

**LEADVILLE SANITATION DISTRICT
LEADVILLE, COLORADO**

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2024 and 2023

**LEADVILLE WATER DISTRICT
LEADVILLE, COLORADO**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Leadville Sanitation District
Leadville, Colorado

Opinion

We have audited the financial statements of the business-type activities of Leadville Sanitation District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Leadville Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Leadville Sanitation District as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Leadville Sanitation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Leadville Sanitation District's 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 Leadville Sanitation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 Leadville Sanitation District's basic financial statements. The Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Leadville Sanitation District's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 28, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC
Centennial, Colorado
November 4, 2025

**Leadville Sanitation District
Management's Discussion and Analysis
Years ended December 31, 2024**

As management of the Leadville Sanitation District (the District), we offer readers of the Leadville Sanitation District's financial statements this narrative overview and analysis of the financial activities of the Leadville Sanitation District for the fiscal year ended December 31, 2024. The District provides wastewater collection and treatment to residential, commercial, and industrial customers in the City of Leadville and adjacent incorporated area.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statement.

Financial Highlights

The assets of the Leadville Sanitation District exceeded its liabilities at the close of the most recent fiscal year by \$12,724,099 (net position). Of this amount, \$3,693,107 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

Total assets for the Leadville Sanitation District are \$28,445,310 of this amount \$9,451,889 are capital assets and \$16,472,380 of loan proceeds were held by a trustee.

Total liabilities for the Leadville Sanitation District are \$15,582,606 of this amount \$14,203,962 are long term loans payable.

Overall analysis

Total assets for the Leadville Sanitation District increased by \$18,507,913 between the fiscal years 2023 and 2024. Of this amount, \$16,472,380 is funds held by a trustee. The District provides a fee-based service for collection and treatment of wastewater. On January 1, 2024, the District increased the Services Charges from \$33.00 to \$49.50 per month, per EQR which increased revenue by \$670,652.

Tap Fees revenue is used for capital improvements to the Wastewater Treatment Plant (WWTP). On January 1, 2024 Tap fees increased from \$10,000 to \$15,000 per EQR because of high-density development in Leadville and the surrounding area.

Capital assets have increased due to the WWTP improvement project in process in 2024. Costs related to engineering for the improvements have been capitalized and will be depreciated when the project is completed. The majority of the District's infrastructure is beyond its useful life and is under significant enforcement orders with Colorado Department of Public Health and Environment's (CDPHE).

The District has the following funding mechanisms outstanding:

The District has been awarded a CDPHE Design and Engineering Grant of \$300,000 and a Tier II Energy/Mineral Impact Assistance Fund Grant (EIAF grant) of \$750,000. The District has also been approved for funding through the State Revolving Funds (SRF) Program for a Loan of \$14,972,380. These funds will be used to make the necessary replacements to the District's

infrastructure. The SFR Loan was awarded in May 2024 and started repayment in August 2024. The terms of the SRF Loan is 20 years at 2.00% interest.

TIF Area—A downtown development authority (DDA) or urban renewal authority (URA), may form plan areas that use “tax increment financing” to derive revenue from increases in assessed valuation (gross minus net, Form DLG 57 Line 3) attributed to the activities/improvements within the plan area. The DDA or URA receives the differential revenue of each overlapping taxing entity’s mill levy applied against the taxing entity’s gross assessed value after subtracting the taxing entity’s revenues derived from its mill levy applied against the net assessed value. In 2025 the District has had an impact from LURA (Leadville Urban Renewal Authority). In 2018 the City of Leadville formed LURA. The LURA includes Railyard and “modest” redevelopment in the Downtown area. The creation of LURA allows the City to use TIF (tax increment financing) to subsidize improvements. When improvements in the area are made this will create a higher tax revenue, which will be redirected back to the developer, or other entities, to help defray infrastructure costs. These infrastructure costs include items such as roads and utilities, which the District is hopeful it can join into an intergovernmental agreement with LURA to use a portion of TIF revenues to improve the District’s Collection System. In 2025 the TIF reduced the Districts current year’s gross total taxable assessed valuation by \$5,401,169.

Temporary Tax Credit for Operations —The Temporary General Property Tax Credit/Temporary Mill Levy Rate Reduction of 39-1-111.5, C.R.S. may be applied to the taxing entity’s levy for general operations to effect refunds. Temporary Tax Credits (TTCs) are not applicable to other types of levies (non-general operations) certified on this form because these levies are adjusted from year to year as specified by the provisions of any contract or schedule of payments established for the payment of any obligation incurred by the taxing entity per 29-1-301(1.7), C.R.S., or they are certified as authorized at election per 29-1-302(2)(b),C.R.S. In 2025 the amount of money necessary to balance the budget for general operating purposes from the property tax revenues is \$138,605. The District finds that it is required to temporarily lower the operating mill levy to render a refund of \$143,862, the 2025 valuation for assessment for the District as certified by the Lake County Assessors is \$93,070,524 less the \$5,401,169 TIF.

