

**INVERNESS WATER & SANITATION DISTRICT**

**Arapahoe and Douglas Counties, Colorado**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**December 31, 2024 and 2023**

**INVERNESS WATER & SANITATION DISTRICT**

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Board of Directors  
Inverness Water & Sanitation District  
Arapahoe and Douglas Counties, Colorado

## Independent Auditor's Report

### Opinion

We have audited the accompanying financial statements of the business-type activities of Inverness Water & Sanitation District (the "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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Inverness Water & Sanitation District as of December 31, 2024, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 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.

### Prior Period Financial Statements

The financial statements of the District as of December 31, 2023 were audited by other auditors whose report dated July 27, 2024 expressed an unmodified opinion on those statements.

### 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 (GAAP), 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.

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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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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.

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## Other Matters

### Required Supplemental Information

The management's discussion and analysis information on pages IV through VIII is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

### Supplemental Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.



Wipfli LLP  
Denver, Colorado

November 20, 2025

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**Inverness Water and Sanitation District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2024**

The discussion and analysis of Inverness Water and Sanitation District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2024. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

- Total assets of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$44,728,594 (net position). Of this amount, \$23,866,803 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The District's total net position increased by \$1,244,282 from the prior fiscal year.
- The District earned \$4,430,675 in operating revenue, an increase of \$986,838, or 29%, from the prior year.
- Operating expenses increased \$349,396 or 7%, from the prior year.

**Overview of the Financial Statements**

The Inverness Water and Sanitation District basic financial statements included in this report are those of a special-purpose government engaged in a business-type activity, providing water and sewer services. The statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

*Basic Financial Statements.* The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statements of Net Position* present information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between reported as net position. Over time, increases or decreases in 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 showing how the District's net position changed during the most recent fiscal year. All changes in 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned compensation). The statement reports the District's operating and non-operating revenue by source along with operating and non-operating expenses and capital contributions.

**Inverness Water and Sanitation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)  
December 31, 2024**

The *Statements of Cash Flows* report the District's cash flows from operating activities, investing, capital and noncapital activities.

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

A budgetary comparison schedule has been provided in the *supplemental information* to demonstrate compliance with the budget.

**Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Inverness Water and Sanitation District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,728,594 at the close of the most recent fiscal year.

**Statement of Net Position  
December 31, 2024**

	2024	2023
Current assets	\$ 8,467,386	\$ 7,494,035
Investment in Authorities	16,305,465	15,715,098
Capital assets, net	24,847,723	26,264,371
Total assets	49,620,574	49,473,504
Current liabilities	354,122	1,090,783
Long-term obligations	4,039,792	3,430,287
Total liabilities	4,393,914	4,521,070
Deferred inflows of resources		
Deferred Property Tax	455,100	1,468,122
Prepaid Assessments	42,966	-
Total deferred inflows of resources	498,066	1,468,122
Net position:		
Net invested in capital assets	20,807,931	22,834,084
Restricted	53,860	55,000
Unrestricted	23,866,803	20,595,228
Net position	\$ 44,728,594	\$ 43,484,312

- A portion of the District's net position (47%) reflects its investment in capital assets (e.g. infrastructure, plant, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

**Inverness Water and Sanitation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)  
December 31, 2024**

- Restricted net position consists of \$53,860 is restricted for emergencies under TABOR; the remaining net position of \$23,866,803 is unrestricted and available for on-going obligations of the District.

	<b>Changes in Net Position</b>	
	<b>For the Years Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Revenues</b>		
Operating revenue		
Water operations	\$ 2,894,816	\$ 1,884,551
Wastewater operations	1,277,090	1,328,969
Other operating revenue	258,769	230,317
Nonoperating revenue		
Taxes	1,795,339	1,842,363
Net investment income	233,727	154,279
Miscellaneous income	293	73,046
Grant Proceeds	304,600	-
<b>Total revenues</b>	6,764,634	5,513,525
<b>Expenses</b>		
Operating expenses		
Water operations	1,887,446	1,580,536
Wastewater operations	868,156	810,893
General and administrative expense	1,114,195	1,049,595
Depreciation	1,523,020	1,602,396
Nonoperating expenses		
County Treasurer fees	21,936	22,456
Interest expense	105,599	87,740
Amortization	-	-
<b>Total expenses</b>	5,520,352	5,153,616
Capital contributions – Tap Fees	-	22,546
Change in net position	1,244,282	382,455
Net position - beginning	43,484,312	43,101,857
<b>Net position - ending</b>	<b>\$ 44,728,594</b>	<b>\$ 43,484,312</b>

**Budgetary Highlights**

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay and debt repayment in addition to operations and non-operating revenue and expenses and contributions. Depreciation is not reflected in the budget since it does not affect funds available. Funds available increased \$2,659,018 during 2024.

