

**GENESEE WATER AND SANITATION DISTRICT
JEFFERSON COUNTY, COLORADO**

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022

Genesee Water and Sanitation District

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements.....	14
Supplemental Information:	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual.....	25
Other Information:	
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected.....	26

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Genesee Water and Sanitation District
Jefferson County, Colorado

Opinion

We have audited the financial statements of the business-type activities of Genesee Water and Sanitation District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Genesee Water and Sanitation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Genesee Water and Sanitation District, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter - Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2022, from which such summarized information was derived.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Genesee Water and Sanitation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Genesee Water and Sanitation District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Information

The Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express any opinion or provide any assurance on them.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC
Centennial, Colorado
June 25, 2024

Genesee Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Genesee Water and Sanitation District (the District), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of Genesee Water and Sanitation District for the year ended December 31, 2023.

Financial Highlights

- ▯ Net Position increased by \$1,490,887 (15%) when compared to 2022
- ▯ District Revenues increased by \$730,669 (17%) when compared to 2022
- ▯ District Expenses increased by \$106,492 (3%) when compared to 2022

Overview of the Financial Statements

The basic financial statements of the District are presented as a special purpose government engaged in business type activities – providing water and sanitation services, through its enterprise.

The *Statements of Net Position* present information on all of the District's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as Net Position. Over time, increases or decreases in the Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present information which reflects how the District's Net Position changed during the past year. All changes in the Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

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

These financial statements distinguish between functions of the District that will be principally supported by service charges and property taxes. The functions of the District include effective and economical operation of water and sanitation systems within the jurisdictional boundaries of the District.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary comparisons presented for legal compliance.

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

Genesee Water and Sanitation District

Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of the District's financial position. Net Position increased \$1,490,887 from 2022 to 2023. In the case of the District, assets exceeded liabilities and deferred inflows by a total of \$11,062,434, comprised of \$7,823,996 and \$3,238,438 for water and sanitation, respectively.

Statements of Net Position

	Fiscal Year Ending December 31, 2023			Fiscal Year Ending December 31, 2022		
	Water	Sanitation	Total	Water	Sanitation	Total
ASSETS						
Current assets						
Cash, restricted cash and investments	\$ 635,114	\$ 701,506	\$ 1,336,620	\$ 487,683	\$ 235,230	\$ 722,913
Accounts receivable - service fees	249,607	243,373	492,980	237,750	225,646	463,396
Property taxes receivable	835,788	-	835,788	841,079	-	841,079
Other	401,834	8,630	410,464	17,202	8,980	26,182
Total current assets	2,122,343	953,509	3,075,852	1,583,714	469,856	2,053,570
Capital assets, net of depreciation	20,423,908	2,619,963	23,043,871	17,049,338	2,810,140	19,859,478
Total Assets	22,546,251	3,573,472	26,119,723	18,633,052	3,279,996	21,913,048
LIABILITIES						
Current liabilities						
Accounts payable	43,506	19,302	62,808	24,671	24,775	49,446
Retainage payable	226,451	-	226,451	45,925	-	45,925
Other accrued liabilities	51,339	48,613	99,952	3,928	3,815	7,743
Current portion of L-T liabilities	766,489	31,265	797,754	756,683	30,173	786,856
Accrued Interest Payable	127,770	1,692	129,462	85,873	1,785	87,658
Total current liabilities	1,215,555	100,872	1,316,427	917,080	78,124	995,204
Long-term obligations	12,670,913	234,152	12,905,065	10,197,702	307,516	10,505,218
Total Liabilities	13,886,468	335,024	14,221,492	11,114,782	385,640	11,500,422
DEFERRED INFLOWS OF RESOURCES	835,788	-	835,788	841,079	-	841,079
Total Liabilities including Deferred Inflows	14,722,256	335,024	15,057,280	11,955,861	385,640	12,341,501
NET POSITION						
Net investment in capital assets	6,760,055	2,354,546	9,114,601	6,092,981	2,513,199	8,606,180
Restricted						
Debt payment reserve	96,889	-	96,889	39,426	-	39,426
Emergency reserve	34,330	27,995	62,325	33,523	28,216	61,739
Unrestricted	932,722	855,897	1,788,619	511,261	352,941	864,202
TOTAL NET POSITION	\$ 7,823,996	\$ 3,238,438	\$ 11,062,434	\$ 6,677,191	\$ 2,894,356	\$ 9,571,547

The largest portion of the District's Net Position reflects its investment in capital assets, less any related debt used to acquire those assets that may still be outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities; these other sources are primarily comprised of service charges and property taxes and included in Revenue as shown on the following page.

The District's net investment in capital assets at December 31, 2023 is \$9,114,601, which increased by \$508,421 from 2022 to 2023. This investment in capital assets includes the complete operating system including reservoirs, as well as buildings, equipment, vehicles, and water rights. It should be noted that the actual value of the District's water rights portfolio cannot be accurately quantified as the rights have a perpetual life, and generally become increasingly valuable over time. Management holds the opinion that the water rights currently held by the District have a greater value than the acquisition price reflected in the financial statements.