Overview of the Financial Statements

This discussion and analysis is intended to introduce the Leadville Sanitation District’s basic financial statements.

The financial statements of the District are presented as a special government engaged only in business type activities - providing sewer utility services.

The Statements of Net Position present information on all the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position present information that reflects how the District’s net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 Statements of Cash Flows report the District’s cash flows from operating, capital, and related financing, and investing activities.

These financial statements distinguish functions of the District that will be principally supported by service charges and Taxes. The functions of the District include effective and economical operation of wastewater sanitation systems within and surrounding the jurisdictional boundaries of the District. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

NET POSITION

	2024	2023
ASSETS:		
Current assets	2,521,041	4,447,630
Funds held by trustee	16,472,380	
Capital assets	9,461,889	5,489,767
Total Assets	28,445,310	9,937,397
LIABILITIES:		
Current liabilities	1,378,644	285,622
Noncurrent liabilities	14,203,962	
Total Liabilities	15,582,606	285,622
DEFERRED INFLOWS OF RESOURCES:		
Unavailable property tax revenue	138,605	136,608
Total deferred inflows of resources	138,605	136,608
NET POSITION:		
Net investment in capital assets	8,975,992	5,489,767
Restricted for Tabor emergency reserve	55,000	62,000
Unrestricted	3,693,107	3,963,400
Total Net Position	12,724,099	9,515,167

The District’s net position may serve as a useful indicator for the District’s financial position. In the case of the District, assets exceed liabilities by \$12,724,099 as of December 31, 2024.

During 2024, the District’s net position increased \$3,208,932. As of December 31, 2024, total capital assets excluding accumulated depreciation are \$14,754,524, which is an increase of \$4,225,966 from the 2023 amount of \$10,528,558. The change in capital assets primarily relates to the WWTP improvements that began in 2024. Capital assets details can be found on page 15.

During 2024, total liabilities increased by \$15,296,984. The increase in total liabilities is primarily related to the funding of two loans as seen on page 15-17.

During 2024, net investment in capital assets increased by \$3,465,186. The increase in net investment in capital assets is mostly related to the phase 1 of the sewer system improvement project and is part of the District’s ongoing capital improvements to the collection system.

Economic Factors and Next Years’s Budget and Rates

The Leadville Sanitation District owns and operates a Wastewater Treatment Plant (WWTP). In 2024 the WWTP underwent engineering reviews and worked towards finalizing improvement project plans with construction beginning in 2024. The WWTP will be undergoing construction

including repairing the headworks building and upgrading various equipment including septage receiving pumps. The aeration basins will be repaired and lined followed by the installation of new mechanical assemblies. Clarifiers and solids handling equipment processes will be retrofitted or replaced. A new building will be constructed in 2025 and 2026 to house UV Disinfection, electrical MCC, automation and blower equipment. The District was offered a Tier II Energy/Mineral Impact Assistance Fund Grant (EIAF grant) of \$750,000 to assist with the Leadville Wastewater Treatment Plant Improvement Project and its planning. Additional funding for the project has been secured through a loan from the Colorado Water Pollution Revolving Fund (WPCRP). The project's funding package consists of the WPCR loan, a planning grant, a design and engineering grant, and the EIAF grant, totaling \$18,060,000.

Collection system improvements are currently underway to help reduce Infiltration and Inflow and eliminate a potential source of mercury to the WWTP. In 2023 the District televised sections of the existing sewer system to prioritize critical portions needing rehabilitation and repair. Improvements will include the replacement of ageing or failing manholes and damaged sewer mains. Phase I of this project commenced in 2024 and is being funded with District reserves. Phase II will continue into 2025 and is funded with District reserves and a matching \$1,000,000 EIAF grant.

The Leadville Sanitation District will continue to increase user fees and taps fees (EQR) annually to fund critical improvements needed at the Wastewater Treatment Plant (WWTP) and Collection system.

Requests for information

This financial report is designed to provide a general overview of the Leadville Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Leadville Sanitation District, PO Box 253, Leadville, CO. 80461.