**Inverness Water and Sanitation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)  
December 31, 2024**

**Capital Assets**

The District's net investment in capital assets as of December 31, 2024 and 2023 is as follows:

	<b>Capital Assets December 31, 2024</b>	
	<b>2024</b>	<b>2023</b>
Capital assets not being depreciated		
Land and easements	\$ 67,416	\$ 67,416
Water and supply rights	4,779,738	4,779,738
Construction in progress	-	337,972
Total	4,847,154	5,185,126
Capital assets being depreciated		
Plant, infrastructure and improvements	48,354,600	47,964,793
Storm drainage system	3,474,804	3,474,804
Equipment and vehicles	363,847	309,310
Total	52,193,251	51,748,907
Less accumulated depreciation	(32,192,682)	(30,669,662)
Total assets being depreciated, net	20,000,569	21,079,245
Capital assets, net	\$ 24,847,723	\$ 26,264,371

Additional information relating to the District's capital assets activity can be found in Note 4 of this report.

**Debt Administration**

The District entered into a Colorado Water Conservation Board loan on May 22, 2014 for an amount not to exceed \$4,908,600. The loan bears an interest rate of 2.75%. In addition, the loan was structured into four separate notes, Notes A – D, with the intent that each note will help with the funding of four separate project phases. On March 22, 2024, Note C (contract # CT2015-0019) was amended and increased by \$698,920, for an overall total loan of \$5,607,520. The purpose of the loan is to provide funds related to the District's participation in the Water Infrastructure and Supply Efficiency Authority (WISE) project. The draw and repayments obligations are evidenced by promissory notes based on four phases of the project. Three phases have been completed and one remains in process, which is expected to be completed in 2025.

Additional information relating to the District's long-term debt can be found in Note 5 of this report.

**Economic Factors and Next Year's Budget**

- Minimal growth in the District is expected in 2025
- The District has budgeted for 2025 construction and/or investment projects to support water resources in the amount of \$3,590,500.

**Inverness Water and Sanitation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)  
December 31, 2024**

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mulhern MRE, Inc., District Manager  
Inverness Water and Sanitation District  
58 Inverness Drive East, Suite 100  
Englewood, CO 80112  
(303) 649-9857

## **BASIC FINANCIAL STATEMENTS**

**INVERNESS WATER & SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
December 31, 2024 and 2023

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and investments	\$ 5,945,661	\$ 3,873,015
Cash and investments - restricted	53,860	55,000
Receivable - county treasurer	7,631	22,759
Accounts receivable - service charges	266,442	295,585
Prepaid expenses	95,895	136,757
Property taxes receivable	455,100	1,468,122
LTCWRF Renewal and Replacement Reserve	1,642,797	1,642,797
<b>Total current assets</b>	<b>8,467,386</b>	<b>7,494,035</b>
<b>Noncurrent assets</b>		
Investments in Authorities	16,305,465	15,715,098
<b>Total noncurrent assets</b>	<b>16,305,465</b>	<b>15,715,098</b>
<b>Capital Assets</b>		
Capital assets, not being depreciated	4,847,154	5,185,126
Capital assets, net of accumulated depreciation	20,000,569	21,079,245
<b>Total capital assets, net</b>	<b>24,847,723</b>	<b>26,264,371</b>
<b>Total Assets</b>	<b>49,620,574</b>	<b>49,473,504</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	319,253	1,077,051
Escrow deposits payable	16,342	1,813
Compensated absences payable	2,481	6,963
Accrued interest payable	16,046	4,956
<b>Total Current Liabilities</b>	<b>354,122</b>	<b>1,090,783</b>
<b>Non-Current Liabilities</b>		
Due within one year	187,547	103,545
Due in more than one year	3,852,245	3,326,742
<b>Total noncurrent liabilities</b>	<b>4,039,792</b>	<b>3,430,287</b>
<b>Total liabilities</b>	<b>4,393,914</b>	<b>4,521,070</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property tax	455,100	1,468,122
Prepaid Assessments	42,966	
<b>Total deferred inflows of resources</b>	<b>498,066</b>	<b>1,468,122</b>
<b>NET POSITION</b>		
Net investment in capital assets	20,807,931	22,834,084
Restricted	53,860	55,000
Unrestricted	23,866,803	20,595,228
<b>Total net position</b>	<b>44,728,594</b>	<b>43,484,312</b>
<b>Total Liabilities, deferred inflows of resources, and net position</b>	<b>\$ 49,620,574</b>	<b>\$ 49,473,504</b>

*Note: The accompanying Notes to the Financial Statements are an integral part of these statements.*