Genesee Water and Sanitation District

The District's capital assets, net of accumulated depreciation, increased by \$3,184,393 from 2022 to 2023. The net increase was due to an increase of \$3,374,570 for water and a decrease of \$190,177 for sanitation. Construction in Progress ending balance for the Reservoir #1 additional capacity project water is \$5,802,911 as of December 31, 2023; the amounts resulting in this balance in the water system and additional details about the District's capital assets can be found in Note 4 of this report.

The District's total long-term obligation is \$13,702,819 as of December 31, 2023, representing a net increase in total long-term obligations of \$2,495,446 from 2022 to 2023. Of this total, \$797,754 is due within one year. From the CWCB loan referred to in Note 5, \$4,274,363 had been issued as of December 31, 2023, for a maximum of \$5,555,000, providing proceeds to fund the additional raw water storage capacity project; this project is also funded from grant revenue noted below. Refer to Note 5 regarding the purpose, terms and covenant summaries for prior and all long-term obligations.

As noted earlier, the District's Revenues increased by \$730,669 and Expenses increased by \$106,492 when compared to 2022.

District operating revenue increased by \$233,535 (11%) when compared to 2022, comprised of \$86,579 and \$146,956 for water and sanitation, respectively; most of the operating revenue increase can be attributed to changes in rates, rather than an increase in usage, when compared to 2022. Nonoperating Revenue increased by \$497,134 (25%) when compared to 2022; most of this increase is attributed to increases in grant revenue, interest income and gains on the sale(s) of asset(s).

The District collected \$827,856 in property taxes, net of fees, and specific ownership taxes of \$60,173. The District received \$619,723 in Capital Replacement Fees, which are budgeted as a source of revenue within the Capital Replacement Fund. During the year, the District earned interest income of \$63,285 from available cash and investments.

The District received \$642,036 of grant revenue in 2023, from a total award of \$1,384,000 of grant revenue over the course of the capacity expansion project. The District has received a total of \$1,245,600 of this grant as of December 31, 2023. Vacant land and a used vehicle were sold, resulting in other income of approximately \$262,301.

District expenses increased by \$106,492 (3%) when compared to 2022, comprised of an increase of \$108,704 for water and a decrease of \$2,212 for sanitation. Most of this increase is due to an increase in depreciation expense of \$71,730 when compared to 2022. The net increase for the remaining operating expenses including salaries, utilities, chemicals, repairs, maintenance, supplies, insurance, professional fees and office expenses was \$19,156 when compared to 2022. Nonoperating expenses increased by \$15,606 when compared to 2022.

Genesee Water and Sanitation District

Statements of Revenues, Expenses, and Change in Net Position (Statement of Activities)

	Fiscal Year Ending December 31, 2023			Fiscal Year Ending December 31, 2022		
	Water	Sanitation	Total	Water	Sanitation	Total
REVENUE						
Operating Revenue (Service fees)	\$ 1,200,725	\$ 1,248,573	\$ 2,449,298	\$ 1,114,146	\$ 1,101,617	\$ 2,215,763
Nonoperating Revenue						
Property taxes, net of fees	827,856	-	827,856	821,432	-	821,432
Specific ownership taxes	60,173		60,173	57,646		57,646
Capital replacement fees	415,141	204,582	619,723	415,387	204,659	620,046
Grant revenue	642,036	-	642,036	450,000	-	450,000
Interest income and other revenue	198,406	127,180	325,586	24,196	4,920	29,116
Total nonoperating revenue	2,143,612	331,762	2,475,374	1,768,661	209,579	1,978,240
Total Revenue	3,344,337	1,580,335	4,924,672	2,882,807	1,311,196	4,194,003
EXPENSES						
Operating Expenses						
Salaries and benefits	566,980	534,171	1,101,151	580,730	559,031	1,139,761
Utilities and communications	181,578	114,960	296,538	191,203	114,051	305,254
Chemicals, Supplies, R&M, Vehicles	201,951	150,504	352,455	163,285	134,266	297,551
Insurance, Professional fees, office	193,811	133,545	327,356	182,583	133,195	315,778
Depreciation Expense	830,668	292,868	1,123,536	766,361	285,445	1,051,806
Total operating expenses	1,974,988	1,226,048	3,201,036	1,884,162	1,225,988	3,110,150
Nonoperating Expenses						
Interest expense and other	222,544	10,205	232,749	204,666	12,477	217,143
Total Expenses	2,197,532	1,236,253	3,433,785	2,088,828	1,238,465	3,327,293
CHANGE IN NET POSITION	1,146,805	344,082	1,490,887	793,979	72,731	866,710
Net Position - Beginning of Year	6,677,191	2,894,356	9,571,547	5,883,212	2,821,625	8,704,837
Net Position - End of Period or Year	\$ 7,823,996	\$ 3,238,438	\$ 11,062,434	\$ 6,677,191	\$ 2,894,356	\$ 9,571,547
Reconcile to Budgetary Presentation:						
Add Loan Proceeds Received			3,285,004			849,151
Deduct Loan Principal Payments			(789,558)			(847,690)
Deduct Capital Outlay			(4,308,859)			(1,534,604)
Add Depreciation Expense			1,123,536			1,051,806
Total adjustments (GAAP to Budget):			<u>(689,877)</u>			<u>(481,337)</u>
Net Income - budgetary basis			\$ 801,010			\$ 385,373

Differences between the Change in Net Position and the Budgetary Net Income are shown in the reconciliation above. Net Income on a budgetary basis is \$801,010 as of December 31, 2023, compared to \$385,373 in the prior year of 2022. See Budgetary Highlights below for additional information regarding budgetary and fund balances.

