total Current Liabilities	<u>105,494</u>	<u>72,846</u>
Long-term Liabilities:		
Water tap commitment	188,903	187,403
Water tap subscription	64,360	48,360
Loan payable	<u>2,558,447</u>	<u>2,639,074</u>
Total Long-term Liabilities	<u>2,811,710</u>	<u>2,874,837</u>
Net Position		
Net investment in capital assets	6,227,557	6,297,531
Unrestricted	<u>320,927</u>	<u>218,596</u>
Total Net Position	<u>6,548,484</u>	<u>6,516,127</u>
Total Liabilities and Net Position	<u>\$ 9,465,688</u>	<u>\$ 9,463,810</u>

La Plata West Water Authority
Statement of Revenues, Expenses, and Changes in Net Position
December 31, 2023 and 2022

	2023	2022
Operating Revenue:		
Raw water pipeline usage	\$ 431,091	\$ 328,940
Total Operating Revenue	431,091	328,940
Operating Expenses:		
Professional fees	75,091	64,947
Operations and maintenance for raw water pipeline	13,116	10,583
Pipeline other operating expenses	123,761	102,426
Depreciation expense	160,310	160,306
Other expenses	51,241	7,747
Total Operating Expenses	423,519	346,009
Operating (Loss)	7,572	(17,069)
Non-operating Revenues and Expenses:		
Grants and contribution income	100,000	30,000
Interest income	342	1,001
Interest (expense)	(66,311)	(59,581)
Other income (expense)	(9,246)	(17,640)
Net Non-operating Revenues and Expenses	24,785	(46,220)
Change in Net Position	32,357	(63,289)
Net Position —beginning of year	6,516,127	6,579,416
Net Position —end of year	\$ 6,548,484	\$ 6,516,127

La Plata West Water Authority
Statements of Cash Flows
December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Cash received from customers	\$ 409,542	\$ 304,677
Cash paid to suppliers for goods and services	(255,509)	(180,797)
Net Cash From Operating Activities	154,033	123,880
Cash Flows from Capital and Related Financing Activities:		
Grants and contributions received	100,000	30,000
Purchase of capital assets	(40,897)	(83,528)
Principal paid on capital debt	(49,439)	(80,405)
Interest paid on capital debt	(66,311)	(67,690)
Net Cash From Capital and Related Financing Activities	(56,647)	(201,623)
Cash Flows from Non-capital Financing Activities:		
Water tap subscriptions	19,895	33,625
Project funds disbursed on behalf of others	-	(111,024)
Other expense	(9,246)	(17,640)
Net cash from noncapital financing activities	10,649	(95,039)
Cash Flows from Investing Activities:		
Interest income received	342	1,001
Net Cash From Investing Activities	342	1,001
Net Change in Cash and Cash Equivalents	108,377	(171,781)
Cash and Cash Equivalents—beginning of year	381,259	553,040
Cash and Cash Equivalents—end of year	\$ 489,636	\$ 381,259
Detail of Cash and Cash Equivalents:		
Unrestricted	243,508	165,316
Restricted cash - water tap deposits & loan reserve	246,128	215,923
Restricted cash - project funds held for others	-	20
Total Cash and Cash Equivalents	\$ 489,636	\$ 381,259
Reconciliation of Net Operating Income to		
Net Cash From Operating Activities:		
Operating income (loss)	\$ 7,572	\$ (17,069)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	160,310	160,306
Changes in assets and liabilities:		
Accounts receivable	(21,549)	(24,263)
Prepaid expenses	6,240	(2,074)
Accounts payable	1,460	6,980
Total Adjustments	146,461	140,949
Net Cash From Operating Activities	\$ 154,033	\$ 123,880

La Plata West Water Authority

Notes to Basic Financial Statements

December 31, 2023 and 2022

1. Organization

Organization

The La Plata West Water Authority (the “Authority”) was formed under an Establishment Agreement dated November 30, 2007 by the Animas La Plata Conservancy District and the La Plata Water Conservancy District. 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 members, a majority of which are appointed by the contracting parties to the Establishment Agreement.

The mission of the Authority is to continue a long history of work to develop a domestic water system in rural southwest La Plata County. The proposed water system may also serve the Southern Ute Indian Tribe, the Ute Mountain Ute Tribe, and northern San Juan County in New Mexico. In July of 2009, the Authority completed construction of the raw water intake structure at Lake Nighthorse Reservoir and that is the first phase of construction of the system.

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 capital

La Plata West Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

2. Summary of Significant Accounting Policies (continued)

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.