LEADVILLE SANITATION DISTRICT
Statements of Net Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,845,923	\$ 3,615,620
Cash and cash equivalents - restricted	55,000	62,000
Certificates of deposit	232,318	229,651
Accounts receivable, net	187,949	111,622
Grants receivable	32,443	240,000
Prepaid expenses	53,942	52,129
Property taxes receivable	138,605	136,608
Total current assets	2,546,180	4,447,630
Noncurrent assets:		
Funds held by trustee	16,472,380	--
Capital assets, net of accumulated depreciation	7,410,608	4,923,334
Capital assets, not depreciated	2,041,281	566,433
Total noncurrent assets	25,924,269	5,489,767
Total assets	\$ 28,470,449	\$ 9,937,397
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued liabilities	734,153	186,102
Deferred revenue	25,139	27,584
Developer deposits	72,393	71,936
Current portion of loans payable	546,959	--
Total current liabilities	1,378,644	285,622
Noncurrent liabilities:		
Loan payable, net of current	14,203,962	--
Total noncurrent liabilities	14,203,962	--
DEFERRED INFLOWS OF RESOURCES		
Unavailable property tax revenue	138,605	136,608
Total deferred inflows of resources	138,605	136,608
Net position:		
Net investment in capital assets	8,975,992	5,489,767
Restricted for Tabor emergency reserve	55,000	62,000
Unrestricted	3,718,246	3,963,400
Total net position	\$ 12,749,238	\$ 9,515,167

The accompanying notes are an integral part of this financial statement.

LEADVILLE SANITATION DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2024 and 2023

	2024	2023
Operating Revenue		
Charges for services	\$ 2,468,200	\$ 1,712,297
Operating Expenses		
Personnel costs	433,225	491,824
Contract services	397,678	383,153
Utilities	169,109	179,573
Office expenses	51,691	54,899
Insurance, taxes and fees	149,457	192,792
Plant operations	333,028	204,025
Depreciation	263,844	281,917
Total operating expenses	1,798,032	1,788,183
Net operating income (loss)	670,168	(75,886)
Non-operating revenues (expenses):		
Property taxes, net of county collection fees	149,669	120,367
Specific ownership taxes	6,022	6,215
Grant proceeds	1,592,443	240,000
Interest income	124,705	121,399
Interest expense	(128,036)	--
Total non-operating revenues (expenses), net	1,744,803	487,981
Net income before capital contributions		
Capital Contributions		
Tap fees	819,100	83,491
Total capital contributions	819,100	83,491
Change in net position	3,234,071	495,586
Total net position - beginning of year	9,515,167	9,019,581
Total net position - end of year	\$ 12,749,238	\$ 9,515,167

The accompanying notes are an integral part of this financial statement.

LEADVILLE SANITATION DISTRICT
Statements of Cash Flows
For the years ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from customers	\$ 2,389,885	\$ 1,777,883
Cash paid to suppliers	(1,133,801)	(1,150,490)
Cash payments to employees for services	(433,225)	(491,824)
Net cash provided by operating activities	822,859	135,569
Cash flows from noncapital financing activities:		
Property tax and specific ownership collections, net	155,691	126,582
Net cash provided by noncapital financing activities	155,691	126,582
Cash flows from capital financing activities:		
Tap fees received	819,100	83,491
Payments on loans payable	(221,459)	--
Cash paid to lenders for interest	(128,036)	--
Capital grant proceeds received	300,000	--
Cash paid for capital acquisitions	(3,646,889)	(633,280)
Net cash (used) by capital financing activities	(2,877,284)	(549,789)
Cash flows from investing activities:		
Certificates of deposits matured	71,036	71,036
Certificates of deposits purchased	(71,036)	(71,036)
Reinvested interest on certificates of deposit	(2,668)	(2,084)
Interest received	124,705	121,399
Net cash provided by investing activities	122,037	119,315
Net decrease in cash	(1,776,697)	(168,323)
Cash and restricted cash, beginning of year	3,677,620	3,845,943
Cash and restricted cash, end of year	\$ 1,900,923	\$ 3,677,620
Reconciliation of operating (loss) to net cash provided by operations:		
Net operating income (loss)	\$ 670,168	\$ (75,886)
Adjustments to reconcile operating (loss) to cash provided by operating activities:		
Depreciation	263,844	281,917
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivables	(76,327)	65,586
(Increase) decrease in prepaid expenses	(1,813)	429
Increase (decrease) in accounts payable and accrued liabilities	(33,013)	(136,477)
Total adjustments	152,691	211,455
Net cash provided by operating activities	\$ 822,859	\$ 135,569

The accompanying notes are an integral part of this financial statement.

Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024

1. Summary of significant accounting policies

Leadville Sanitation District's (the District) financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

Reporting entity. The District is a Statutory, Single-Purpose, Special District governed by a five-member Board of Directors that are elected by the qualified voters in the District. It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which includes the power to levy taxes against property within the District. The Board is accountable only to the voters and has no authority or influence over any other governmental entity. Likewise, the District is not financially dependent upon nor directly influenced by any other level of government. These financial statements reflect the operation of the District only.

The District is a special-purpose government engaged only in business-type activities. As such, only enterprise fund financial statements are presented.

Measurement focus, basis of accounting and financial statement presentation. The accompanying financial statements are presented in accordance with GASB Statement No. 34. The government-wide financial statements (i.e. the statement of net position and the statement of revenues, expenses, and changes in fund net position) report information on the business-type activities of the District, which rely to a significant extent on taxes, user fees and charges for support. The statement of activities demonstrates the degree to which expenses of the business-type activities are supported by user fees.

The government-wide 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 flow.

The District's operations are classified as an Enterprise fund that accounts for the acquisition, operation, and maintenance of activities that are similar to a business. The business-type fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations, the delivery of wastewater. Operating expenses for the fund include wastewater expenses, all revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

Assets, liabilities, deferred inflows of resources, and net position

Cash and cash equivalents. For purposes of the statement of cash flows, the District considers demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Noncash capital and financing activities. During the year ended December 31, 2024, the District entered into a loan agreement totaling \$16,472,380. Of this amount, \$1,500,000 was immediately forgiven upon signing and recorded as a capital grant. The remaining loan proceeds are held by the

Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024

trustee and will be used to pay for eligible construction costs. In addition, at December 31, 2024, \$579,076 of capital asset acquisitions were included in accounts payable and had not yet been paid in cash. These transactions did not result in cash flows during the period and are therefore disclosed as noncash capital and financing activities in accordance with GASB Statement No. 9 guidance

Certificates of deposit. The District holds money in nonnegotiable certificates of deposit that are valued at amortized cost. Maturities range from April 2024 – April 2025.

Fair value of financial instruments. The District's financial instruments include cash and investments, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2024 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Prepaid items. Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items.

Property taxes receivable. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2023 were collected in 2024 and taxes certified in 2024 will be collected in 2025. Taxes to be collected are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1 %) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

Accounts receivable. Accounts receivable primarily consist of tap fees for system development or connection fees earned as of December 31, 2024 and 2023. The District considers all receivables to be collectible at December 31, 2024 and 2023.

Capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Capital outlay for projects is capitalized as projects are constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The District does not have a formal capitalization policy, assets over \$1,000 are capitalized.

Disposal plant, collection lines, and equipment on hand, have been stated at estimated historical cost at date of acquisition. All additions since that date have been stated at the actual cost to the District.

Treatment plants, distribution systems, equipment, and vehicles are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 100 years.

Leases and subscription-based IT arrangements. Under GASB 87 and 96, the District recognizes short-term lease payments as outflows of resources based on the payment provisions of the lease contract.

Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024

Compensated absences. The District accrues accumulated unpaid vacation, personal and compensatory leave when earned by the employee. The District has a policy which allows employees to accumulate unused vacation, personal, and compensatory leave, up to a certain maximum number of hours.

The accumulated vacation, personal, and compensatory leave, is recorded as an accrued liability and current salary expense when incurred in the propriety fund financial statements. In the event of termination, an employee is reimbursed for the accumulated hours up to the maximum amounts. Earned but unused vacation benefits are accrued when incurred in the financial statements.

Long Term Obligations. Loans payable are recognized as liabilities when incurred. Loans payable are recorded at the amount of proceeds received, net of any applicable discounts or premiums. Interest expense is recognized over the term of the note using the effective interest method. Principal payments reduce the outstanding balance of the loans payable. The current portion of loans payable due within one year is classified as a current liability, with the remainder classified as a noncurrent liability in the statement of net position.

Deferred inflows of resources. In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred, and recognized as an inflow of resources in the period that the amount becomes available.

Net position. Net position is classified as net position and may be displayed in three components:

- *Net investment in capital assets* - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets." This net position is available for future operations or distributions.

For presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Revenues and expenses. Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are fees for wastewater collection and treatment services.

Tap fees, which represent one-time charges paid by new customers or existing customers for the right to receive wastewater collection service, are recognized as revenue at the time payment is received. At this point, the customer's right to system capacity is established and the District's obligation to provide service is triggered. No receivable is recorded for tap fees, as the right to join the District is not granted until payment is made.

Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024

Operating expenses include the costs associated with the wastewater collection services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Use of estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and deferred inflow of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Risk management. The District has secured commercial insurance to cover any general liability or Workers' Compensation claims subject to \$1,000 - \$2,500 and \$500 deductibles per claim respectively. No claims have been settled that exceeded insurance limits in the past three fiscal years.