Genesee Water and Sanitation District

Budgetary Highlights

The District prepares each annual budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets, debt repayments, and capital outlay, in addition to operating and non-operating revenue and expenses. Furthermore, depreciation expenses and capital contributions of facilities, if any, are not reflected on the budget since they do not affect “funds available.” Additionally, the budget separates the Enterprise and Government functions that occur within the District.

In conjunction with long term financial planning and annual budgeting, the District’s Management and Board reviews Water and Sewer service fees at least annually. Proposed changes to rates and fees, including the capital replacement fees, if any, are provided to the customers of the District in a public meeting. Due to the nature of substantial capital investments and the long-term deterioration of capital assets, it is essential that the District does not overlook relatively short-term budgetary goals at the expense of long-term capital improvement and replacement objectives.

Budget, Final Budget, and Actual details are provided in the Supplementary Information on page 25. The table below shows a high-level summary for comparative purposes for 2024, 2023 and 2022.

Schedule of Revenues, Expenses and Changes in Net Position With Fund Balances						
Budget and Actual for the Year Ending						
	12/31/2024		12/31/2023		12/31/2022	
	Budget	Actual	Budget	Actual	Budget	Actual
Revenue	4,147,061		8,256,855	8,208,746	7,675,339	5,067,007
Expenses	3,687,019	<i>not available</i>	7,834,871	7,407,736	7,655,849	4,681,119
Net Income	460,042		421,984	801,010	19,490	385,888

The Actual Net Income was greater than Budgeted primarily due to the additional raw water storage capacity project—this capital improvement project’s sources and uses of funds were budgeted to be completed in 2023, but the project will not be completed until 2024.

Historically, the budget has been organized into the following four categories for the purpose of grouping and tracking sources and uses of funds. Subject to certain requirements and restrictions, revenue that exceed expenditures in any one year may be ‘carried forward’ to future years and set aside as “reserves” such as debt service reserves, operating and maintenance reserves, and capital replacement reserves. Such budgetary “carry forward” balances are referred to as the beginning fund balance, and as such do not stand for actual cash balances.

These budgetary Funds are listed below:

- Government Fund
- Enterprise Fund
- Capital Replacement Fund (CRF)
- Building Authority Fund

The purpose of tracking the uses and sources of funds by fund balance is to aid with the timing of cash flows within one or future budgetary years, and to track the relative increases and decreases in each fund for periods greater than one budget year.

The Government Fund holds the property tax revenue and is the source for the General Obligation (GO) Bonds payments for each budget year. As approved within the Budget and allowed by the voter approved taxes and purposes, this Fund includes a reserve component.

Genesee Water and Sanitation District

The Capital Replacement and the Building Authority Funds are both subsets of the Enterprise Fund. The Enterprise Fund is defined in Note 9. The table below shows actual results in a budgetary format for comparative purposes for 2023, 2022, and 2021 as well as the changes in fund balance and allocation to these Funds on a budgetary basis.

Schedule of Revenues, Expenses and Changes in Net Position With Fund Balances

	Actual - Fiscal Year Ending		
	12/31/2023	12/31/2022	12/31/2021
REVENUE			
Operating Revenue (Service fees)	\$ 2,449,298	\$ 2,215,763	\$ 1,978,656
Nonoperating Revenue			
Property taxes, net of fees	827,856	821,432	779,471
Specific ownership taxes	60,173	57,646	60,081
Capital replacement fees	619,723	620,046	447,176
Grant revenue	642,036	450,000	153,564
Loan proceeds	3,285,004	849,151	140,208
Interest income and other revenue	324,656	29,116	-
Total nonoperating revenue	5,759,448	2,827,391	1,580,500
Total Revenue	8,208,746	5,043,154	3,559,156
EXPENSES			
Operating Expenses			
Salaries and benefits	1,101,151	1,139,761	1,159,994
Utilities and communications	296,538	305,254	277,115
Chemicals, Supplies, R&M, Vehicles	352,455	297,551	316,941
Insurance, Professional fees, office	327,356	315,778	320,528
Total operating expenses	2,077,500	2,058,344	2,074,578
Nonoperating Expenses			
Loan Principal Payments	789,558	847,690	900,090
Capital Outlay	4,308,859	1,534,604	521,442
Interest expense and other	231,819	217,143	95,326
Total nonoperating expenses	5,330,236	2,599,437	1,516,858
Total Expenses	7,407,736	4,657,781	3,591,436
NET INCOME - budgetary basis	801,010	385,373	(32,280)
Funds Available - Beginning of Year	1,041,194	655,821	688,101
Funds Available - End of Year	1,842,204	1,041,194	655,821
Allocation by Fund - End of Year			
Government Fund	96,889	39,426	(9,065)
Enterprise Fund	546,705	166,273	51,510
Capital Replacement Fund	1,120,142	835,495	613,376
Building Authority Fund	78,468	-	-
	1,842,204	1,041,194	655,821

Genesee Water and Sanitation District

Requests for Information

This 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 other information should be addressed to:

