STOCKMAN KAST RYAN & CO., LLP

WIDEFIELD WATER AND SANITATION DISTRICT

Management's Discussion and Analysis,

Financial Statements

And

Required Supplemental Information

For the Years Ended December 31, 2024 and 2023,

And

Independent Auditors' Report

WIDEFIELD WATER AND SANITATION DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Widefield Water and Sanitation District

Opinion

We have audited the accompanying financial statements of Widefield Water and Sanitation District (the District) as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the supplemental schedule of revenues, expenses and changes in net position compared to budget on page 21 be presented to supplement the basic financial statements. Such information, 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.

Stockman Kast Ryan & Co., LLP

May 20, 2025

WIDEFIELD WATER AND SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended December 31, 2024, and 2023. The information is presented in conjunction with the audited basic financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles, which are generally accepted in the United States of America. The Statement of Net Position includes information on the District's assets, deferred outflows and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations (liabilities) to District creditors. The Statement of Activities and Changes in Net Position identifies the District's revenues and expenses for the fiscal years ended December 31, 2024, and 2023.

This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the sources and uses of cash and the change in the cash balance for each of the last two fiscal years.

FINANCIAL POSITION AND RESULTS FROM OPERATIONS

Operating and non-operating revenue and expenses were as follows:

	2024	2023	2022
Operating revenues	$ 15,920,314	$ 14,559,733	$ 14,890,366
Operating expenses	12,970,377	11,225,114	10,233,387
Operating income	2,949,937	3,334,619	4,656,979
Non-operating revenue, net	7,650,345	4,727,312	2,864,344
Change in net position before contributions for capital assets	10,600,282	8,061,931	7,521,323
Contributions for capital assets	5,256,134	5,674,858	4,801,909
Change in net position	$ 15,856,416	$ 13,736,789	$ 12,323,232

Operating revenues are received primarily from customers receiving water and wastewater services from the District. The District made no adjustments to the Water and Wastewater base rates in 2024 but did increase the volume rates for these services.

The District's average customer saw an increase of about $2.90 to their monthly bill for water or wastewater charges.

At the end of 2024, the number of water accounts served by the District was 10,719. This compares to 10,484 accounts at the end of 2023. (Note: water volume information is in the Economic and Other Factors section). At the end of 2024, the number of wastewater accounts served by the District was 11,269. This compares to 11,036 accounts at the end of 2023.

The District's operating expenses tend to be relatively fixed in nature with annual increases expected for inflation. Controlling operating expenses continues to be a priority of the District. In 2024, operating expenses increased by $1,745,263 over 2023 expenses or 15%.

Non-operating revenue consists of tap fees, water resource acquisition fees, and interest earnings. Non-operating expenses are interest payments for outstanding debt and water acquisition costs. Collection of tap fees and water resource acquisition fees occur when new connections are added to the District. In 2024, the District collected 286 water tap fees, 263 wastewater tap fees, and 232 water acquisition fees, compared to 2023 when the District collected 245 water tap fees, 187 wastewater tap fees, and 240 water acquisition fees. In 2024, there was a $700 increase in the water tap fee, and the wastewater tap fee. In 2024 there was a $1,700 increase in the water resource acquisition fee. A developer may provide a permanent supply of water in lieu of paying a water resource acquisition fee pursuant to the District's water policy.

Net position consists of the following:

	2024	**2023**	**2022**
ASSETS, DEFERRED OUTFLOWS AND LIABILITIES			
Current assets	$ 71,077,043	$ 65,139,887	$ 74,846,604
Capital assets, net	95,960,095	89,363,034	71,062,206
Other non-current assets	22,012,201	22,000,478	22,021,549
Deferred outflows	243,153	293,460	343,768
Current liabilities	(3,778,894)	(5,029,677)	(8,183,734)
Non-current liabilities	(8,965,000)	(11,075,000)	(13,135,000)
Net position	$ 176,548,598	$ 160,692,182	$ 146,955,393
NET POSITION			
Net investment in capital assets	$ 90,330,530	$ 81,960,240	$ 63,205,614
Unrestricted	86,218,068	78,731,942	83,749,779
Total	$ 176,548,598	$ 160,692,182	$ 146,955,393

Current assets increased in 2024, primarily due to cash generated from operations and collections of tap and water acquisition fees. Capital asset information is available in Note 3 of the financial statements.

Current liabilities decreased significantly in 2024 and 2023 due to the District requiring developers to fund specific projects. The District requires developers to fund projects in cash. A current liability is recorded at the time of funding. The liability is relieved when the cash is expended for the developer funded project. In 2024, the District had two developer funded projects in a construction phase.

Non-current liabilities decreased primarily because of principal payments made on the District's Water and Sewer Revenue Refinancing Bonds, Series 2012, and the District's Water and Sewer Revenue Refunding Bonds, Series 2016. Further debt information is available in Note 4 of the financial statements.