Deposits and Investments

Colorado law authorizes the Authority to invest in obligations of the United States, State of Colorado, Colorado counties and school districts, repurchase agreements, financial institutions, and local government investment pools. House bill 1056 expanded the list of investments that are legal for local governments.

Accounts Receivable

Accounts receivable consist of amounts due from various 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.

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.

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 40 to 60 years for the water intake and pipeline systems.

La Plata West 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:

1. In accordance with State statutes, prior to October 15, the Treasurer submits to the Board of Directors a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means to finance them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The state statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for budgetary purposes is at the fund level.
2. Public hearings are conducted by the Board to obtain public comments.
3. The Treasurer is required to present a monthly report to the Board of Directors explaining any variance from the approved budget.
4. Prior to December 31, the budget is legally enacted through passage of a resolution.
5. State statutes require the adoption of a summary budget for proprietary funds

La Plata West Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

2. Summary of Significant Accounting Policies (continued)

6. Appropriations lapse at the end of each calendar year.
7. The Authority may authorize supplemental appropriations during the year.

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. 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, Expenditures, and Changes in Fund Balance – 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. 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.

Restricted cash held at December 31 includes water tap deposits collected from projected water system users. These amounts will be applied to the users’ water tap charge when the system installs taps for those users or will be returned to the users if it is not deemed feasible to complete that portion of the system.

La Plata West Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

3. Cash and Investments (continued)

At December 31, 2023 and 2022, the Authority had carrying balances and bank balances as follows:

	Carrying Balance	Bank Balance
2023		
Cash and equivalents	\$ 243,508	\$ 243,508
Restricted cash		
Water tap deposits & loan reserve	246,128	246,128
2022		
Cash and equivalents	\$ 165,316	\$ 165,316
Restricted cash		
Water tap deposits & loan reserve	215,923	215,923
Project funds held for others	20	20

The Authority maintains cash balances at local financial institutions which are insured by the FDIC up to \$250,000 per institution. At year-end \$500,000 of the Authority's bank balance was covered by FDIC insurance.

La Plata West Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

4. Capital Assets

A summary of changes in capital assets for 2023 follows:

	Balance December 31, 2022	Additions/ (Deletions)	Adjustments/ Transfers	Balance December 31, 2023
Capital assets, not being depreciated:				
Access Road Design	\$ 57,696	\$ -	\$ -	\$ 57,696
Phase 2.0 Construction in progress	49,125	-	-	49,125
Building Construction in progress	110,357	-	-	110,357
Water Fill Station Construction in progress	58,970	40,897	-	99,867
<i>Total capital assets, not being depreciated</i>	276,148	40,897	-	317,045
Capital assets, being depreciated:				
Water Intake Structure	1,068,767	-	-	1,068,767
Pipeline	8,015,182	-	-	8,015,182
<i>Total capital assets, being depreciated</i>	9,083,949	-	-	9,083,949
Less accumulated depreciation:	(374,066)	(160,310)	-	(534,376)
<i>Total capital assets, being depreciated, net</i>	8,709,883	(160,310)	-	8,549,573
<i>Capital assets, net</i>	\$ 8,986,031	\$ (119,413)	\$ -	\$ 8,866,618
			Less: Outstanding Capital Debt	(2,639,074)
			Net Investments in Capital Assets	\$ 6,227,544

Depreciation expense for the year ended December 31, 2023 was \$160,310.

La Plata West Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

4. Capital Assets (continued)

A summary of changes in capital assets for 2022 follows:

	Balance December 31, 2021	Additions/ (Deletions)	Adjustments/ Transfers	Balance December 31, 2022
Capital assets, not being depreciated:				
Access Road Design	\$ 57,696	\$ -	\$ -	\$ 57,696
Phase 2.0 Construction in progress	49,125	-		49,125
Building Construction in progress	99,659	10,698	-	110,357
Water Fill Station Construction in progress	<u>-</u>	<u>58,970</u>	<u>-</u>	<u>58,970</u>
<i>Total capital assets, not being depreciated</i>	<u>206,480</u>	<u>69,668</u>	<u>-</u>	<u>276,148</u>
Capital assets, being depreciated:				
Water Intake Structure	1,068,767	-	-	1,068,767
Pipeline	<u>8,016,029</u>	<u>-</u>	<u>(847)</u>	<u>8,015,182</u>
<i>Total capital assets, being depreciated</i>	<u>9,084,796</u>	<u>-</u>	<u>(847)</u>	<u>9,083,949</u>
Less accumulated depreciation:	<u>(213,760)</u>	<u>(160,306)</u>	<u>-</u>	<u>(374,066)</u>
<i>Total capital assets, being depreciated, net</i>	<u>8,871,036</u>	<u>(160,306)</u>	<u>(847)</u>	<u>8,709,883</u>
<i>Capital assets, net</i>	<u>\$ 9,077,516</u>	<u>\$ (90,638)</u>	<u>\$ (847)</u>	<u>\$ 8,986,031</u>
			Less: Outstanding Capital Debt	<u>\$ (2,688,500)</u>
			Net Investments in Capital Assets	<u>\$ 6,297,531</u>

Depreciation expense for the year ended December 31, 2022 was \$160,306.