Director of Administration
2310 Bitterroot Lane
Golden, CO 80401

GENESEE WATER AND SANITATION DISTRICT

**Statements of Net Position
December 31, 2023 and 2022**

	Water	Sanitation	Totals	
			2023	2022
ASSETS				
Current assets:				
Cash and investments	\$ 538,225	\$ 701,506	\$ 1,239,731	\$ 683,484
Cash and investments - restricted	96,889	--	96,889	39,429
Accounts receivable - service fees	249,607	243,373	492,980	463,396
Other receivables	390,160	--	390,160	--
Property taxes receivable	835,788	--	835,788	841,079
Other current assets	11,674	8,630	20,304	26,182
Total current assets	2,122,343	953,509	3,075,852	2,053,570
Capital assets:				
Capital assets not being depreciated	5,950,474	--	5,950,474	1,798,035
Capital assets being depreciated, net	14,473,434	2,619,963	17,093,397	18,061,443
Total capital assets	20,423,908	2,619,963	23,043,871	19,859,478
TOTAL ASSETS	22,546,251	3,573,472	26,119,723	21,913,048
LIABILITIES				
Current liabilities:				
Cash overdraft	-	-	-	17,576
Accounts payable	269,957	19,302	289,259	95,371
Other accrued liabilities	3,912	3,815	7,727	7,743
Current portion of long-term obligations	766,489	31,265	797,754	786,856
Accrued interest payable	127,772	1,690	129,462	87,658
Total current liabilities	1,168,130	56,072	1,224,202	995,204
Long-term obligations:				
Long-term obligations	12,670,913	234,152	12,905,065	10,420,517
Compensated benefits	47,424	44,810	92,234	84,701
Total long-term liabilities	12,718,337	278,962	12,997,299	10,505,218
TOTAL LIABILITIES	13,886,467	335,034	14,221,501	11,500,422
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	835,788	--	835,788	841,079
Total deferred inflows of resources	835,788	--	835,788	841,079
NET POSITION				
Net investment in capital assets	6,760,055	2,354,546	9,114,601	8,606,180
Restricted				
Debt payment reserve	96,889	--	96,889	39,429
Emergency reserve	34,330	27,995	62,325	61,739
Unrestricted	932,722	855,897	1,788,619	864,199
TOTAL NET POSITION	\$ 7,823,996	\$ 3,238,438	\$ 11,062,434	\$ 9,571,547

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

GENESEE WATER AND SANITATION DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the years ended December 31, 2023 and 2022

	Water	Sanitation	Totals	
			2023	2022
OPERATING REVENUE				
Service fees	\$ 1,200,725	\$ 1,248,573	\$ 2,449,298	\$ 2,215,763
OPERATING EXPENSES				
Salaries and benefits	566,980	534,171	1,101,151	1,139,761
Utilities	163,992	101,660	265,652	276,312
Repairs and maintenance	141,076	89,445	230,521	182,063
Auto and travel	13,936	13,937	27,873	31,484
Chemicals and supplies	28,329	31,285	59,614	52,141
Director's fees	2,950	2,950	5,900	6,800
Ditch assessment	5,278	--	5,278	4,828
Insurance	46,941	46,941	93,882	87,904
Telephone and communications	17,586	13,300	30,886	28,942
Office supplies and expenses	53,082	49,685	102,767	95,818
Testing and analysis	9,239	9,940	19,179	17,846
Election expenses	3,917	3,917	7,834	11,906
Professional fees	79,263	27,853	107,116	103,840
Miscellaneous	415	234	649	100
Dues and publications	1,965	1,965	3,930	4,582
Small tools and equipment	9,371	5,897	15,268	14,017
Depreciation	830,668	292,868	1,123,536	1,051,806
Total operating expenses	1,974,988	1,226,048	3,201,036	3,110,150
OPERATING INCOME (LOSS)	(774,263)	22,525	(751,738)	(894,387)
NONOPERATING REVENUE AND (EXPENSES)				
Property taxes, net of treasurer fees	827,856	--	827,856	821,432
Specific ownership taxes	60,173	--	60,173	57,646
Capital replacement fees	415,141	204,582	619,723	620,046
Grant revenue	642,036	--	642,036	450,000
Interest income	63,285	--	63,285	12,176
Loss on sale of capital assets	(930)	--	(930)	--
Other revenue	135,121	127,180	262,301	16,940
Interest expense	(221,614)	(10,205)	(231,819)	(217,143)
Total nonoperating revenues	1,921,068	321,557	2,242,625	1,761,097
CHANGE IN NET POSITION	1,146,805	344,082	1,490,887	866,710
NET POSITION - BEGINNING OF YEAR	6,677,191	2,894,356	9,571,547	8,704,837
NET POSITION - END OF YEAR	\$ 7,823,996	\$ 3,238,438	\$ 11,062,434	\$ 9,571,547