**INVERNESS WATER & SANITATION DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES</b>		
Water operations	\$ 2,894,816	\$ 1,884,551
Wastewater operations	1,277,090	1,328,969
Contract operating fees	233,482	190,440
Solar revenue	25,287	37,877
Other revenue	-	2,000
<b>Total operating revenues</b>	<u>4,430,675</u>	<u>3,443,837</u>
<b>OPERATING EXPENSES</b>		
General and administrative expenses	1,114,195	1,049,595
Water operations	1,887,446	1,580,536
Wastewater operations	868,156	810,893
Depreciation	1,523,020	1,602,396
<b>Total operating expenses</b>	<u>5,392,817</u>	<u>5,043,420</u>
<b>OPERATING INCOME</b>	<u>(962,142)</u>	<u>(1,599,583)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Property taxes	1,461,284	1,498,252
Specific ownership taxes	93,874	113,473
Property tax equivalent	240,181	230,638
Net investment income	233,727	154,279
Miscellaneous income	293	73,046
County treasurer's fees	(21,936)	(22,456)
Interest expense	(105,599)	(87,740)
Grant Proceeds	304,600	-
Amortization - cost of refunding	-	-
<b>Total nonoperating revenues (expenses)</b>	<u>2,206,424</u>	<u>1,959,492</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<u>1,244,282</u>	<u>359,909</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Tap Fees	-	22,546
<b>Total capital contributions</b>	<u>-</u>	<u>22,546</u>
<b>CHANGE IN NET POSITION</b>	1,244,282	382,455
<b>NET POSITION - beginning of the year</b>	<u>43,484,312</u>	<u>43,101,857</u>
<b>NET POSITION - end of the year</b>	<u>\$ 44,728,594</u>	<u>\$ 43,484,312</u>

*Note: The accompanying Notes to the Financial Statements are an integral part of these statements.*

**INVERNESS WATER & SANITATION DISTRICT**

**STATEMENTS OF CASH FLOWS**

For the Years ended December 31, 2024 and 2023

	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 4,259,143	\$ 3,115,410
Cash received from contract services	233,482	190,440
Cash received from solar	25,287	37,877
Payments to suppliers for goods and services	(4,207,442)	(2,411,626)
Payments to and on behalf of employees for services	(348,194)	(330,582)
<b>Net cash provided (used) by operating activities</b>	<b>(37,724)</b>	<b>601,519</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property taxes	1,461,284	1,498,252
Specific ownership taxes	93,874	113,473
Property tax equivalent	240,181	230,638
Miscellaneous income	293	73,046
County Treasurer's fees	(21,936)	(22,456)
<b>Net cash provided by noncapital financing activities</b>	<b>1,773,696</b>	<b>1,892,953</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments on long-term debt	(103,545)	(100,773)
Proceeds from CWCB loans	692,000	808,057
Acquisition of capital assets	(106,372)	(240,526)
Tap fees	-	22,546
Grant Income	304,600	-
Interest paid on debt	(94,509)	(107,359)
<b>Net cash provided by capital and related financing activities</b>	<b>692,174</b>	<b>381,945</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment activity	233,727	154,279
LTCWRF renewal and replacement increase	-	(132,409)
Investment in authorities	(590,367)	(1,178,059)
<b>Net cash (used) by investing activities</b>	<b>(356,640)</b>	<b>(1,156,189)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,071,506</b>	<b>1,720,228</b>
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<b>3,928,015</b>	<b>2,207,787</b>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<b>\$5,999,521</b>	<b>\$3,928,015</b>

(continued)

The accompanying Notes to the Financial Statements are an integral part of these statements.

**INVERNESS WATER & SANITATION DISTRICT**

**Statements of Cash Flows  
(continued)**

	<b>2024</b>	<b>2023</b>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (962,142)	\$ (1,599,583)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities		
Depreciation	1,523,020	1,602,396
Loan Processing/Issuance Fees	21,050	
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	44,271	(98,111)
Prepaid expenses	40,862	(52,597)
Increase (decrease) in:		
Accounts payable for operations	(757,798)	745,759
Escrow deposits payable	14,529	(2,000)
Prepaid Assessments	42,966	-
Accrued compensation absences	(4,482)	5,655
Total Adjustments	<u>924,418</u>	<u>2,201,102</u>
<b>Net cash provided by operating activities</b>	<u>\$ (37,724)</u>	<u>\$ 601,519</u>

*The accompanying Notes to the Financial Statements are an integral part of these statements.*

## **Inverness Water and Sanitation District**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2024 and 2023**

#### **Note 1 – Definition of reporting entity**

The Inverness Water and Sanitation District (the “District”), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District’s service area is located in Arapahoe and Douglas Counties, Colorado. The District was established in 1973 to provide water, sewer and storm drainage services and facilities to the District’s commercial business and residents. The District’s primary revenue sources are property taxes and water and sewer charges. The District is governed by an elected five-member Board of Directors.

