

**AURORA-COLORADO SPRINGS
JOINT WATER AUTHORITY**

(A Component Unit of the
City of Colorado Springs, Colorado)

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended
December 31, 2023 and 2022

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY
(A Component Unit of the City of Colorado Springs, Colorado)

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Note: Immaterial differences may occur due to rounding



INDEPENDENT AUDITORS' REPORT

To Management and the Board of Directors
Aurora Colorado Springs Joint Water Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Aurora Colorado Springs Joint Water Authority, a component unit of the City of Colorado Springs, Colorado, which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aurora Colorado Springs Joint Water Authority, as of December 31, 2023 and 2022, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Aurora Colorado Springs Joint 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 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 Aurora Colorado Springs Joint 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Aurora Colorado Springs Joint 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 Aurora Colorado Springs Joint 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hoelting & Company, Inc.

Colorado Springs, Colorado
March 18, 2024

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Years Ended December 31, 2023 and 2022

(Unaudited)

INTRODUCTION

The following Management's Discussion and Analysis serves as an introduction to the financial statements of Aurora-Colorado Springs Joint Water Authority ("Authority"). It is intended to be an objective and easily readable analysis of significant financial and operating activities and events for the fiscal years ended December 31, 2023 and 2022. It also provides an overview of the Authority's general financial condition and results of operations. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America as applied to units of local government and promulgated by the Governmental Accounting Standards Board.

The Authority is a political subdivision of the State of Colorado formed for the purpose of developing water resources, systems or facilities for the benefit of Colorado Springs Utilities and the City of Aurora, Colorado. The Authority is two-thirds owned by Colorado Springs Utilities and one-third owned by the City of Aurora. As of December 31, 2022, the Authority previously approved and completed two projects, the development and construction of the Twin Lakes extension pipeline and the Twin Lakes meter building. In addition, the Twin Lakes pipeline valve and corrosion protection projects began in 2020. The corrosion protection was completed in 2023, and the pipeline valve is expected to be completed in 2024. This pipeline conveys raw water from the Twin Lakes dam to the Otero pump station.

FINANCIAL STATEMENTS

The Authority's annual report includes three financial statements with accompanying notes that are an integral part of these statements. The financial statements include: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position and 3) Statements of Cash Flows. Comparative total data for the prior year has been presented in order to provide an understanding of changes in the Authority's financial position and operations.

Statements of Net Position - This statement reports net position as the difference between 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources as of the end of each fiscal year. Assets are separated into current and noncurrent categories and are reported in the order of liquidity. Deferred outflows of resources are the consumption of net assets in one period that are applicable to future periods. Liabilities are separated into current and noncurrent categories. Deferred inflows of resources are the acquisition of net assets that are applicable to future reporting periods. At this time, the Authority does not have deferred outflows or deferred inflows of resources. The components of net position are classified as investment in capital assets or unrestricted.

Statements of Revenues, Expenses and Changes in Net Position - This statement measures the activities for the year and can be used to determine whether the rates, fees and other charges are adequate to recover expenses. All revenues and expenses are accounted for in this statement for the years ended December 31.

Statements of Cash Flows - This statement reports all cash receipts and payments summarized by net changes in cash from operating, noncapital financing, capital and related financing and investing activities for the years ended December 31. This statement is prepared using the direct method, which reports gross cash receipts and payments and presents a reconciliation of operating income to net cash provided by operating activities. This statement also separately lists the noncash investing, capital and related financing activities.

Notes to the Financial Statements - Notes to the financial statements provide additional detailed information and required disclosure in support of the financial statements.