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

GENESEE WATER AND SANITATION DISTRICT

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

			Totals	
			2023	2022
	Water	Sanitation		
Cash flows from operating activities:				
Cash received from customers	\$ 804,236	\$ 1,231,196	\$ 2,035,432	\$ 2,152,191
Cash payments to employees for services	(563,509)	(530,109)	(1,093,618)	(1,199,712)
Cash payments to suppliers for goods and services	(336,096)	(404,577)	(740,673)	(864,199)
Net cash provided (used) by operating activities	(95,369)	296,510	201,141	88,280
Cash flows from capital and related financing activities				
Net property and specific ownership taxes received	888,029	--	888,029	879,078
Capital replacement fees received	415,141	204,582	619,723	620,046
Grant revenue received	642,036	--	642,036	450,000
Acquisition of capital assets	(4,206,168)	(102,691)	(4,308,859)	(1,534,604)
Cash received on debt issuance	3,285,004	--	3,285,004	849,151
Principal paid on general obligation of debt	(758,034)	(31,524)	(789,558)	(847,690)
Interest paid on general obligation debt	(221,614)	(10,205)	(231,819)	(217,143)
Other revenue	134,191	127,180	261,371	16,940
Net cash provided by capital and related financing activities	178,585	187,342	365,927	215,778
Cash flows from investing activities:				
Loss on sale of capital assets	930	--	930	--
Investment earnings received	63,285	--	63,285	12,176
Net cash provided by investing activities	64,215	--	64,215	12,176
Net increase in cash and investments	147,431	483,852	631,283	316,234
Cash, investments and restricted cash beginning of year	487,683	217,654	705,337	389,103
Cash, investments and restricted cash end of year	\$ 635,114	\$ 701,506	\$ 1,336,620	\$ 705,337
Reconciliation of operating loss to net cash provided (used) by operations:				
Operating (loss) income	\$ (774,263)	\$ 22,525	\$ (751,738)	\$ (894,387)
Adjustments to reconcile operating loss to cash provided by operating activities:				
Depreciation	830,668	292,868	1,123,536	1,051,806
(Increase) decrease in:				
Receivables	(402,017)	(17,727)	(419,744)	(77,593)
Other current assets	5,528	350	5,878	14,021
Increase (decrease) in:				
Accounts payable	199,361	(5,473)	193,888	34,911
Other accrued liabilities	(16)	-	(16)	3,687
Compensated benefits	3,471	4,062	7,533	(59,951)
Accrued interest payable	41,899	(95)	41,804	15,786
Net cash provided (used) by operating activities	\$ (95,369)	\$ 296,510	\$ 201,141	\$ 88,280

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

Note 1: Definition of Reporting Entity

Genesee Water and Sanitation District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Jefferson County, Colorado. The District was established to provide water and sewage treatment services to the properties within its service area.

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. Based on this definition, the District has determined that the Genesee Water and Sanitation Building Authority (Corporation), a nonprofit corporation organized and existing under the laws of the State of Colorado, is a component unit of the District and has blended the financial information of the Corporation into the District's financial statements.

The District established an Enterprise of the Genesee Water and Sanitation District (Enterprise) by Resolution of the Board of Directors of the District in 1993. The Enterprise was organized as a "Water Activity Enterprise" within the meaning of Title 37, Article 45.1, Part 1, C.R.S. and has been established as and constitutes an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution (see Note 10). The District's Board of Directors serves as the Board of Directors for the Enterprise. The Enterprise is considered a component unit of the District and blended in the District's financial statements. Separate financial statements of the Enterprise are not issued.

The District is not 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.

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

Basis of Accounting - The District's financial statements maintained on the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when the 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 long-term obligations are recorded as reductions in liabilities. Tap fees are recorded as capital contribution revenue when received.

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.

Accounts receivable, allowance for doubtful accounts - User fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Capital assets - Capital assets include water and sanitation operating systems and equipment and vehicles. Capital assets are defined by the District as those assets with an initial, individual cost of \$1,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or at the developer's cost.

The District's water rights include those contributed by developers, in addition to those acquired by the District. Contributed water rights are reported at fair value based on an estimated price per acre-foot of water as of the date of the contribution. The cost of water rights includes acquisition cost, legal and engineering fees related to the development and augmentation of those rights. All other costs, including costs incurred for the protection of those rights, are expensed when incurred.

The District has developed a varied water rights portfolio. These water rights provide a dependable water supply for the District customers. The water rights of the District do not have a definite useful life; therefore, no amortization expense is being recognized on them in accordance with GASB Statement No. 51.

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 capital 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:

Operating systems	5 to 49 years
Equipment and vehicles	2 to 10 years

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

Compensated absences - District employees earn a general leave benefit at the rate of 23 to 35 days per year based on length of service which is to be used for vacations, medical leave and holidays. Employees are generally allowed to accrue up to 70 days of unused general leave days each at the end of each calendar year. Compensated absences are recognized as current salary expense when earned.

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

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

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or

other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted net position - consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets." This net position is available for future operations or distributions.

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

Operating revenues and expenses - The District distinguishes between operating revenues and expenses from non-operating 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 sanitation 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 non-operating revenues and expenses or capital contributions.

Property Taxes - Property taxes are levied by the District Board of Directors. The levy is 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 if 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 or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue 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.

Contributed capital - Capital contributions are comprised of system development fees, water resource fees and water resource system development fees and are recorded as capital contributions when received. These fees are used by the District to defray the cost of acquiring, constructing or improving capital assets, and are therefore not reported as operating revenue. Contributions to the District by developers are recorded as capital contributions and additions to the systems at the estimated acquisition value 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 management make estimates and assumptions that affect 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.