The District follows the 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, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The District is comprised of a Water Enterprise and a Sewer Enterprise.

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

#### **Note 2 – Summary of significant accounting policies**

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

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

#### **Basis of Accounting**

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and payments on loans are recorded as reductions in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received or collectible.

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

**Operating revenues and expenses**

The District distinguishes between operating revenues and expenses from nonoperating items in the Statements 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 and sewer services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**Cash equivalents**

For purposes of the Statements of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

**Investments**

Investments for the District are reported at fair value.

**Accounts receivable, allowance for doubtful accounts**

All receivables are reported at their gross value. User services charges and tap fees create a perpetual lien on or against a property service until paid. Such liens may be foreclosed upon as provided by State statute. Therefore, an allowance for uncollectible accounts is not reported for user service charges and tap fees. The District collects reimbursement of engineering and design costs from developers in the District. The District believes all such reimbursable amounts are fully collectible, and therefore, has not reported an allowance for uncollectible accounts.

**Property Taxes**

Property taxes are levied based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November and December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

**Capital assets**

Capital assets include water and supply contract rights, land and easements, water system, effluent water system, sewer system, storm drainage system, vehicles and equipment, are reported in the financial statements net of accumulated depreciation. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an initial estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation or at the developer's cost.

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. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Water and Sewer systems	10 to 50 years
Effluent Irrigation systems	25 to 50 years
Storm Drainage system	45 to 50 years
Equipment and Vehicles	5 years

Land and easements are not depreciated.

Water rights include acquisition, legal, and engineering costs related to the development and augmentation of those rights. Water rights have a perpetual life, therefore the cost is not amortized. All other costs, including costs incurred for the protection of those rights are expensed.

**Compensated absences**

The District accrues vacation pay when earned. Employees earn vacation at a rate of 15 to 20 days per year based on length of service. Employees may carry over up to 150% of their annual earned vacation into subsequent years. These amounts are reported in Accrued Compensated Absences Payable on the Statement of Net Position.

**Long-Term Obligations**

Long-term debt and other long-term obligations are reported at face value, net of unamortized debt premiums and discounts, as liabilities in the financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. The cost of refunding is reported as deferred outflows of resources and is amortized over the life of the related debt.

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The District has no items reported as deferred outflows of resources at December 31, 2024 and 2023.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District has two items related to unavailable revenue – property taxes and prepaid assessments that are reported as deferred inflows of resources at December 31, 2024 and 2023.

**Capital contributions**

Tap fees are generally recorded as capital contributions when received. Water and sewer lines contributed to the District by developers are recorded as capital contributions and additions to the water and sewer system when received.

**Budgets**

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

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities 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.

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2024 and 2023 Statements of Net Position as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 295,730	\$ 234,373
Cash and cash equivalents - restricted	53,860	55,000
Investments	<u>5,649,931</u>	<u>3,638,642</u>
	<u>\$ 5,999,521</u>	<u>\$ 3,928,015</u>

Cash and investments as of December 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Deposits with financial institutions	\$ 349,590	\$ 289,373
Investments	<u>5,649,931</u>	<u>3,638,642</u>
	<u>\$ 5,999,521</u>	<u>\$ 3,928,015</u>

At December 31, 2024 and 2023, the District's cash deposits had bank balances of \$485,629 and \$387,452 with carrying balances of \$349,590 and \$289,373, respectively.

**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. As of December 31, 2024 and 2023, the federal insurance limits were \$250,000. The eligible collateral is determined by the PDPA. 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 at least 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.

## Inverness Water and Sanitation District

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2024 and 2023

#### Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. As of December 31, 2024 and 2023, none of the District's bank balance was exposed to custodial credit risk, as amounts were either insured or collateralized. The District carried bank balances in excess of federally insured amounts of \$99,590 and \$39,373 at December 31, 2024 and 2023, respectively. All amounts not federally insured are fully collateralized as required under the PDPA.

#### **Investments**

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

The District generally limits its investments to certain U.S. government agency securities, money market funds and local government investments pools, 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 disclosure requirements or subject to 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 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 including the following:

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

## Inverness Water and Sanitation District

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2024 and 2023

#### Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); CSAFE which record their investments at amortized cost, and COLOTRUST which is recorded at net asset value.

As of December 31, 2024 and 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2024</u>	<u>2023</u>
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$5,649,931</u>	<u>\$ 3,638,642</u>

#### COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (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 offers shares in three portfolios, COLOTRUST PRIME (PRIME), COLOTRUST PLUS+ (PLUS), and COLOTRUST EDGE (EDGE).

The Trust operates similarly to a money market fund and each share of PRIME and PLUS is equal in value to \$1.00, and EDGE shares are approximately equal to \$10.00. Each portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. PLUS and EDGE may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies.

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.