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended December 31, 2023 and 2022
(Unaudited)

CONDENSED FINANCIAL STATEMENTS

Condensed financial statements with comparative information as of December 31:

Condensed Statements of Net Position

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>Percent Variance</u>
Assets				
Current assets	\$ 236,872	\$ 1,057,228	\$ (820,356)	-77.6%
Capital assets, net	8,838,835	6,851,080	1,987,755	29.0%
Total Assets	<u>\$ 9,075,707</u>	<u>\$ 7,908,308</u>	<u>\$ 1,167,399</u>	14.8%
Liabilities				
Current liabilities	\$ 102,298	\$ 65,949	\$ 36,349	55.1%
Total Liabilities	<u>102,298</u>	<u>65,949</u>	<u>36,349</u>	55.1%
Net Position				
Investment in capital assets	8,838,835	6,851,080	1,987,755	29.0%
Unrestricted	134,574	991,279	(856,705)	-86.4%
Total Net Position	8,973,409	7,842,359	1,131,050	14.4%
Total Liabilities & Net Position	<u>\$ 9,075,707</u>	<u>\$ 7,908,308</u>	<u>\$ 1,167,399</u>	14.8%

Current assets decreased \$820,356 or 77.6% from the prior year due to a decrease of \$620,356 in cash and cash equivalents and \$200,000 in accounts receivable. Net capital assets and investment in capital assets increased \$1,987,755 or 29.0% from the prior year mainly due to an increase of construction work in progress of \$1,768,042 and accumulated depreciation of \$105,266. The decrease of \$856,705 or 86.4% in unrestricted net position is due to expenditures for construction of capital projects.

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended December 31, 2023 and 2022 (Unaudited)

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2023	2022	Variance	Percent Variance
Operating Revenues	\$ 1,283,800	\$ 1,000,000	\$ 283,800	28.4%
Operating Expenses	163,225	179,937	(16,712)	-9.3%
Operating Income	1,120,575	820,063	300,512	36.6%
Nonoperating Revenues, net	10,475	75	10,400	13866.7%
Change in Net Position	1,131,050	820,138	310,912	37.9%
Net Position, January 1	7,842,359	7,022,221	820,138	11.7%
Net Position, December 31	<u>\$ 8,973,409</u>	<u>\$ 7,842,359</u>	<u>\$ 1,131,050</u>	14.4%

Operating revenues increased \$283,800 or 28.4% due to an increase in partner billings, which resulted in an increase of operating income of \$300,512 or 36.6% from the prior year.

CAPITAL ASSETS

Capital assets with comparative information as of December 31:

Capital Assets

	2023	2022	Variance	Percent Variance
Plant in service	\$ 10,265,798	\$ 9,940,819	\$ 324,979	3.3%
Construction work in progress	2,182,409	414,367	1,768,042	426.7%
Accumulated depreciation	(3,609,372)	(3,504,106)	(105,266)	-3.0%
Total Net Capital Assets	<u>\$ 8,838,835</u>	<u>\$ 6,851,080</u>	<u>\$ 1,987,755</u>	29.0%

The Twin Lakes pipeline valve and corrosion protection project began in 2020. The corrosion protection was completed in 2023, and the pipeline valve is expected to be completed in 2024.

FINANCIAL HIGHLIGHTS AND OUTLOOK

The Authority's overall financial position remains strong as of December 31, 2023, and is anticipated to remain strong with no significant changes from this Annual Report.

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Years Ended December 31, 2023 and 2022

(Unaudited)

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, creditors and other financial users with a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact the Accounting Department of Colorado Springs Utilities, P.O. Box 1103, Mail Code 929, Colorado Springs, CO 80947-0929.

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents-unrestricted	\$ 236,872	\$ 857,228
Accounts receivable	—	200,000
Total Current Assets	236,872	1,057,228
Noncurrent Assets		
Capital assets:		
Plant in service	10,265,798	9,940,819
Construction work in progress	2,182,409	414,367
Accumulated depreciation	(3,609,372)	(3,504,106)
Net Capital Assets	8,838,835	6,851,080
Total Noncurrent Assets	8,838,835	6,851,080
Total Assets	\$ 9,075,707	\$ 7,908,308
Liabilities		
Current Liabilities		
Accounts payable	\$ 102,298	\$ 65,949
Total Liabilities	102,298	65,949
Net Position		
Investment in capital assets	8,838,835	6,851,080
Unrestricted	134,574	991,279
Total Net Position	8,973,409	7,842,359
Total Liabilities and Net Position	\$ 9,075,707	\$ 7,908,308

The accompanying notes are an integral part of these statements.