La Plata West Water Authority

Notes to Basic Financial Statements

December 31, 2023 and 2022 (continued)

5. Long-Term Liabilities

The 3.3 acres of land on which the water intake structure is located is owned by the United States of America. On October 21, 2008, the Authority entered into a license agreement with the United States of America by and through the Bureau of Reclamation that provides for use of this land for twenty-five years. The agreement may be renewed for consideration based on a reappraisal at the time by the United States of America. The cost of the agreement was \$42,411. This amount is included in the cost of the water intake structure.

In July of 2009, the raw water intake structure was completed but was not placed into service until September 2020, when the water system became operational.

During 2019, the Authority received a loan from the United States Department of Agriculture (USDA) to assist in the funding of the pipeline segment known as Phase I to deliver potable water to users. The project was completed in September 2021. The loan is secured by the revenues of the Authority and bears interest at 2.375% per annum. Monthly payments of \$9,336 commenced on January 6, 2021 and continue until December 6, 2057.

Events of default under the USDA agreement include: (a) nonpayment of principal; (b) nonpayment of interest; (c) incapability to perform; (d) default in the punctual performance of the covenants under the agreement for 60 days after written notice. In the event of default, non-compliance would be addressed under the provisions of 7 CFR 1782 and other applicable regulations, statutes and policies.

During 2022, the Authority received a loan from Animas-La Plata Water Conservancy District to assist in the funding of the pipeline segment known as Phase Two to receive engineering and environmental reports. The loan will not bear interest and the entire principal sum, \$30,000, will be due two (2) years from the date of this promissory note.

The unpaid principal sum is also due within sixty (60) days upon receipt of funding from the USDA or other sources for Phase Two of the domestic water system project. There is no penalty for early prepayment of the note.

La Plata West Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

5. Long-Term Liabilities (continued)

The following is a summary of notes payable activity for the years ended December 31, 2023 and 2022.

	Balance at December 31, 2022	Additions	Payment	Balance at December 31, 2023	Due Within One Year
Notes payable:					
USDA	\$ 2,658,500	\$ -	\$ (49,426)	\$ 2,609,074	\$ 50,614
Animas	30,000	-	-	30,000	30,000
Total notes payable	<u>\$ 2,688,500</u>	<u>\$ -</u>	<u>\$ (49,426)</u>	<u>\$ 2,639,074</u>	<u>\$ 80,614</u>

	Balance at December 31, 2021	Additions	Payment	Balance at December 31, 2022	Due Within One Year
Notes payable:					
USDA	\$ 2,706,905	\$ -	\$ (48,405)	\$ 2,658,500	\$ 49,426
Animas	-	30,000	-	30,000	-
TBK Bank	62,000	-	(62,000)	-	-
Total notes payable	<u>\$ 2,768,905</u>	<u>\$ 30,000</u>	<u>\$ (110,405)</u>	<u>\$ 2,688,500</u>	<u>\$ 49,426</u>

Future payments on the USDA loan are as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 80,516	\$ 61,419	\$ 141,935
2025	51,829	60,204	112,033
2026	53,073	58,960	112,033
2027	54,346	57,685	112,031
2028	55,653	56,380	112,033
2029-2033	298,957	261,205	560,162
2034-2038	336,612	223,550	560,162
2039-2043	379,009	181,151	560,160
2044-2048	426,751	133,412	560,163
2049-2053	480,497	79,661	560,158
2054-2057	421,831	20,506	442,337
	<u>\$ 2,639,074</u>	<u>\$ 1,194,133</u>	<u>\$ 3,833,207</u>

La Plata West Water Authority

Notes to Basic Financial Statements

December 31, 2023 and 2022 (continued)

6. 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.

7. 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.