Budgetary information. Budgets are adopted on a non-US GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on capital debt are budgeted and recorded as expenditures. The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District's Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

The District has a Tax Increment Financing (TIF) arrangement in place. The TIF is not material to the District's financial position or results of operations. The net assessed value used for budget purposes excludes the portion of assessed value captured by the TIF district. Incremental tax revenues generated by the TIF district are allocated to the TIF project rather than the District's general fund.

Recently issued accounting pronouncements. GASB 101 In June 2022, the GASB issued guidance (GASB 101). This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The District adopted the standard effective January 1, 2024. The impact of the adoption was not considered material to the financial statements.

Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024

Related Party Transactions

During the years ended December 31, 2024 and 2023, the District did not engage in any transactions with related parties that would require disclosure under generally accepted accounting principles

Reclassifications and Summarized Prior Year information. The financial statements include summarized comparative information for the prior year to provide context for current year results. Certain information, such as Management's Discussion and Analysis (MD&A) and the budgetary comparison schedule, is presented for the current year only and does not include comparative prior year data. Comparative information is provided where appropriate, and the absence of prior year data for MD&A and budgetary schedules does not affect the overall presentation of financial position or results of operations

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on net position.

2. Detailed notes concerning the funds

Cash, cash equivalents and restricted cash. At December 31, 2024 and 2023, the carrying amount of the District's deposits totaled \$1,900,923 and \$3,677,620 respectively, and the bank balances totaled \$2,521,055 and \$3,696,947 respectively, all bank balances were covered by federal depository insurance, or pledged collateral held by the financial institution in the District's name.

The District's investments consisted of local investment pools and certificates of deposit at fiscal year-end. The District's investments are stated at fair value, with certain exceptions described below. The District categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, which provides a framework for measuring fair value and establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Certain investment types are not required to be measured at fair value; these include money market funds and certain investment pools which are measured at amortized cost, and other investment pools which are measured at the net asset value (NAV) determined by the pool, which approximates fair value. These instruments are exempt from categorization within the fair value hierarchy.

**Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024**

At December 31, the District had the following cash and cash equivalents:

	2024	2023
COLOTRUST	\$ 721,889	\$ 1,604,974
CSAFE	647,059	614,072
Cash deposits	531,976	1,458,574
	\$ 1,900,923	\$ 3,677,620

Cash deposits are classified in the accompanying financial statements as follows:

	2024	2023
Cash and cash equivalents	\$ 1,845,923	\$ 3,615,620
Restricted cash	55,000	62,000
	\$ 1,900,923	\$ 3,677,620

Cash deposits. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. The District follows state statutes for investments. None of the District's deposits were exposed to custodial credit risk.

Restricted cash. Restricted Cash - Tabor Emergency Reserve at December 31, 2024 and 2023 of \$55,000 and \$62,000, respectively, represents funds required under Amendment No. 1, the "Tabor Amendment" passed by Colorado voters in November 1992, for "emergency reserves" and may be utilized only for declared emergencies which exclude economic conditions, revenue shortfalls, and district salary and fringe benefit increases.

Funds held be trustee. As of December 31, 2024 and 2023, the District had \$16,472,380 and \$0, respectively, held by the trustee in connection with the Colorado Water Resources and Power Development Authority loans. These funds are held by the trustee and are disbursed by the trustee as project expenditures are incurred and valid claims are submitted by the District. The District does not have direct access to these funds until claims are approved. Accordingly, the held funds are not reported as cash or cash equivalents in the District's statement of net position, but are classified as a funds held by trustee. The terms of the arrangement require that funds be used exclusively for eligible project costs, and any remaining balance will be returned to the District or applied according to the agreement at project completion.

Investments. The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

**Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024**

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

As of December 31, 2024, the District had the following investments:

	Maturity	Amount
COLOTRUST (at NAV)	Weighted Average Under 60 Days	\$ 721,889
CSAFE (at NAV)	Weighted Average Under 60 Days	647,059

COLOTRUST. The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust) an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24- 75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

CSAFE. The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as

Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024

safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Interest rate risk. The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The District's only investments are in local government investment pools and Certificates of Deposit.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. As of December 31, 2024 and 2023, the District's investments in COLOTRUST and CSAFE were rated AAAM by Standard & Poor's.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. The District's investments are concentrated in local government investment pools.

Forgivable loans. On June 15, 2023, the District received a \$300,000 loan from CWRPDA. At the loan closing, the Authority forgave the entire principal amount. The Authority will reimburse 80% of the eligible expenses, with the remaining 20% to be reimbursed upon the District's execution of a loan under the Water Pollution Control Revolving Fund to finish the project. Revenue is recognized when eligible costs are incurred. As of December 31, 2023, the District recognized \$240,000 as revenue. As of December 31, 2024, the district recognized the remaining \$60,000 as conditions were met.