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

STATEMENTS OF REVENUE, EXPENSES, AND NET POSITION
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Transmission service charges	\$ 1,283,800	\$ 1,000,000
Operating Expenses		
Production and treatment	18,110	18,386
Maintenance	5,487	19,721
Administration and general	34,362	36,564
Depreciation	105,266	105,266
Total Operating Expenses	<u>163,225</u>	<u>179,937</u>
Operating Income	<u>1,120,575</u>	<u>820,063</u>
Nonoperating Revenues		
Investment income	10,475	75
Total Nonoperating Revenues	<u>10,475</u>	<u>75</u>
Change in Net Position	1,131,050	820,138
Total Net Position, January 1	<u>7,842,359</u>	<u>7,022,221</u>
Total Net Position, December 31	<u>\$ 8,973,409</u>	<u>\$ 7,842,359</u>

The accompanying notes are an integral part of these statements.

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,483,800	\$ 800,000
Payments to suppliers	(58,934)	(64,136)
Net Cash Provided by Operating Activities	<u>1,424,866</u>	<u>735,864</u>
Net Cash Provided by Noncapital Financing Activities	<u>—</u>	<u>—</u>
Cash Flows from Capital and Related Financing Activities		
Capital expenditures	2,055,697	(35,701)
Net Cash Used in Capital and Related Financing Activities	<u>2,055,697</u>	<u>(35,701)</u>
Cash Flows from Investing Activities		
Interest received on investments	10,476	75
Net Cash Provided by Investing Activities	<u>10,476</u>	<u>75</u>
Increase (Decrease) in Cash and Cash Equivalents	(620,356)	700,238
Cash and Cash Equivalents, January 1	857,228	156,990
Cash and Cash Equivalents, December 31	<u>\$ 236,872</u>	<u>\$ 857,228</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating income	\$ 1,120,575	\$ 820,063
Adjustments to operating income:		
Depreciation	105,266	105,266
Decrease (Increase) in Assets		
Accounts receivable	200,000	(200,000)
Increase (Decrease) in Liabilities		
Accounts payable	(975)	10,535
Net Cash Provided by Operating Activities	<u>\$ 1,424,866</u>	<u>\$ 735,864</u>
Noncash Investing, Capital and Related Financing Activities		
Noncash acquisition of capital assets (incurrence of accounts payable)	\$ 92,738	\$ 55,414

The accompanying notes are an integral part of these statements.

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

NOTE 1 - FINANCIAL REPORTING ENTITY

Aurora-Colorado Springs Joint Water Authority ("Authority") is a component unit of the City of Colorado Springs, Colorado ("City"). The City of Aurora and Colorado Springs Utilities ("Utilities" and, together with City of Aurora, the "Participants") are the sole participants and customers of the Authority with participation shares of one-third and two-thirds, respectively. The Authority is a political subdivision of the State of Colorado formed in 1983. Its purpose is to develop water resources, systems, or facilities for the benefit of the cities and their inhabitants.

The Authority is a component unit of the City. The accompanying financial statements present only the Authority. The financial statements do not purport to, and do not present the financial position of the City or other member governments of the Authority. The Authority has no component units.

The Authority entered into a Water Transmission Service Contract ("Contract") on June 1, 1983 with the City and City of Aurora (together the "Cities") under which the Authority would finance, construct, operate and maintain the Otero Extension Pipeline and provide water transmission service to the Cities through the pipeline. In the Contract, the Cities agreed that the Authority or its agent would have full access to all easements, rights-of-way, or property held by the Cities as required by the Authority. The term of the Contract expired on December 31, 2013. The Authority and the Cities entered into a First Revised Water Transmission Service Contract ("Revised Contract") in April 2014 that contained the same provisions as the Contract and expired on December 31, 2019. Annual amendments have extended the Revised Contract, through December 31, 2022. A second amendment to the Revised Contract was approved on December 2, 2022 with an effective date through December 31, 2027. Evaluation and renegotiation of the Revised Contract and/or an extension or replacement thereof is ongoing and expected to continue through 2027.