PRIME and PLUS are rated AAAM by Standard & Poor's, and EDGE is rated AAAF/S1 by Fitch Ratings. 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.

All of the District's investments are held in COLOTRUST PLUS+ as of December 31, 2024 and 2023.

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

**Note 4 – Capital assets**

Capital asset activity for the year ended 2024 was as follows:

	BALANCE 12/31/2023	2024 Additions	2024 Deletions	BALANCE 12/31/2024
<b><u>Capital Assets, not being depreciated</u></b>				
Water and Supply Contract Rights	\$ 4,779,738	\$ -	\$ -	\$ 4,779,738
Land and Easements	67,416	-	-	67,416
Construction in Progress	337,972	106,372	(444,344)	0
Total Capital Assets, not being depreciated	<u>5,185,126</u>	<u>106,372</u>	<u>(444,344)</u>	<u>4,847,154</u>
<b><u>Capital Assets, being depreciated</u></b>				
Water Systems	18,726,616	371,501	-	19,098,117
Effluent Irrigation Systems	3,865,480	-	-	3,865,480
Sewer Systems	25,372,697	18,306	-	25,391,003
Storm Drainage System	3,474,804	-	-	3,474,804
Equipment and Vehicles	309,310	54,537	-	363,847
Total Capital Assets, being depreciated	<u>51,748,907</u>	<u>444,344</u>	<u>-</u>	<u>52,193,251</u>
<b><u>Less Accumulated Depreciation</u></b>				
Water Systems	(11,237,097)	(551,984)	-	(11,789,081)
Effluent Irrigation Systems	(2,631,195)	(97,516)	-	(2,728,711)
Sewer Systems	(14,611,088)	(782,860)	-	(15,393,948)
Storm Drainage System	(1,911,791)	(69,500)	-	(1,981,291)
Equipment and Vehicles	(278,491)	(21,160)	-	(299,651)
Total Capital Assets, being depreciated	<u>(30,669,662)</u>	<u>(1,523,020)</u>	<u>-</u>	<u>(32,192,682)</u>
Total Capital Assets, being depreciated, Net	<u>21,079,245</u>	<u>(1,078,676)</u>	<u>-</u>	<u>20,000,569</u>
<b>CAPITAL ASSETS, Net</b>	<u>\$ 26,264,371</u>	<u>\$ (972,303)</u>	<u>\$ (444,344)</u>	<u>\$ 24,847,723</u>

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

Capital asset activity for the year ended 2023 was as follows:

	BALANCE 12/31/2022	2023 Additions	2023 Deletions	BALANCE 12/31/2023
<b><u>Capital Assets, not being depreciated</u></b>				
Water and Supply Contract Rights	\$ 4,779,738	\$ -	\$ -	\$ 4,779,738
Land and Easements	67,416	-	-	67,416
Construction in Progress	976,316	240,526	(878,870)	337,972
Total Capital Assets, not being depreciated	5,823,470	240,526	(878,870)	5,185,126
<b><u>Capital Assets, being depreciated</u></b>				
Water Systems	18,489,900	236,716	-	18,726,616
Effluent Irrigation Systems	3,577,239	288,241	-	3,865,480
Sewer Systems	25,018,784	353,913	-	25,372,697
Storm Drainage System	3,474,804	-	-	3,474,804
Equipment and Vehicles	309,310	-	-	309,310
Total Capital Assets, being depreciated	50,870,037	878,870	-	51,748,907
<b><u>Less Accumulated Depreciation</u></b>				
Water Systems	(10,670,202)	(566,895)	-	(11,237,097)
Effluent Irrigation Systems	(2,496,256)	(134,939)	-	(2,631,195)
Sewer Systems	(13,798,427)	(812,661)	-	(14,611,088)
Storm Drainage System	(1,842,291)	(69,500)	-	(1,911,791)
Equipment and Vehicles	(260,090)	(18,401)	-	(278,491)
Total Capital Assets, being depreciated	(29,067,266)	(1,602,396)	-	(30,669,662)
Total Capital Assets, being depreciated, Net	21,802,772	(723,526)	-	21,079,245
<b>CAPITAL ASSETS, Net</b>	<b>\$ 27,626,241</b>	<b>\$ (483,000)</b>	<b>\$ (878,870)</b>	<b>\$ 26,264,371</b>

Depreciation expense of \$1,523,020 and \$1,602,396 for the years ended December 31, 2024 and 2023, respectively, was charged to water and sewer operations.