Recently Issued Accounting Pronouncements - GASB Statement No 96 - In May 2020, GASB issued statement No 96, SBITA (Subscription-Based Information Technology Arrangements). The objective of this

Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and liabilities for arrangements that previously were classified as intangible operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that subscription leases are financings of the right to use an underlying asset. The provisions in statement 96 are effective for reporting periods beginning after June 15, 2022. The District implemented GASB Statement No. 96, SBITA, in the year ending December 31, 2023. No significant leases were identified, and as such, no changes have been made to the financial statements as a result of implementing this standard.

Note 3: Cash and Investments

Cash and investments are reflected on the December 31, 2023 and 2022 Statements of Net Position as follows:

	Water	Sanitation	2023	2022
Cash and investments	\$ 538,225	\$ 701,506	\$ 1,239,731	\$ 683,487
Cash and investments – restricted	96,889	-	96,889	39,426
Cash overdraft	-	-	-	(17,576)
Total cash and investments	\$ 635,114	\$ 701,506	\$ 1,336,620	\$ 705,337

Cash and investments as of December 31, 2023 and 2022 consist of the following:

	2023	2022
Deposits with financial institutions	\$ (392,662)	\$ (55,540)
Investments	1,729,282	760,877
Total Cash and Investments	\$ 1,336,620	\$ 705,337

At December 31, 2023 and 2022, the District's cash deposits had bank balances of \$102,840 and \$723,577, respectively, and carrying balances of \$(392,662) and \$(55,540), respectively.

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (POPA) 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, 2023 and 2022, 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.

As of December 31, 2023 and 2022, all of the District's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA.

Investments

Credit risk

The District follows Colorado Revised Statutes regarding its investments. Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest which include local government investment pools.

Investment Valuation

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; Level 3 inputs are significant unobservable inputs.

<u>Investments:</u>	<u>Fair Value</u>	
	<u>2023</u>	<u>2022</u>
COLOTRUST (at NAV)	\$ 1,729,282	\$ 760,877

Custodial and concentration of credit risk

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

Interest rate risk

The District has a formal investment policy that limits investment maturities to five years from the purchase date as a means of managing its exposure to fair value losses arising from increasing interest rates.

Restricted cash and investments

Restricted cash and investments represent funds available as of December 31, 2023 and 2022 for the repayment of GO debt.

Note 4: Capital Assets

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

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
<u>Water</u>				
Capital assets, not being depreciated				
Water Rights	\$ 147,563	\$ --	\$ --	\$ 147,563
Construction in Progress	1,650,472	4,152,439	--	5,802,911
Total capital assets not being depreciated	1,798,035	4,152,439	--	5,950,474
Capital Assets being Depreciated				
Operating system and Building	32,513,158	10,756	(9,151)	32,514,763
Equipment and Vehicles	521,674	42,973	--	564,647
Total capital assets being depreciated	33,034,832	53,729	(9,151)	33,079,410
Less accumulated depreciation	(17,783,529)	(830,668)	8,221	(18,605,976)
Total capital assets being depreciated, net	15,251,303	(776,939)	(930)	14,473,434
Capital Assets, net	\$ 17,049,338	\$ 3,375,500	\$ (930)	\$ 20,423,908
<u>Sanitation</u>				
Capital assets being depreciated				
Operating system and building	\$ 13,346,441	\$ 77,018	\$ --	\$ 13,423,459
Equipment and vehicles	545,217	25,673	--	570,890
Total capital assets being depreciated	13,891,658	102,691	--	13,994,349
Less accumulated depreciation	(11,081,518)	(292,868)	--	(11,374,386)
Total capital assets being depreciated, net	\$ 2,810,140	\$ (190,177)	\$ --	\$ 2,619,963

Note 5: Long Term Obligations

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

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Series 2014 GO Loan	\$ 569,000	\$ -	\$ 281,000	\$ 288,000	\$ 288,000
2015 GO Loan - CWRPDA	7,430,133	-	320,511	7,109,622	322,224
2015 Revenue Loan – CWRPDA	1,625,000	-	125,000	1,500,000	125,000
Building mortgage	593,881	-	63,047	530,834	62,530
2021 Revenue Loan – CWCB	989,359	3,285,004	-	4,274,363	-
Total Long-Term Obligations	\$ 11,207,373	\$ 3,285,004	\$ 789,558	\$ 13,702,819	\$ 797,754

Loans payable

\$2,988,000 General Obligation Refunding and Improvement Loan, Series 2014

The loan agreement dated December 12, 2014 with a bank, in the original amount of \$2,988,000, has a fixed interest rate of 2.25%. Interest is payable each June 1 and December 1 each year beginning June 1, 2015. Principal payments of \$275,000 are due each December 1, beginning December 31, 2015 and maturing December 1, 2024. The loan is secured by and payable solely from pledged revenue, net of any costs of collection, inclusive of the Required Mill Levy, as defined in the loan.

General Obligation Loan Agreement, \$9,790,312 - Colorado Water Resources and Power Development Authority

The loan agreement dated April 23, 2015 for a total principal amount of \$9,790,312 between the District and Colorado Water Resources and Power Development Authority (CWRPDA), was entered into for the purpose of constructing and equipping a new water treatment plant (the Project), having a total estimated cost of \$12,800,000. The Project was completed in 2017. The loan bears interest at 2.17% and payments of principal and interest are due February 1 and August 1 each year through 2034. In addition to principal and interest, the District will pay administrative loan servicing fees totaling \$1,395,113 over the term of the loan. Annual payment amounts for principal, interest, and administrative fees vary from \$477,124 to \$776,640 over the term of the loan. Prepayments of amounts owing is allowable, subject to various conditions as set forth in the loan agreement.