The Authority is under the direction of the Board of Directors ("Board"), which consists of six voting members and two nonvoting members. The six voting members each serve for a term of three years, with two terms expiring each year. Three voting directors represent each city and are appointed by the city councils of each city. Directors may serve for unlimited consecutive terms. Any action of the Board requires an affirmative vote of four directors, with provisions for weighted voting in the event four affirmative votes cannot be obtained. This voting would be weighted one-third to the City of Aurora and two-thirds to Utilities. Utilities is responsible for managing the project for the Authority, subject to the direction of the Board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Authority's accounting records are maintained and the accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") as applied to local government and promulgated by the Governmental Accounting Standards Board ("GASB"). Consolidated 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 the related cash flows. Transmission service charges are considered to be susceptible to accrual and so are recognized as revenues.

RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 102, *Certain Risk Disclosures* ("GASB 102") is effective for fiscal years beginning after June 15, 2024. GASB 102 requires disclosures of essential information about risks related to vulnerabilities due to certain concentrations or constraints. GASB 102 defines concentration as a lack of diversity related to an aspect of a

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

significant inflow of resources or outflow of resources and constraint as a limitation imposed by an external party or by formal action from the highest level of decision-making authority. The Authority is currently assessing the adoption of GASB 102 and the impact it will have on the financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP 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 the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

FINANCIAL STATEMENT PRESENTATION

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the reporting entity's financial position and operations.

DEPOSITS

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, repurchase agreements and local government investment pools.

RECEIVABLES AND PAYABLES

Accounts receivable includes amounts due from customers and related parties. Accounts payable includes amounts payable to Utilities, a related party. Outstanding balances between the Authority and the City are reported as "Due to or Due from other City funds." Management does not believe an allowance for doubtful accounts is necessary at December 31, 2023 and 2022.

PLANT AND DEPRECIATION

Plant is stated at cost. For constructed plant, cost includes contracted services, direct labor and materials. The cost of additions to plant and replacement units of property in excess of \$5,000 are capitalized. Maintenance costs and replacement of minor items of property are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets at 1.0% to 3.0% per annum. The plant consists of a pipeline and appurtenances from the Twin Lakes dam to the Otero pumping station.

NET POSITION

Investment in Capital Assets - Represents capital assets net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. At this time, the Authority has no debt reducing its investment in capital assets.

Restricted Net Position - Represents restrictions placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, law or regulations of other governments, law through constitutional provisions or enabling legislation. At this time, the Authority has no restricted net position.

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

Unrestricted Net Position - Represents the net amount of the assets and liabilities that are not included in the determination of investment in capital assets or the restricted component of net position.

REVENUES AND EXPENSES

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operation. The sole operating revenues of the Authority are transmission service charges. Operating expenses include treatment, maintenance and administration expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 3 – DEPOSITS

Colorado Statutes require that financial institutions pledge a pool of collateral against all the uninsured public deposits it holds, and the market value of the securities in the pool is required to be in excess of 102.0% of the financial institution's total uninsured public deposits. The financial institutions in which the Authority has deposits at the end of the year are authorized depositories of public funds.

At December 31, 2023 and 2022, the carrying amount of the Authority's cash was \$236,872 and \$857,228, respectively. The bank balance at December 31, 2023 and 2022, was \$715,302 and \$857,228, respectively. As of December 31, 2023, a portion of the bank balance in the amount of \$465,302 was collateralized as required by Colorado Statutes.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023:

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023
Depreciable capital assets				
Water pipeline and appurtenances	\$ 9,940,819	\$ 324,979	\$ —	\$ 10,265,798
Less accumulated depreciation	(3,504,106)	(105,266)	—	(3,609,372)
Total depreciable assets, net	6,436,713	219,713	—	6,656,426
Construction work in progress	414,367	1,768,042	—	2,182,409
Total Capital Assets, net	\$ 6,851,080	\$ 1,987,755	\$ —	\$ 8,838,835