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

**Note 5 – Long-term obligation**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2024:

	Balance @ 12/31/2023	2024 Borrowings	2024 Repayments	Balance @ 12/31/2024	Due Within One Year
CWBC 2014 Loan - Note A	\$ 1,309,617	\$ -	\$ 85,168	\$ 1,224,449	\$ 87,510
CWBC 2014 Loan - Note B	363,195	-	18,377	344,818	18,882
CWBC 2014 Loan - Note C	1,413,000	692,000	-	2,126,050	81,155
CWBC 2014 Loan - Note D	344,475	-	-	344,475	-
Totals	\$ 3,430,287	\$ 692,000	\$ 103,545	\$ 4,039,792	\$ 187,547

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2023:

	Balance @ 12/31/2022	2023 Borrowings	2023 Repayments	Balance @ 12/31/2023	Due Within One Year
CWBC 2014 Loan - Note A	\$ 1,392,505	\$ -	\$ 82,888	\$ 1,309,617	\$ 85,168
CWBC 2014 Loan - Note B	381,080	-	17,885	363,195	18,377
CWBC 2014 Loan - Note C	604,943	808,057	-	1,413,000	-
CWBC 2014 Loan - Note D	344,475	-	-	344,475	-
Totals	\$ 2,723,003	\$ 808,057	\$ 100,773	\$ 3,430,287	\$ 103,545

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

**2014 Colorado Water Conservation Board (CWCB) Loan**

On May 22, 2014, the District entered into a loan agreement with the CWCB for an amount not to exceed \$4,908,600 for costs related to the District's participation in the Water Infrastructure and Supply Efficiency Authority (WISE) project. On March 22, 2024, Note C (contract # CT2015-0019) was amended and increased by \$698,920, for an overall total loan of \$5,607,520. The District's draws and repayment obligation will be evidenced by four separate promissory notes as follows:

- Note A – \$1,845,270 for the District's share of the Western Pipeline,
- Note B – \$1,181,700 for the District's share of cost of Phase 1 Infrastructure to be constructed by WISE,
- Note C – \$2,126,050 (previously \$1,427,130) for the District's share of cost for Phase 2 Infrastructure to be constructed by WISE, and
- Note D – \$454,500 for the District's share of the cost of a use of pipeline.

This loan is pledged by an ad valorem property tax revenue. Interest accrues at 2.75% per annum for each individual promissory note commencing on the date of the initial note draw. Principal and interest payments will commence 1 year from the date CWCB determines the projects are substantially complete. As of December 31, 2024 and 2023, \$4,726,659 and \$4,034,659, respectively, had been drawn from CWCB.

Required loan payments for each of the next five years, and five-year increments beyond that, for Notes A, B and C are as follows:

Year Ended	Principal	Interest	Total
Dec 31,			
2025	\$ 187,547	\$ 101,621	\$ 289,168
2026	192,704	96,464	289,168
2027	198,004	91,164	289,168
2028	203,449	85,719	289,168
2029	209,044	80,124	289,168
2030 - 2034	1,134,676	311,164	1,445,840
2035 - 2039	925,879	156,415	1,082,294
2040-2044	644,015	54,092	698,107
	\$ 3,695,317	\$ 976,763	\$ 4,672,081

The payment schedules for Note D is not included above as the note have not been finalized and payments calculated.

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

**Debt Authorization**

At elections held May 4, 2004 and November 1, 2005, a majority of the qualified electors of the District who voted in the elections authorized the issuance of general obligation indebtedness in an amount not to exceed \$15,000,000 for the purposes of the extension and improvements of the existing sanitary sewer system and \$20,000,000 for the extension and improvement of the existing potable and non-potable water supply, storage transmission and distribution system of the District, respectively. After the issuance of Series 2008 Bonds, which were refunded with the Series 2012 Refunding Bonds, the District has the authority to issue additional obligations for sanitary sewer purposes in the amount \$4,500,000 from the November 2005 election and to issue \$8,352,266 for water improvements from the November 2005 election.

**Note 6 – Net Position**

The District's net position consists of three components – net investment in capital assets, restricted, and unrestricted. 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.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2024 and 2023, the District had net investment in capital assets of \$20,807,931 and \$22,834,084 , respectively.

Restricted position includes net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislations. The purposes for the restrictions of net position are described in Note 11. As of December 31, 2024 and 2023, the District had restricted net position as follows:

	<u>2024</u>	<u>2023</u>
Emergency reserves	<u>\$ 53,860</u>	<u>\$ 55,000</u>

The District's unrestricted net position as of December 31, 2024 and 2023 was \$23,866,803 and \$20,595,228 , respectively

## **Inverness Water and Sanitation District**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2024 and 2023**

#### **Note 7 – Intergovernmental Agreements**

##### **Loan Tree Creek Water Reclamation Facility (LTCWRF)**

On April 19, 2005, the District entered into an agreement with Arapahoe County Water and Wastewater Authority (ACWWA) to share in the modifications and expansion of the existing ACWWA wastewater treatment facility to construct the LTCWRF. The LTCWRF expansion provided a total treatment capacity of 3.6 million gallons per day with the District's capacity at 1.1 million gallons per day. The expansion was completed, and the District began sending flows to the LTCWRF in July 2009. The District's capacity in the LTCWRF is intended to accommodate all future water treatment needs. The District's wastewater treatment plant and advanced wastewater treatment plant used prior to the LTCWRF expansion are currently idle.

