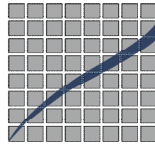


BEULAH WATER WORKS DISTRICT
BEULAH, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2024

TABLE OF CONTENTS

Independent auditor's report	i
<hr/>	
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	1
Statement of revenues, expenses, and changes in net position	2
Statement of cash flows	3
Notes to financial statements	4
<hr/>	
SUPPLEMENTARY INFORMATION	
Schedule of revenues and expenditures – budget compared to actual - budgetary basis	13
Reconciliation of amounts from US GAAP basis to budgetary basis	14



BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Beulah Water Works District
Beulah, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities of Beulah Water Works District ("District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2024, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the 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.

Emphasis of Matter

As discussed in Note 12, these financial statements have been restated to correct for various errors in the December 31, 2023 financial statements. Our opinion is not modified with respect to these matters.

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 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 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 the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
September 19, 2025

BEULAH WATER WORKS DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2024

ASSETS

Current assets:

Cash and investments	\$ 251,595
Cash and investments - restricted	70,570
Accounts receivable	26,064
Grants receivable	657,253
Prepaid expenses and other current assets	12,572

Total current assets 1,018,054

Non-current assets:

Capital assets, not depreciable	3,475,770
Capital assets, net	307,915

Total assets 4,801,739

DEFERRED OUTFLOWS OF RESOURCES

Funds held in escrow to replace a portion of the District's water system	200,800
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Total deferred outflows of resources 200,800

LIABILITIES

Current liabilities:

Accounts payable	299,670
Retainage payable	130,193
Accrued wages and benefits	3,763
Accrued compensated absences	4,800
Current maturities of long-term obligations	9,386

Total current liabilities 447,812

Long-term obligations 185,998

Total liabilities 633,810

NET POSITION

Net investment in capital assets	3,588,301
Restricted:	
Emergency reserve	8,100
Operations and maintenance reserve	62,470
Unrestricted	709,858

Total net position 4,368,729

Total liabilities and net position \$ 5,002,539

The accompanying notes and independent auditor's report should be read with these financial statements.

BEULAH WATER WORKS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2024

OPERATING REVENUES

Water sales	\$ 310,584
<hr/>	
Total operating revenues	310,584

OPERATING EXPENSES

Personnel	76,285
Depreciation and amortization	47,738
Contract labor	41,696
Water treatment	40,835
Office expenses	18,654
Professional expenses	16,461
Buildings	12,595
Insurance	11,350
Vehicles	2,865
Transmission and distribution	572
<hr/>	
Total operating expenses	269,051
<hr/>	
Net operating income	41,533

NON-OPERATING REVENUES (EXPENSES)

Grants	2,866,755
Other revenue	6,616
Interest expense	(1,168)
<hr/>	
Net non-operating revenues (expenses)	2,872,203
<hr/>	
Change in net position	2,913,736
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Net position, beginning of year	1,454,993
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Net position, end of year	\$ 4,368,729

The accompanying notes and independent auditor's report
should be read with these financial statements.

BEULAH WATER WORKS DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from residents	\$ 308,910
Payments to employees	(70,164)
Cash paid for goods and services	(145,978)
Cash flows from operating activities	92,768

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Grant revenues	2,551,062
Cash flows from non-capital financing activities	2,551,062

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash paid for capital asset purchases	(2,673,010)
Principal payments on loan	(5,416)
Interest payments on loan	(1,168)
Other revenues	6,616
Cash flows from capital and related financing activities	(2,672,978)

Net change in cash and investments	(29,148)
Cash and investments, beginning of year	351,313
Cash and investments, end of year	\$ 322,165

RECONCILIATION OF OPERATING LOSS TO NET
CASH FLOWS FROM OPERATING ACTIVITIES

Net operating income	\$ 41,533
Adjustments to reconcile net operating income to net cash flows from operating activities:	
Depreciation and amortization	47,738
Net change in operating assets and liabilities:	
Accounts receivable	(1,674)
Prepaid expenses	(950)
Accrued wages and benefits	1,321
Accrued compensated absences	4,800
Net cash flows from operating activities	\$ 92,768

The accompanying notes and independent auditor's report should be read with these financial statements.

BEULAH WATER WORKS DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. DEFINITION OF REPORTING ENTITY

Beulah Water Works District ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in March 1938, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in the Town of Beulah in Pueblo County, Colorado ("County"). The District was organized to provide water and wastewater services to the residents within the District's boundaries.

The District follows Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, and potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization nor is the District a component unit of any other primary governmental entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District is similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The more significant accounting policies of the District are described as follows:

Basis of accounting

The District's records are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when liabilities are incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

The District distinguishes between operating revenues and expenses and non-operating items in the statement of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for services provided.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds public hearings in the fall each year to adopt the budget and appropriate the funds for the ensuing year. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Cash and equivalents

For purposes of the financial statements, the District considers cash and all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.