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

Capital asset activity for the year ended December 31, 2022:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022
Depreciable capital assets				
Water pipeline and appurtenances	\$ 9,940,819	\$ —	\$ —	\$ 9,940,819
Less accumulated depreciation	(3,398,839)	(105,267)	—	(3,504,106)
Total depreciable assets, net	6,541,980	(105,267)	—	6,436,713
Construction work in progress	323,251	91,116	—	414,367
Total Capital Assets, net	\$ 6,865,231	\$ (14,151)	\$ —	\$ 6,851,080

NOTE 5 – NET POSITION

Net position represents the difference between assets and liabilities as of December 31:

	2023	2022
Investment in capital assets		
Net capital assets	\$ 8,838,835	\$ 6,851,080
Unrestricted	134,574	991,279
Total Net Position	\$ 8,973,409	\$ 7,842,359

Summary of the change in amounts invested in capital assets:

	2023	2022
Balance, beginning	\$ 6,851,080	\$ 6,865,231
Change in capital assets	1,987,755	(14,151)
Balance, ending	\$ 8,838,835	\$ 6,851,080

NOTE 6 – COMMITMENTS

TRANSMISSION CONTRACT

Under the transmission contract, the Authority agrees to make water transmission service available to each city in accordance with the city's participation share. Water transmission service is defined as the Authority's

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

construction and other acquisition of the project, its transmission of water through the pipeline and maintenance to keep the project in good and workable condition at all times.

TRANSMISSION SERVICE CHARGES

The Authority's covenants provide for rates which will be nondiscriminatory, reasonable and adequate each year, for the payment of current expenses incurred in the operation and maintenance of the project, (including capital project expenditures and normal expenses incurred by the Authority, properly allocable to the project under U.S. GAAP). The transmission service charges assessed in 2023 and 2022 were \$1,283,800 and \$1,000,000, respectively.

Conveyance by the Participants in 2023 and 2022 was:

	2023		2022	
	Water Conveyed (Acre Feet)	Transmission Service Charges	Water Conveyed (Acre Feet)	Transmission Service Charges
City of Aurora	35,745	\$ 641,900	39,661	\$ 500,000
Colorado Springs Utilities	45,112	641,900	51,149	500,000
Total	<u>80,857</u>	<u>\$ 1,283,800</u>	<u>90,810</u>	<u>\$ 1,000,000</u>

LIMITED OBLIGATIONS

The obligations of each Participant to make payments under the transmission contract are not a general obligation of each political subdivision and are not secured by a pledge of tax revenues. However, these obligations are payable and enforceable from the revenue derived from the operation of each Participant's system. The Participants may make payment from any revenues legally available to them.

NOTE 7 - CONTINGENCIES AND CLAIMS

RISK MANAGEMENT

Risk Management oversight in evaluating the risk of loss and protecting the Authority's assets is provided by Utilities. The Colorado Governmental Immunity Act provides the maximum amount that may be recovered through tort claims under Colorado law of \$424,000 for any injury to one person in any single occurrence and \$1,195,000 for any injury to two or more persons in any single occurrence. In addition, the Authority purchases insurance for public officials' and management liability, general liability, excess liability and property, with varying deductibles and limits. The pipeline is self-insured. Settled claims have not exceeded insurance coverage for the years ending December 31, 2023 or 2022.

AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including raising revenue, spending abilities and other specific requirements of state and local governments. The amendment excludes enterprises from its provisions. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10.0% of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of the amendment. The Authority is of the opinion it qualifies for this exclusion. The amendment is complex and subject to judicial

AURORA-COLORADO SPRINGS JOINT WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

interpretation. The Authority believes it is in compliance with the requirements of the amendment. However, the Authority has made certain interpretations of the amendment's language in order to determine its compliance.

The Authority is a political subdivision of the State of Colorado separate from each Participant. As such, the Authority believes it is not subject to any limitations regarding raising revenue or spending abilities that are set forth in the Charter of the City.

LEGAL MATTERS

The Authority is a political subdivision of the State of Colorado separate from each Participant. Tort claims against the Authority are subject to the terms, conditions and limitations provided by the Colorado Governmental Immunity Act, C.R.S. 24-10-101 et seq. No litigation was pending against the Authority as of December 31, 2023, and the Authority is not aware of any threatened claims or litigation that could be filed against the Authority.