On May 23, 2024, the District Received a \$4,500,000 loan from Colorado Water Resources and Power Development Authority, of which \$1,500,000 was forgiven upon the execution of the loan. The remaining \$3,000,000 loan may be forgiven based on meeting specified eligibility conditions. As of December 31, 2024, the District has recognized \$1,500,000 as revenue, the remaining \$3,000,000 has not yet been recognized as conditions have not yet been met.

Grant Revenues. On April 12, 2024, the District received a federal grant from the Colorado Department of Local Affairs (DOLA) under the Energy & Mineral Impact Assistance Program (CFDA 15.437) in the amount of \$750,000 for critical upgrades to its wastewater treatment plant at 13867 Highway 24 in Leadville, Colorado. The District is required to provide \$13,794,000 in matching funds, representing 94% of the \$14,544,000 total project cost. The project includes improvements to the headworks, aeration basins, clarifiers, sludge systems, solids handling, and disinfection processes, with the District responsible for ownership and maintenance of all improvements for at least ten years following completion. The grant period extends through December 29, 2026, with quarterly reporting, audit, and monitoring requirements, and the District must comply with all applicable procurement, bonding, and construction standards. As of December 31, 2024, the District has recognized \$32,443 as revenue. The remaining \$717,557 will be recognized as conditions are met.

On September 11, 2024, the District received a state grant from the Colorado Department of Local Affairs (DOLA) under the Energy & Mineral Impact Assistance Program in the amount of \$1,000,000

Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024

for Phase 2 sewer system improvements. The project includes design and construction of approximately 2,591 linear feet of 8-inch sanitary sewer mains, 124 service tie-ins, and 13 manholes, with the District responsible for ownership and maintenance of all improvements. The revised project budget totals \$2,000,000, with \$1,000,000 provided by the grant and \$1,000,000 in matching funds from the District, reflecting a required 50% local match. Grant revenue is recognized as eligible expenditures are incurred during the grant period, which runs from the later of the effective date or August 22, 2024, through November 30, 2026. The District complies with state audit and monitoring requirements and maintains records for inspection. As of December 31, 2024 no eligible expenditures had yet been incurred and as such no revenue related to this grant was recorded.

Changes in capital assets

The changes in capital assets for the year ended December 31, 2024 are as follows:

	Balance January 1, 2024	Additions	Deletions	Balance December 31, 2024
<i>Capital assets being depreciated</i>				
Sewage Treatment Plant & Equipment	\$ 2,492,292	\$ -	\$ --	\$ 2,492,292
Sewage Collection System	3,993,094	2,751,118	--	6,744,212
New Plant	2,991,149	--	--	2,991,149
Silverhills Line	485,590	--	--	485,590
Total capital assets being depreciated	9,962,125	2,751,118	--	12,713,243
Accumulated depreciation	(5,038,791)	(263,844)	--	(5,302,635)
Net capital assets	4,923,334	2,487,274	--	7,410,608
<i>Non-depreciated assets:</i>				
Land	21,352	--	--	21,351
Construction in progress	545,081	1,474,849	--	2,019,930
Total non-depreciated assets	566,433	1,474,849	--	2,041,281
Total net book value	\$ 5,489,767	\$ 3,962,123	\$ --	\$ 9,451,889

Long-Term Debt

On May 23, 2024, the District, acting by and through its Sanitation Activity Enterprise, has entered into two loan agreements with the Colorado Water Resources and Power Development Authority to finance improvements to its wastewater treatment facilities.

The first loan, a Clean Water State Revolving Fund (“CWSRF”) loan, provides a commitment of up to \$12,500,000, with a net effective interest rate of 3.287% and a term extending to August 1, 2045. Repayment is secured solely by net revenues from the District’s wastewater system and is subject to federal compliance requirements, including the Davis-Bacon Act, American Iron and Steel, and Build America Buy America Act.

The second loan, a Revenue Loan with Principal Forgiveness (“RLWPF”), totals \$4,500,000, of which \$1,500,000 is forgiven up-front as principal forgiveness, and \$3,000,000 is repayable over 20 years at a fixed interest rate of 2.00%. Repayment is also secured solely by pledged system revenues, with semi-annual payments scheduled through May 1, 2044.

**Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024**

Each loan agreement contains covenants regarding rate setting, reserve requirements, additional debt limitations, and reporting and maintenance obligations. Both CWSRF loan and RLWPF loan are secured solely by net revenues from the District's wastewater system and pledged property. As of December 31, 2024, the District is in compliance with all significant debt covenants.