8. Other Information

Ute Tribe Agreements:

The Authority entered into agreements dated September 18, 2008, October 14, 2008, August 13, 2013, and September 9, 2014 with the Southern Ute Indian Tribe (SUIT) and the Ute Mountain Ute Tribe (UMUT). These agreements specify construction funding and ownership of the intake structure at Lake Nighthorse Reservoir. The ownership of the intake structure is proportional to the funding provided by the three entities. The intake structure is owned 52.9% by the SUIT, 26.5% by the UMUT, and 20.6% by the Authority. The carrying amount of the intake structure in the Authority's financial statements reflects the portion of the costs borne by the Authority. The Authority's costs were funded primarily through grant funding received from the Colorado Water Conservation Board. Construction of a pipeline segment known as the 210 Pipeline which ran from the intake structure to the intersection of County Road 210 commenced in 2016. The Authority funded \$1,500,000 and the SUIT and the UMUT each contributed \$1,000,000 of the costs of this pipeline. This segment is owned by the Authority, SUIT, and UMUT in the same percentages as the intake structure.

Lake Durango Water Authority Agreement:

The Authority entered into an agreement dated March 4, 2014 with the Lake Durango Water Authority (LDWA). The agreement indicated that grant funding will be obtained by LDWA to fund the Authority's portion of the costs related to the 210 Pipeline referenced in the Ute Tribe Agreements section above. Pursuant to the agreement, LDWA provided funding for the construction of the pipeline segment known as the 125 Pipeline which runs from County Road 210 cross-country to County Road 125. The 125 Pipeline is owned by the Authority. The

La Plata West Water Authority
Notes to Basic Financial Statements
December 31, 2023 and 2022 (continued)

8. Other Information (continued)

agreement also provided LDWA funding for the construction of the pipeline segment known as the Lake Durango Pipeline. This pipeline runs from County Road 125 to the lake at LDWA. This pipeline segment is owned by LDWA.

As provided in the agreement, the Authority and LDWA assigned a portion of the capacity of the water transported through the lines that the Authority owns to LDWA. LDWA also allocated 23 Feet of storage capacity in the lake at Lake Durango to the Authority.

Payments made to LDWA in 2023 and 2022 were \$89,980 and \$68,066, respectively. Payments received from LDWA in 2023 and 2022 were \$8,490 and \$36,614, respectively. Payments received from LDWA are related to the prorated cost shares for electricity and satellite communications for pumping raw water from Lake Nighthorse to LDWA for treatment for the Authority's beneficial use. The prorated share is a percentage of how much is pumped for their use verses the Authority's use.

Water Tap Deposit Commitments:

The Authority has obtained water tap commitments from property owners in the anticipated service area to demonstrate community commitment. A tap commitment deposit of \$500 per tap was required from each property owner. Deposits received are reflected as restricted cash and water tap commitment deposits on the accompanying Statement of Net Position in the amount of \$188,903 and \$187,403 at December 31, 2023 and 2022, respectively. The tap commitment agreement with the property owners indicates that the deposits will be refunded if the system is determined not to be financially feasible or the location of a water tap is determined not to be in the service area. Interest earned on the deposits is available to fund the Authority's operating expenses.

Supplementary Information

La Plata West Water Authority
Statement of Revenue, Expenditures and Changes in Funds Available
Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue			
Raw water pipeline usage	\$ 345,000	\$ 431,091	\$ 86,091
Total Operating Revenue	345,000	431,091	86,091
Operating Expenses:			
Professional fees	132,000	75,091	56,909
Insurance expense	12,500	-	12,500
Computer and internet expense	3,400	-	3,400
Operations and maintenance for raw water pipeline	198,807	13,116	185,691
Pipeline other operating expenses	95,800	123,761	(27,961)
Capital outlay	285,000	40,897	244,103
Other expenses	9,690	51,241	(41,551)
Total Expenses	737,197	304,106	433,091
Total Operating Income	(392,197)	126,985	519,182
Non-operating Revenue and Expenses:			
Grants and contribution income	100,910	100,000	(910)
Tap sales	126,067	-	(126,067)
Interest income	-	342	342
Interest (expense)	152,757	(66,311)	(219,068)
Other income (expense)	-	(9,246)	(9,246)
Total Non-operating Revenues (Expenses)	379,734	24,785	(354,949)
Net Change in Funds Available	(12,463)	151,770	164,233
Funds Available - beginning of the year	9,648	247,448	237,800
Funds Available - end of the year, budgetary basis	\$ (2,815)	\$ 399,218	\$ 402,033
Reconciling differences between budgetary basis and generally accepted accounting principles (GAAP):			
Capital outlay		40,897	
Depreciation expense		(160,310)	
Change in Net Position (GAAP Basis)		\$ 32,357	