See independent auditor's report.

BEULAH WATER WORKS DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

Accounts receivable

Accounts receivable of the District consist of water sales receivable. Accounts receivable are unsecured and are stated at the amount the District expects to collect. The District maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the District's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. As of December 31, 2024, management considers accounts receivable to be fully collectable and no allowance for doubtful accounts has been recorded.

Grants receivable

Grants receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

Capital assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and a useful life greater than one year. Such assets are recorded at cost or estimated cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets, which range from 5 to 40 years.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is reflected in revenues or expenses.

Intangible assets with indefinite useful lives, which include water rights, are not depreciated.

Capital assets which are anticipated to be conveyed to other governmental entities are not depreciated or included in the calculation of net investment in capital assets component of the District's net position.

Deferred outflows of resources

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element represents an outflow of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until that time. Accordingly, funds held in escrow to replace a portion of the District's water system are deferred and recognized as an outflow of resources in the period that the amounts are expended.

Revenues and expenses

Operating revenues consist of charges for services and are recognized as earned. Operating expenses include the cost of service, administrative expenses, and depreciation of assets, and are recorded as incurred.

Use of estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor's report, the date these financial statements were available to be issued.

See independent auditor's report.

BEULAH WATER WORKS DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

New accounting pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* ("Statement No. 100"). This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. On January 1, 2024, the District adopted the requirements of Statement No. 100 (Note 11).

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("Statement No. 101"). This statement updated the recognition and measurement guidance for compensated absences. On January 1, 2024, the District adopted the requirements of Statement No. 101. Management determined the adoption of Statement No. 101 did not have a material impact on the District's financial statements for the year ended December 31, 2023, and has recorded accrued compensated absences of \$4,800 for the year ended December 31, 2024.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2024, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 251,595
Cash and investments - restricted	<u>70,570</u>
	<u>\$ 322,165</u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2024, are as follows:

Deposits with financial institutions	<u>\$ 322,165</u>
	<u>\$ 322,165</u>

Deposits with financial institutions

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be 102% of the aggregate 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.

As of December 31, 2024, the District's cash deposits had a bank balance of \$648,536 and a carrying balance of \$322,165.

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 below which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. The District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

See independent auditor's report.

BEULAH WATER WORKS DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2024, the District had no investments.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024, is as follows:

	Balance 01-01-24	Additions	Dispositions	Reclassifications	Balance 12-31-24
Capital assets, not depreciable:					
Construction in progress	\$ 392,263	\$ 3,025,914	\$ -	\$ -	\$ 3,418,177
Land	7,593	-	-	-	7,593
Water rights	50,000	-	-	-	50,000
Capital assets, not depreciable	449,856	3,025,914	-	-	3,475,770
Capital assets, depreciable:					
Buildings	65,006	-	-	-	65,006
Machinery and equipment	948,313	10,000	-	-	958,313
Total capital assets, depreciable	1,013,319	10,000	-	-	1,023,319
Less accumulated depreciation	(667,666)	(47,738)	-	-	(715,404)
Capital assets, net	345,653	(37,738)	-	-	307,915
Total capital assets	\$ 795,509	\$ 2,988,176	\$ -	\$ -	\$ 3,783,685

Depreciation expense for the year ended December 31, 2024, totaled \$47,738.

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2024:

	Balance 01-01-24	Additions	Repayments / Amortization	Balance 12-31-24	Due Within One Year
<u>Business-type activities</u>					
Loan payable	\$ 200,800	\$ -	\$ (5,416)	\$ 195,384	\$ 9,386
Total loan payable	\$ 200,800	\$ -	\$ (5,416)	\$ 195,384	\$ 9,386

See independent auditor's report.

BEULAH WATER WORKS DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

Drinking Water Revolving Fund Loan Agreement

On August 25, 2023, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority ("Authority") for the purpose of replacing a portion of the District's water system. The loan was issued in the amount of \$1,004,000, with \$803,200 of the loan being forgiven by the Authority on August 25, 2023. The loan bears interest at a rate of 1.00% per annum and requires semi-annual payments of principal and interest in the amount of \$5,551, commencing May 1, 2024, and thereafter every May 1 and November 1 until paid in full. The loan matures on November 1, 2043.

Loan proceeds were placed into a project loan account held by the Authority and will be disbursed to the District upon the District submitting executed requisition requests to the Authority. As of December 31, 2024, there was \$1,004,000 in unexpended loan proceeds and the project loan account has not been drawn upon.