Under the terms of the loan agreements, the CWSRF loan holds senior lien status on pledged revenues, while the RLWPF loan is subordinate to the CWSRF loan. This priority of payment affects the order in which creditors would be paid in the event of default or liquidation. The seniority and subordination provisions are significant terms that impact the risk profile of each loan and are disclosed in accordance with applicable accounting standards. Principal and interest requirements to maturity, as well as other significant terms, are disclosed in the following schedules and notes.

As of December 31, 2024 the following changes in debt occurred:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
CWSRF	\$ -	\$ 11,972,380	\$ 167,593	\$ 11,804,787	\$ 422,050
RLWPF	-	3,000,000	53,866	2,946,134	124,899
Total	\$ -	\$ 14,972,380	\$ 221,459	\$ 14,750,921	\$ 546,949

RLWPF additions do not include the \$1,500,000 portion of the loan that was forgiven on closing.

The District's outstanding loans with the Colorado Water Resources and Power Development Authority require semi-annual payments of principal and interest. The following schedules present the principal and interest requirements to maturity for each loan, with principal and interest shown separately for each of the next five years and in five-year increments thereafter, as required by GASB standards. These schedules reflect the unique terms of each loan, including interest rates, payment schedules, and any embedded service costs.

The CWSRF Loan future maturity schedule including service fees, principal and interest as of December 31, 2024 are as follows:

December 31,	<u>Principal</u>	<u>Interest</u>	<u>Service Fee</u>	<u>Total Payments</u>
2025	\$ 422,050	\$ 260,650	\$ 95,779	\$ 778,479
2026	439,133	245,950	95,779	780,862
2027	454,119	233,450	95,779	783,348
2028	462,236	220,700	95,779	778,715
2029	479,273	207,950	95,779	783,002
2030-2034	2,583,653	837,750	478,895	3,900,298
2035-2039	2,916,132	510,000	478,895	3,905,027
2040-2044	3,304,985	211,050	389,102	3,905,137
2045	743,206	11,200	23,945	778,350
	<u>\$ 11,804,787</u>	<u>\$ 2,738,700</u>	<u>\$ 1,849,733</u>	<u>\$ 16,393,220</u>

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Notes to the Financial Statements
December 31, 2024**

The RLWPF loan future maturity schedule including principal and interest as of December 31, 2024 are as follows:

December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2025	\$ 124,899	\$ 58,301	\$183,200
2026	127,409	55,791	183,200
2027	129,970	53,230	183,200
2028	132,582	50,618	183,200
2029	135,247	47,953	183,200
2030-2034	718,123	197,876	916,000
2035-2039	793,255	122,745	916,000
2040-2044	784,647	39,723	824,400
	<u>\$ 2,946,134</u>	<u>\$ 626,266</u>	<u>\$3,572,400</u>

3. Other information

Risk management. The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God.

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado.

The Pool is an organization created by intergovernmental agreement to provide property, liability, public official liability, and boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, general liability and public official's liability coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula. No distributions were made during the years ended December 31, 2024 and 2023.

Commitments. On May 9, 2024, the District entered a contract for Phase 1 of the sewer system improvement project. The project includes the design and replacement of approximately 2,480 linear feet of sewer mainline, 14 manholes, and 51 service connections. The District retains ownership and maintenance responsibility for all completed improvements. The total contract amount was \$2,280,186, funded entirely from District reserves.

On September 23, 2024, the District executed a contract for construction and upgrades at the Wastewater Treatment Plant (WWTP) with a total contract value of \$15,904,752. Additionally, on September 12, 2024, the District entered into a construction administration agreement for project oversight services associated with the WWTP improvements. The construction administration contract totaled \$1,185,000.

Contingencies. The District is involved in litigation related to a construction dispute, in which it is both a defendant and a plaintiff. The outcome of these matters is uncertain at this time, and management is unable to predict the ultimate resolution or estimate the possible loss or gain, if any, that may result. No amounts have been accrued in the financial statements related to these matters. The District intends to vigorously pursue its claims and defend against those asserted by the

**Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024**

opposing party. Management will continue to monitor the progress of the litigation and will record any adjustments as necessary in accordance with applicable accounting standards.

TABOR amendment. In November of 1992, Colorado voters approved Amendment 1 to the state Constitution which, is commonly known as The Taxpayer's Bill of Rights or the TABOR Amendment.

The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refunding to lower interest rates and adding employees to pension plans). The amendment does not apply to units that are defined as "Enterprises." The Leadville Sanitation District does not qualify as an "Enterprise."