Pursuant to the loan agreement, the District is required to maintain an Operation Maintenance Reserve in an amount equal to three months of operating expenses of the District's water system, excluding depreciation, as set forth in the District's annual budget for the current fiscal year, but not greater than \$1,250,000. If the reserve falls below the required amount, the shortfall is payable in 24 equal monthly installments. As of December 31, 2023 and 2022, the required operating reserve was \$519,179 and \$514,587, respectively. The District is not in violation of this covenant at December 31, 2023 and 2022.

Loan Agreement, \$2,500,000 - Colorado Water Resources and Power Development Authority

The loan agreement dated December 11, 2015 for a total principal amount of \$2,500,000 between the District and Colorado Water Resources and Power Development Authority (CWRPDA), was entered into for the purpose of additional financing of the construction and equipping of the new water treatment plant (the Project). The Project was completed in 2017. The loan bears interest at 0% and payments of principal are due May 1 and November 1 each year through 2035. Semi-annual payment amounts for principal are \$62,500 over the term of the loan. Prepayments of amounts owing is allowable, subject to various conditions as set forth in the loan agreement.

The CWRPDA loan agreements also include a rate covenant whereby the District's water and wastewater system net revenue, after meeting operation and maintenance expenses, is required to be sufficient to cover 110% of the debt service coming due. The following is the District's calculation of the rate covenant for the year ended December 31, 2023:

System revenues:	
Service fees	\$ 2,449,298
Specific ownership taxes	60,173
Capital replacement fees	619,723
Interest income	63,285
Other revenue	262,301
Total system revenues	3,454,780
System operating expenses	3,201,036
Less depreciation	(1,123,536)
Net system operating expenses	2,077,500
Net system revenues	\$ 1,377,280
Annual debt service payments (less G.O. Debt)	\$ 503,132
Net system revenues / annual debt service payments	274 %

The District's net system revenues were sufficient to meet the rate covenant requirements for the years ended December 31, 2023 and 2022.

Loan Agreement, \$5,555,000 - Colorado Water Conservation Board

On May 24, 2021 the District entered into a loan agreement in the amount of \$4,242,000 through the Colorado Water Conservation Board (CWCB). The loan was amended on October 28, 2022 for an amount of \$5,555,000. The loan proceeds will be used to provide additional raw water storage capacity, provide additional drought protection and increase the operational reliability of the District's system. The loan bears interest at 2.50% for a maximum 40- year term, with an anticipated annual loan payment of \$168,195 that will begin one year after the project per above has been completed. The loan is secured by pledged revenues of the District, which include the gross revenue from the enterprise fund, such as service fees and other related fees derived from use of the water system. During 2023 and 2022, the District received \$3,285,004 and \$849,151 of the loan proceeds, respectively. As of December 31, 2023, the project has not been completed.

The District will be subject to maintain a debt service reserve equal to one-tenth of an annual payment on the due date of its first annual loan payment and annually thereafter for the first ten years of repayment of this loan.

On June 1, 2021 the District received a grant in the amount of \$1,384,000 for the project and loan described above. These funds shall be used in a manner consistent with the description of the project as described in both the grant award letter and the loan agreement above. During 2023 and 2022, the District received \$642,036 and \$450,000 of the total grant amount, respectively.

Building Mortgage

The District entered into a Lease Purchase Agreement with the Corporation on April 1, 2012 for the purpose of financing the construction of a new garage, maintenance, and office facility. The District has issued a Direct Purchase Lease Revenue Bond to a bank, and from the proceeds made a construction loan to the Corporation, to a maximum of \$1,200,000, as part of the lease agreement. The lease is payable in monthly

installments of \$6,971, after all construction loan draws are executed, through December 1, 2027, at which time a final payment of \$391,882 is due to the bank. The loan bears interest at 3.61%. The Corporation has agreed to use the proceeds from the lease to repay the bond principal and interest to the bank. The loan may be prepaid in full with the following prepayment premiums added to the lease balance:

Months 1-12	3%
Months 12-24	2%
Months 25-36	1%
Month 37 to maturity	0%

The District is subject to a debt-service coverage ratio covenant for the capital lease on the building. The District is not in violation of this covenant at December 31, 2023 and 2022.

Debt maturities

Debt maturities for the next five years and to maturity are as follows:

Year Ended December 31,	Principal	Interest	Total
2024	\$ 797,755	\$ 95,876	\$ 893,631
2025	808,755	86,783	895,538
2026	813,072	79,116	892,188
2027	1,092,136	59,461	1,154,597
2028	774,712	48,450	823,162
2029-2033	4,134,164	141,750	4,275,914
2034-2035	1,007,862	6,900	1,014,762
	<u>\$ 9,428,456</u>	<u>\$ 518,336</u>	<u>\$ 9,946,792</u>

The outstanding balance of \$4,274,363 from the 2021 CWCB loan is excluded from the maturity table as payments do not begin until the project is complete.