On September 20, 2011, the District and ACWWA executed the first amendment to the aforementioned agreement. This amendment defined the treatment rates to be paid by the District. This amendment also established a renewal and replacement reserve for the LTCWRF. The District and ACWWA are to make annual deposits of \$132,384 and \$300,949, respectively, for this reserve until a maximum reserve balance of \$7,500,000 is attained. For the year ended December 31, 2024, the district will be paying the 2024 and 2025 reserve deposits in 2025. The District made a reserve deposit of \$132,409 in 2023. As of December 31, 2024 and 2023 the District's renewal and replacement reserve balances were \$1,642,797.

##### **Cottonwood Water and Sanitation District**

The District has an intergovernmental agreement with Cottonwood Water and Sanitation District (Cottonwood) in which the District provided operations and maintenance of the Cottonwood facilities for a monthly fee of \$17,500 and \$15,870, respectively, for the years ended December 31, 2024 and 2023.

#### **Note 8 – Investments in Authorities**

##### **Cherry Creek Project Water Authority**

On October 14, 2005, the Cherry Creek Project Water Authority (Cherry Creek Authority) was created by a Water Project Agreement between the District, Cottonwood Water and Sanitation District, ACWWA, and Denver Southeast Suburban Water and Sanitation District. On November 17, 2005, the Cherry Creek Authority purchased certain water rights, well rights, facilities and storage rights at a bankruptcy auction for \$14,000,000 plus closing costs. The District's share of participation is 31.12%, which had a value of \$ 9,751,801 and \$9,161,434 , at December 31, 2024 and 2023, respectively. For a copy of the Cherry Creek Authority's financial statements, contact the Cherry Creek Authority.

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

**Note 8 – Investments in Authorities**

**South Metro Water Supply Authority (SMWSA)**

Barr Lake Pipeline Enlargement

On March 25, 2005, certain members of SMWSA entered into an agreement with East Cherry Creek Valley Water and Sanitation District (ECCV) to participate in the incremental enlargement capacity in the ECCV Barr Lake Pipeline. Pursuant to this agreement, the District contributed \$732,200 to reserve future transmission capacity of 0.7 million gallons per day. The District does not currently have any connecting infrastructure to utilize this line capacity and will need to construct such facilities if the District is to use the pipeline capacity in the future. At December 31, 2024 and 2023, the District reported \$732,200 as Investments in Authorities.

WISE Partnership (WISE)

On March 31, 2013, the District entered into an amended WISE Negotiations and Cost Sharing Participation Agreement with South Metro Water Supply Authority (SMWSA). In the amended agreement the costs will be shared based on the participants' pro-rata share of the annual subscription amount in relation to the total of all annual subscription amounts. The District has committed to subscribing to 500 acre feet (5.0%) out of a revised total of 10,000 (previously 7,225) acre feet of renewable water to be delivered annually from the WISE Partnership. In December of 2013, the District along with other members of the WISE Partnership entered into the WISE Partnership-Water Delivery Agreement between the City and County of Denver, acting by and through its Board of Water Commissioners, the City of Aurora acting by and through its Utility Enterprise, and the South Metro WISE Authority. The Water Delivery Agreement is the overarching agreement that defines the terms under which Denver and Aurora will deliver water to the South Metro WISE Authority members.

Pursuant to the WISE Agreements, the District pays its proportionate share of WISE capital costs, operations and maintenance costs, and the cost of water delivered. During the year ended December 31, 2024 and 2023, the District analyzed its investment in WISE, and adjusted the amount to \$5,821,464 for 2023, which is reported as Investment in Authorities in the financial statements. The District received its first water deliveries from the WISE project in 2017. For the years ended December 31, 2024 and 2023, the District's water purchases were \$273,896 and \$211,436, respectively.

**Note 9 – Excluded Properties**

The District has excluded approximately 80 acres under various agreements dated between 2005 and 2019. The District will continue to provide facilities, services and programs to these properties in the same manner and to the same extent as previously provided. These property owners are obligated to pay debt service property taxes for debt service existing prior to the exclusion. Additionally, they are obligated to pay a tax equivalency fee for debt service on bonds issued after their exclusion.

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

**Note 10 – 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 District Property and Liability Pool (the Pool) as of December 31, 2024. 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 and workers' compensation 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.

**Note 11 – 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.

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.

Spending and revenue limits are determined based on the prior year's fiscal year spending as adjusted for allowable increases for 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 retention of such revenue has been approved by the voters.