CONTRIBUTIONS FROM DEVELOPER / GRANT

Developers requesting service from the District are required to build the water and sewer infrastructure for their development. Following a two-year warranty period, title to the infrastructure is transferred to the District and recorded as Contributions from Developer. These contributions vary widely from year to year, dependent on development. In 2024, COLA contributed water infrastructure totaling $1,853,925 to the District for The Trails at Aspen Ridge Booster Pump Station. The Glen Development Company contributed water and wastewater infrastructure totaling $344,925 for Glen Filing 10. Lorson L.L.C contributed water infrastructure for the Rolling Hills Booster Pump Station totaling $3,023,784, and Evergreen Devco Inc. contributed (2) FMIC shares totaling $33,500.

BUDGETS

See the Supplemental Schedule of Revenues, Expenses and Changes in Net Position Compared to Budget on the last page of the report. The schedule shows the District's operating budget for 2024, as adopted on November 21, 2023, by Board resolution. Actual Operating Revenue for the District in 2024 was $15,920,314; 5.1% above the projected revenue total of $15,134,014. Actual Operating Expenses for the District in 2024 were $12,970,377; 5.8% below the projected operating expense total of $13,773,473.

For non-operating revenue the District received $8,026,337 42.6% above the projected revenue total of $5,628,600. The non-operating expense (interest costs) total in 2024 was $375,992, 13.3% above the projected total of $331,800. Overall, the net non-operating revenue was more than the budgeted amount by $2,353,545.

ECONOMICS AND OTHER FACTORS

District revenues tend to vary according to weather conditions and water usage from lawn irrigation, which has a significant impact on revenue. In 2024, the District had water sales of about 969 million gallons compared to 2023 water sales of about 870 Million gallons, an increase of about 11.42%.

A total of $4,150,547 and $15,143,469 were expended for capital projects in 2024 and 2023, respectively.

Accomplishments in 2024 were the purchase of a Kaufman Dropdeck Trailer, completion of the Booster Pump Station #2 Upgrade, new security video systems were installed at District Water Treatment Plants, Booster Pump Stations, and the Joint Use Tank Farm. The District also completed the installation of 25 water sampling stations, completed CIPP Lining, Manhole Lining & Scanning, the Upper West to East Loop, and the Generator & Emergency Response Equipment, phase 2 installation, and replaced 1,831 water meters. The District also purchased a Kia Telluride.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors, and other interested parties with an overview of the District's financial operations and condition. Should the reader have any questions regarding the information included in this report, or wish to request additional financial information, please contact the District Manager or the Director of Administrative Services at 8495 Fontaine Blvd., Colorado Springs, Colorado 80925.

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents:		
Nondesignated	$ 38,178,416	$ 38,695,886
Designated	9,994,096	14,575,806
Investments	21,134,638	10,106,765
Accounts receivable	1,415,075	1,457,260
Prepaid expenses	334,002	284,542
Current portion of receivables-Peaceful Valley	20,816	19,628
Total current assets	71,077,043	65,139,887
NON-CURRENT ASSETS		
Capital assets, net	95,960,095	89,363,034
OTHER NON-CURRENT ASSETS		
Water rights	18,328,388	18,294,888
Receivables-Peaceful Valley	21,730	43,507
Contract rights	3,662,083	3,662,083
TOTAL OTHER NON-CURRENT ASSETS	22,012,201	22,000,478
TOTAL NON-CURRENT ASSETS	117,972,296	111,363,512
TOTAL ASSETS	189,049,339	176,503,399
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	243,153	293,460
TOTAL	$ 189,292,492	$ 176,796,859

(Continued)

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF NET POSITION
DECEMBER 31, 2024 AND 2023

	2024	2023
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 517,248	$ 649,655
Accrued expenses	571,586	2,030,441
Compensated absences	454,395	151,516
Customer deposits	125,665	138,065
Current portion of bonds payable, net	2,110,000	2,060,000
Total current liabilities	3,778,894	5,029,677
BONDS PAYABLE, NET	8,965,000	11,075,000
TOTAL LIABILITIES	12,743,894	16,104,677
NET POSITION		
Net investment in capital assets	90,330,530	81,960,240
Unrestricted	86,218,068	78,731,942
Total net position	176,548,598	160,692,182
TOTAL	$ 189,292,492	$ 176,796,859

See notes to financial statements. (Concluded)

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING REVENUE		
Water revenue	$ 8,453,942	$ 7,503,576
Wastewater revenue	6,410,854	6,142,615
Other operating revenue	1,055,518	913,542
Total operating revenue	15,920,314	14,559,733
OPERATING EXPENSES		
Salaries and taxes	3,363,083	2,782,465
Depreciation	2,760,691	2,450,980
Water	1,970,297	1,849,923
Professional services	1,231,316	911,277
Other operating expenses	1,212,080	1,198,205
Maintenance and repairs	958,333	710,931
Office services	820,902	702,649
Employee benefits and insurance	653,675	618,684
Total operating expenses	12,970,377	11,225,114
OPERATING INCOME	2,949,937	3,334,619
NON-OPERATING REVENUE (EXPENSES)		
Tap fees	3,952,800	2,804,750
Water acquisition fees	2,088,000	1,748,350
Interest income	1,962,144	570,817
Interest expense	(375,992)	(426,606)
Other non-operating income	23,393	30,001
Total non-operating revenue, net	7,650,345	4,727,312
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS FOR CAPITAL ASSETS	10,600,282	8,061,931
CONTRIBUTIONS FOR CAPITAL ASSETS	5,256,134	5,674,858
CHANGE IN NET POSITION	15,856,416	13,736,789
NET POSITION, Beginning of year	160,692,182	146,955,393
NET POSITION, End of year	$ 176,548,598	$ 160,692,182

See notes to financial statements.