The portion of the loan that was forgiven will be recognized as revenue when the corresponding project costs are incurred and recognizable by the District. The portion of the loan that was not forgiven was recorded as a long-term obligation of the District with corresponding deferred outflows of resources because the District is required to make payments on that portion of the loan prior to receiving proceeds from the loan.

The loan is also secured by a reserve fund in an amount equal to three months of operation and maintenance expenses, excluding depreciation, as set forth in the annual budget for the current fiscal year. As of December 31, 2024, the amount held in reserve was \$62,470.

Pledged revenues

The principal of and interest on the loan are payable only from the revenues derived from the operation of the District's water system after deduction of operations and maintenance costs in amounts sufficient to pay the principal of and interest on the loan.

Optional redemption

The District may prepay the loan in whole or in part without penalty upon prior written notice (unless granted an exemption of notice) of not less than 30 days.

The District's long-term obligations on the loan mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 9,386	\$ 1,930	\$ 11,317
2026	9,480	1,836	11,317
2027	9,576	1,741	11,317
2028	9,672	1,645	11,317
2029	9,768	1,548	11,317
2030 - 2034	50,331	6,253	56,584
2035 - 2039	52,905	3,679	56,584
2040 - 2043	44,266	1,002	45,267
Total	<u>\$ 195,384</u>	<u>\$ 19,635</u>	<u>\$ 215,020</u>

Events of default

The occurrence or existence of any one or more of the following events will be an event of default hereunder:

(a) Failure by the District to pay, or cause to be paid, any loan repayment required to be paid hereunder when due, which failure will continue for a period of 30 days;

(b) Failure by the District to make, or cause to be made, any required payments of interest and principal, redemption premium, if any, and interest on any bonds, notes, or other obligations of the District for borrowed money (other than the loan), after giving effect to the applicable grace period, the payments of which are secured by the pledged revenue;

See independent auditor's report.

BEULAH WATER WORKS DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

(c) Failure by the District to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under the loan agreement other than as referred to in paragraph (a) above, which failure will continue for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the District; provided, however, that if the failure stated in such notice is correctable, but cannot be corrected within the applicable period, the Authority may consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the event of default is corrected;

(d) Any representation made by or on behalf of the District contained in the loan agreement, or in any instrument furnished in compliance with or with reference to the loan agreement or the loan, is false or misleading in any material respect; or

(e) (i) A petition is filed by or against the District under any federal or state bankruptcy or insolvency law, or other similar law in effect on the date of this loan agreement or thereafter enacted, unless in the case of any such petition filed against the District such petition will be dismissed within 30 days after such filing, and such dismissal will be final and not subject to appeal; or (ii) the District will become insolvent, or bankrupt or make an assignment for the benefit of its creditors; or (iii) a custodian (including, without limitation, a receiver, liquidator, or trustee of the District or any of its property) will be appointed by court order, or take possession of the District, or its property or assets, if such order remains in effect, or such possession continues, for more than 30 days.

Whenever an event of default has occurred and is continuing, the Authority has the right to withhold disbursement of loan funds remaining, and take such other action at law or in equity as may appear necessary to enforce the performance and observance of any duty, covenant, obligation, or agreement of the District hereunder, including, without limitation, appointment ex parte of a receiver of the water system.

The District is required to comply with certain administrative covenants related to financial reporting and related metrics after the completion of each fiscal year which the District did not complete for the year ended December 31, 2024. The District has not received notice of noncompliance and has not reclassified the debt as a current obligation. As of the audit report date, district management is actively working with the Authority on complying with the administrative covenants related to financial reporting.

6. NET POSITION

The District has net position consisting of: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

As of December 31, 2024, the District had net investment in capital assets as follows:

Net investment in capital assets:	
Capital assets	\$ 3,783,685
Related long-term obligations	<u>(195,384)</u>
Net investment in capital assets	<u>\$ 3,588,301</u>

Restricted net position includes balances with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2024, as follows:

Restricted net position:	
Emergency reserve (Note 9)	\$ 8,100
Operations and maintenance reserve (Note 5)	<u>62,470</u>
	<u>\$ 70,570</u>

See independent auditor's report.

BEULAH WATER WORKS DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

7. RELATED PARTIES

During the year ended December 31, 2024, the District employed, at arm's length, the spouse of a board member for plant operations. During the year ended December 31, 2024, the spouse was paid \$25,303. This board member is also compensated as an independent contractor for performing accounting services for the District. During the year ended December 31, 2024, the board member was paid \$7,800.

8. 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 is a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, 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 liability, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. 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.

9. TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments within the state of Colorado.

Spending and revenue limits are determined based on the prior fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

District management believes the District is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits, will likely require judicial interpretation.

10. COMMITMENTS

As of December 31, 2024, the District had construction-related contract commitments that have not been incurred of approximately \$4,239,718 related to various projects in the capital projects fund.