The amendment defined the District's year ending December 31, 1992, as the initial base year for purposes of defining compliance with the amendment. The amendment defines inflation and local growth. Future year's revenue, based upon prior year's revenue, is only allowed to increase based upon the inflationary and local growth factors. The District must refund revenue received in excess of the prior year's revenue to the voters, unless the voters were to approve retention of the excess revenue. The District placed a question on the November 1996, ballot that would permit the District to keep and spend all revenues from all sources in 1996 and subsequent years without limiting in any year the amount of other revenues that may be collected. The voters approved this ballot question.

The amendment also requires the District to establish an "Emergency Reserve" which must be equal to 3% of current year's spending. Conditions under which these reserves may be spent are severely limited.

The Leadville Sanitation District, Leadville, Colorado, believes that it is in compliance with the provisions of TABOR, as it is currently understood. Many of the provisions may not become fully understood without judicial review.

4. 457(b) employer plan

The District instituted a 457(b) employee retirement plan beginning in March, 2019 in which all regularly employed full time permanent employees working at least 32 hours per week may participate after 90 days of service. The district will match up to 6% of the qualifying employee salary contributions as determined by the Board of Directors. All contributions vest immediately. The District has no contingent liability for such items as past service costs. The contributions were \$8,740 and \$16,909 for 2024 and 2023, respectively.

5. Wastewater treatment plant modernization

The Leadville Sanitation District Wastewater Treatment Plant is in the process of comprehensive renovation and system modernization. Construction commenced in November 2024 and is anticipated to be substantially complete by the fall of 2026. The District's existing wastewater discharge permits are scheduled for renewal in 2026. Although the scope and potential financial impact of any revised or more stringent discharge requirements remain undetermined, management recognizes that such changes could impose additional fiscal obligations on the District and its ratepayers.

During the current reporting period, the District successfully fulfilled the requirements of an Infiltration and Inflow (I&I) compliance order, addressing approximately 25 percent of the critical infrastructure identified as contributing to I&I. The District remains committed to exceeding these compliance

**Leadville Sanitation District
Notes to the Financial Statements
December 31, 2024**

benchmarks and continuing its long-term capital improvement initiatives aimed at rehabilitating and upgrading aging infrastructure throughout Lake County and the City of Leadville.

6. Subsequent events

Events occurring subsequent to the statement of net position date have been evaluated for financial statement impact or disclosure through the date of the report, which is the financial statements were available to be issued.

LEADVILLE SANITATION DISTRICT
Schedule of Revenues, Expenses and Changes in Net Position -
Budget (Non - US GAAP Basis) and Actual
For the year ended December 31, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues:				
User fees collected by District	\$ 2,204,545	\$ 2,204,545	\$ 2,275,448	\$ 70,903
Other fees for services	74,500	74,500	192,752	118,252
Total operating revenue	2,279,045	2,279,045	2,468,200	189,156
Expenditures:				
Personnel costs	574,335	574,335	433,225	141,110
Contract services	796,000	796,000	397,678	398,322
Utilities	189,950	189,950	169,109	20,841
Office expenses	79,500	79,500	51,691	27,809
Insurance, taxes and fees	268,715	268,715	149,457	119,258
Contingencies	-	1,000,000	-	1,000,000
Plant operations	226,500	226,500	333,028	(106,528)
Capital outlay	17,729,000	17,729,000	4,225,967	13,503,033
Total expenditures	19,864,000	20,864,000	5,760,155	15,103,845
Non-Operating Revenues:				
Loan Proceeds	15,500,000	15,500,000	14,972,380	(527,620)
Loan payments	-	-	(221,549)	(221,549)
Property tax	183,292	183,292	149,669	(33,623)
Specific ownership taxes	13,000	13,000	6,022	(6,978)
Tap fees	434,583	434,583	819,100	384,517
Interest income	-	-	124,705	124,705
Interest expense	(10,000)	(10,000)	(128,036)	(118,036)
Grant proceeds	1,050,000	1,050,000	1,592,443	542,443
Total non-operating revenues	17,170,875	17,170,875	17,314,734	893,028
Net income - non - US GAAP budgetary basis	\$ (414,080)	\$ (1,414,080)	\$ 14,022,779	\$ (14,021,662)
Adjustments to US GAAP basis:				
Capital outlay - capitalized			4,225,967	
Loan proceeds recorded as payable			(14,972,380)	
Loan payments recorded as reduction in payable			221,549	
Depreciation expense			(263,844)	
Total adjustments to US GAAP basis			(10,788,708)	
Net incomes - US GAAP basis			\$ 3,234,071	