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.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the

**Inverness Water and Sanitation District**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024 and 2023**

interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

On November 1, 2005, a majority of the District voters authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

**SUPPLEMENTAL INFORMATION**

**INVERNESS WATER & SANITATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**  
**For the Year Ended December 31, 2024**

<b>ENTERPRISE FUND</b>	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable Unfavorable</b>
<b>Revenues</b>			
Charges for services	\$ 3,885,100	\$ 4,430,675	\$ 545,575
Net investment income	146,000	232,829	86,829
Tap fees	-	-	-
Miscellaneous income	23,500	-	(23,500)
Grant Income	575,000	304,600	(270,400)
<b>Total revenues</b>	<b>4,629,600</b>	<b>4,968,104</b>	<b>338,504</b>
<b>Expenditures</b>			
Denver water purchases	930,000	1,020,482	(90,482)
WISE water purchases	352,699	273,896	78,803
Utilities	210,000	249,603	(39,603)
ACWWA treatment costs	820,000	848,183	(28,183)
Repairs & maintenance	190,000	279,123	(89,123)
Chemicals, supplies & materials	99,500	84,315	15,185
Salaries	301,000	267,798	33,202
Payroll taxes and benefits	103,068	75,914	27,154
District management	224,000	222,480	1,520
District operator administration	36,900	36,900	-
District billing and accounting	117,500	112,740	4,760
Legal and other professional services	85,000	34,981	50,019
Insurance	90,000	89,792	208
Rent	36,000	40,282	(4,282)
Office expenses	50,500	57,307	(6,807)
Landscaping and snow removal	26,000	28,362	(2,362)
Vehicle expenses	25,000	14,481	10,519
Other administration	1,500	-	1,500
Contingency	200,000	-	200,000
Investment in CCPWA	1,275,000	590,367	684,633
Investment in SMSWA-WISE	394,000	-	394,000
CCPWA/SMSWA operating costs	92,500	97,107	(4,607)
Capital expenditures	1,510,465	106,373	1,404,092
<b>Total expenditures</b>	<b>7,169,632</b>	<b>4,530,486</b>	<b>2,640,146</b>
<b>Excess (deficit) of revenues over (under) enterprise expenditures</b>	<b>\$ (2,541,032)</b>	<b>\$ 437,618</b>	<b>\$ (2,301,642)</b>

**INVERNESS WATER & SANITATION DISTRICT**

**RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**For the Year Ended December 31, 2024**

<b>Debt Fund</b>	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Property taxes	\$ 1,468,122	\$ 1,461,284	\$ (6,838)
Specific ownership taxes	106,667	93,874	(12,793)
Tax equivalent fees	284,124	240,181	(43,943)
Net investment income	-	898	898
Miscellaneous income	-	293	293
Loan proceeds	4,600,000	692,000	(3,908,000)
<b>Total revenues</b>	6,458,913	2,488,530	(3,970,383)
<b>Expenditures</b>			
County treasurer fees	23,000	21,936	1,064
Debt service			
CWCB Loan - principal	1,825,492	103,545	1,721,947
CWCB Loan - interest	156,672	105,599	51,073
Walker Loan - principal	230,000	-	230,000
Walker Loan - interest	94,000	-	94,000
Loan Fee	86,000	36,050	49,950
Contingency	20,000	-	20,000
<b>Total expenditures</b>	2,435,164	267,130	2,168,034
<b>Excess (deficit) of revenues over (under) general government expenditures</b>	\$ 4,023,749	\$ 2,221,400	\$ (1,802,349)
Total district revenues	\$ 15,688,513	\$ 7,456,634	\$ (3,631,879)
Total district expenditures	14,205,796	4,797,616	4,808,180
<b>Total excess (deficit) of revenues over (under) expenditures</b>	1,482,717	2,659,018	\$ 1,176,301
Funds available - beginning of year	4,935,130	4,935,130	
Funds available - end of year	\$6,417,847	\$7,594,148	
Funds available are computed as follows:			
Current assets		\$ 8,467,386	
Current liabilities		(354,122)	
Deferred inflows of resources		(498,066)	
Loan fees included in long-term debt		(21,050)	
Funds available - end of year		\$ 7,594,148	

**INVERNESS WATER & SANITATION DISTRICT**

**RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**For the Year Ended December 31, 2024**

Revenues (budgetary basis)	\$	7,456,634
Proceeds from long-term debt issuance		<u>(692,000)</u>
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	\$	6,764,634
Expenditures (budgetary basis)	\$	4,796,616
Depreciation and amortization		1,523,020
Investment in authorities		(590,367)
Capital outlay		(106,372)
Principal paid on long-term debt		<u>(103,545)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	\$	<u>5,520,352</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	\$	<u><u>1,244,282</u></u>