11. SUBSEQUENT EVENTS

Subsequent to December 31, 2024, the District experienced sediment at its water system intake. The District is effectively mitigating the effects of this sediment and is in process of engaging professionals to engineer and construct permanent mitigation which will result in future construction commitments that were not finalized as of the date of the independent auditor's report.

See independent auditor's report.

BEULAH WATER WORKS DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

12. CORRECTION OF ERRORS IN THE PREVIOUSLY ISSUED APPLICATION FOR EXEMPTION FROM AUDIT

The previously issued December 31, 2023 application for exemption from audit included the following errors:

- To convert from the accounting basis utilized on the application for exemption from audit to the accrual basis of accounting.
- Accounts receivable were understated by \$24,390.
- Grants receivable were understated by \$100,222.
- Prepaid insurance and other assets were understated by \$11,622.
- Nondepreciable water rights in the amount of \$50,000 were fully depreciated.
- Capital assets and accounts payable were understated by \$66,959.
- Deferred outflows of resources and associated debt were understated by \$200,800.

The following summarizes the affected financial statement line items as a result of the corrections of errors in the previously issued financial statements:

	As Previously Reported	Conversion from cash-basis to accrual basis	Adjustment Increase (Decrease)	As Restated
Business-type activities financial statements:				
Financial statement line items:				
Cash and investments	\$ 354,670	\$ (3,357)	\$ -	\$ 351,313
Accounts receivable	-	-	24,390	24,390
Grants receivable	-	241,338	100,222	341,560
Prepaid insurance	-	-	11,622	11,622
Capital assets, net	345,653	-	-	345,653
Capital assets, non-depreciable	332,897	-	116,959	449,856
Accounts payable	-	-	66,959	66,959
Accrued wages and benefits	1,803	639	-	2,442
Funds held in escrow to replace a portion of the District's water system	-	-	200,800	200,800
Long-term obligations	-	-	200,800	200,800
Net position	1,031,417	237,342	186,234	1,454,993

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See independent auditor's report.

SUPPLEMENTARY INFORMATION

BEULAH WATER WORKS DISTRICT

SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET COMPARED TO ACTUAL - BUDGETARY BASIS YEAR ENDED DECEMBER 31, 2024

	Original and Final Budget	Actual	Variance
<u>OPERATING REVENUES</u>			
Water sales	\$ 287,420	\$ 308,910	\$ 21,490
Total revenues	287,420	308,910	21,490
<u>OPERATING EXPENDITURES</u>			
Capital outlay	6,300,000	2,673,010	3,626,990
Personnel	65,000	70,164	(5,164)
Contract labor	46,200	41,696	4,504
Water treatment	35,900	40,835	(4,935)
Office expenses	11,330	18,654	(7,324)
Professional expenses	26,350	16,461	9,889
Buildings	23,500	12,595	10,905
Insurance	12,100	12,300	(200)
Vehicles	3,500	2,865	635
Transmission and distribution	26,000	572	25,428
Total operating expenditures	6,549,880	2,889,152	3,660,728
Excess of revenues over expenditures	(6,262,460)	(2,580,242)	3,682,218
<u>NON-OPERATING REVENUES AND EXPENDITURES</u>			
Grants	6,280,000	2,551,062	(3,728,938)
Other revenue	6,400	6,616	216
Transfers to reserves	(23,940)	-	23,940
Principal payment on loan	-	(5,416)	(5,416)
Interest payment on loan	-	(1,168)	(1,168)
Total non-operating revenues and expenditures	6,262,460	2,551,094	(3,711,366)
Excess of revenue over expenditures - budgetary basis	\$ -	\$ (29,148)	\$ (29,148)

The accompanying notes and independent auditor's report
should be read with these financial statements.

BEULAH WATER WORKS DISTRICT
RECONCILIATION OF AMOUNTS FROM US GAAP BASIS TO BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2024

The accompanying supplementary Schedule of Revenues and Expenditures – Budget Compared to Actual on page 13 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences in revenues and expenditures for the year ended December 31, 2024 is presented below.

Total revenue per financial statements	\$ 3,183,955
Less:	
Change in accounts receivable	(1,674)
Change in grants receivable	(317,895)
Total actual revenue and receipts per the budget	<u>\$ 2,864,386</u>
Total expenses and capital expenditures per financial statements	\$ 270,219
Add:	
Principal payments on long-term debt	5,416
Capital additions	3,035,914
Change in prepaid expenses and other current assets	950
Less:	
Depreciation expense	(47,738)
Change in accrued wages and benefits	(1,321)
Change in accrued compensated absences	(4,800)
Change in accounts payable	(232,711)
Change in retainage payable	(130,193)
Total actual expenses and capital expenditures per the budget	<u>\$ 2,895,736</u>

See independent auditor's report.