Debt authorization

At December 31, 2023, the District had no authorized but unissued indebtedness.

Note 6: District Employees' Retirement Plan

The District participates in the Colorado County Officials and Employees Retirement Association Defined Contribution Plan (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become participants immediately upon employment. Under this plan, ten percent of the employees' compensation is withheld and remitted to the CCOERA along with a matching payment of ten percent from the District. The District's contributions, plus earnings, related to employees of the District in place as of April 28, 2009, are 100% vested. As to employees hired after April 28, 2009, the District's contributions, plus earnings, vest according to the following schedule:

By the end of the 1st year:	0%
By the end of the 2nd year:	25%
By the end of the 3rd year:	50%
By the end of the 4th year:	75%
By the end of the 5th year:	100%

Plan provisions and contribution requirements are established and may be amended by CCOERA and would have to be approved by the District's Board of Directors.

There is no liability for benefits under the plan beyond the District's matching payments. Both the District and the participating employees made the required ten percent contributions for 2023 and 2022, amounting to \$80,809 and \$82,820, respectively.

Note 7: Deferred Compensation Plan

The District has two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The District contributes 2% of eligible employees' salaries to the plan of each employee's choice. One plan is sponsored by CCOERA and the other is sponsored by Nationwide Retirement Solutions. Participation in the plans is optional for all employees. The plans allow the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergencies. The contributions totaled \$15,939 and \$17,440 for the years ended December 31, 2023 and 2022, respectively.

Note 8: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains commercial insurance for these risks by participation in an insurance pool.

The District is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. The District has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Note 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.

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 Board of Directors has adopted a resolution establishing an enterprise to operate its water and sanitation activities. The District's management believes its water and sanitation operations qualify for this exclusion.

TABOR requires local governments (not including enterprises) to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). The District established an emergency reserve of \$62,325 and \$61,739 as of December 31, 2023 and 2022, respectively.

The District's management believes, after consultation with legal counsel, it is in compliance with the provisions of TABOR. However, TABOR is complex and has been, and will continue to be, subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an enterprise will require further judicial interpretation.

Note 10: Subsequent Events

The District's management has evaluated subsequent events through the date these financial statements were available to be issued.

Supplementary Information

GENESEE WATER AND SANITATION DISTRICT
Schedule of Revenues, Expenses and Changes in Net Position -
Budget and Actual
For the year ended December 31, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUE			
Service fees	\$ 2,619,098	\$ 2,449,298	\$ (169,800)
OPERATING EXPENSES			
Salaries and benefits	1,197,756	1,101,151	96,605
Utilities	309,409	265,652	43,757
Repairs and maintenance	253,365	230,521	22,844
Auto and travel	31,750	27,873	3,877
Chemicals and supplies	104,010	59,614	44,396
Director's fees	7,102	5,900	1,202
Ditch assessment	4,736	5,278	(542)
Insurance	100,964	93,882	7,082
Telephone and communications	33,612	30,886	2,726
Office supplies and expenses	153,120	102,767	50,353
Testing and analysis	27,515	19,179	8,336
Election expenses	15,000	7,834	7,166
Professional fees	114,000	107,116	6,884
Miscellaneous	44,500	649	43,851
Dues and publications	4,850	3,930	920
Small tools and equipment	23,135	15,268	7,867
Total operating expenses	2,424,824	2,077,500	347,324
NONOPERATING REVENUE			
Property taxes, net of treasurer fees	828,463	827,856	(607)
Specific ownership taxes	60,000	60,173	173
Capital replacement fees	619,658	619,723	65
Grant revenue	880,648	642,036	(238,612)
Loan proceeds	3,241,838	3,285,004	43,166
Interest income	7,150	63,285	56,135
Gain on sale of capital assets	-	(930)	(930)
Other revenue	-	262,301	262,301
Total nonoperating revenues	5,637,757	5,759,448	121,691
NONOPERATING EXPENSES			
Capital outlay	4,338,986	4,308,859	30,127
Loan payment	878,339	789,558	88,781
Interest expense	192,722	231,819	39,097
Total nonoperating expenses	5,410,047	5,330,236	158,005
Net income - budgetary basis	\$ 421,984	\$ 801,010	\$ (553,438)
Adjustments to US GAAP basis:			
Loan proceeds	-	(3,285,004)	
Loan principal	-	789,558	
Capital outlay	-	4,308,859	
Depreciation expense	-	(1,123,536)	
Total adjustments to US GAAP basis	-	689,877	
Net income - US GAAP basis	421,984	1,490,887	
Net position, beginning of year	1,044,058	9,571,547	
Net position, end of year	\$ 1,466,042	\$ 11,062,434	

Other Information

GENESEE WATER AND SANITATION DISTRICT
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected
December 31, 2023

<u>Year Ended December 31,</u>	<u>for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2019	\$ 78,224,605	9.916	\$ 775,675	\$ 774,192	100%
2020	83,576,875	9.932	784,954	782,926	100%
2021	83,631,570	9.393	785,551	779,471	99%
2022	89,400,377	9.393	839,738	833,947	99%
2023	86,718,131	9.699	841,107	840,473	100%
Estimated for the					
year ending					
December 31, 2024	\$ 109,196,367.00	7.654	\$ 835,788		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.