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING ACTIVITIES		
Receipts from customers	$ 15,950,099	$ 14,416,728
Payments to suppliers	(7,895,611)	(8,676,011)
Payments to employees	(3,651,918)	(3,365,258)
Net cash provided by operating activities	4,402,570	2,375,459
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tap fees	3,952,800	2,804,750
Water acquisition fees	2,088,000	1,748,350
Acquisition and construction of capital assets	(4,150,547)	(15,143,469)
Purchases of water rights	(33,500)	
Proceeds from sale of capital assets	72,322	96,520
Interest paid on bonds and capital lease obligation	(375,992)	(426,606)
Proceeds from receivables — Peaceful Valley	20,589	20,407
Principal payments on bonds	(2,060,000)	(2,010,000)
Deferred loss on bond refunding	50,307	50,308
Net cash used in capital and related financing activities	(436,021)	(12,859,740)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(11,027,873)	(10,106,765)
Interest on investments	1,962,144	570,817
Net cash used in investing activities	(9,065,729)	(9,535,948)
DECREASE IN CASH AND CASH EQUIVALENTS	(5,099,180)	(20,020,229)
CASH AND CASH EQUIVALENTS, Beginning of year	53,271,692	73,291,921
CASH AND CASH EQUIVALENTS, End of year	$ 48,172,512	$ 53,271,692
CASH AND CASH EQUIVALENTS ARE INCLUDED IN THE STATEMENTS OF NET POSITION AS FOLLOWS:		
Non-designated	$ 38,178,416	$ 38,695,886
Designated	9,994,096	14,575,806
Total	$ 48,172,512	$ 53,271,692

(Continued)

WIDEFIELD WATER AND SANITATION DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 2,949,937	$ 3,334,619
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,760,691	2,450,980
Change in operating assets and liabilities:		
Accounts receivable	42,185	(128,105)
Prepaid expenses	(49,460)	(77,978)
Accounts payable and accrued expenses	(1,288,383)	(3,189,157)
Customer deposits	(12,400)	(14,900)
Net cash provided by operating activities	$ 4,402,570	$ 2,375,459
NON-CASH TRANSACTIONS		
Contribution of capital assets	$ 5,256,134	$ 5,674,858

See notes to financial statements. (Concluded)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — Widefield Water and Sanitation District of El Paso County, Colorado (the District), was organized on May 17, 1996 and is governed by a Board of Directors that is selected by an election of eligible electors within the District's legal boundaries. As required by generally accepted accounting principles, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District supplies water and sanitary sewer services for the geographical service area known as the Widefield Water and Sanitation District. The District has no component units.

Basis of Accounting — The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of the Governmental Accounting Standards Board (GASB). The financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. An enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise; (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Net Position — The District's net position is classified in the following three components:

- *Net Investment in Capital Assets* — This component consists of 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. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- *Unrestricted* — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Budgets — In the fall, the Budget officer is required to submit to the Board of Directors a budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted by the District to obtain public comments on the budget. Prior to December 31, the budget is officially adopted by the Board. The District is authorized to transfer budgeted amounts between line items of the budget; however, any revisions that increase the total expenditures of the District must be approved by the Board of Directors.

Capital Assets — Capital assets, which consist primarily of water and sanitary sewer systems, are stated at historical cost or fair market value at the time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives ranging from three to seventy-five years.

Cash and Cash Equivalents — Cash in excess of daily requirements is invested in money market accounts. Such accounts, demand deposits and cash on hand, are deemed to be cash equivalents for the purpose of the statement of cash flows.

Investments and Investment Income — Investments consist of certificates of deposit and are stated at fair value. Certificates of deposit are valued based on cost, which approximates fair value. Investment income includes dividend and interest income and, when applicable, realized and unrealized gains and losses on investments.

Accounts Receivable — Accounts receivable as of December 31, 2024 and 2023 include unbilled customers' accounts of $852,187 and $856,426, respectively. Billed accounts receivable are stated at invoiced amounts. Management has determined that accounts receivable are collectible and no estimated credit loss is deemed necessary.

Contract Rights — Certain contract rights donated in 1997 are recorded at fair market value at the time of donation. No amortization of the contract rights is recognized since they are perpetual. Annually, the District evaluates the contract rights for impairment.

Fair Value of Financial Instruments — The District's financial instruments include cash and cash equivalents, investments, accounts receivable, and accounts payable. The District estimates that the fair values of its financial instruments at December 31, 2024 and 2023 do not differ materially from the carrying values of its financial instruments recorded in the accompanying statements of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Compensated Absences — The District accrues leave for compensated absences as an expense and a liability, based on the District's estimated usage patterns and future payouts in compliance with GASB issued Statement No. 101, *Compensated Absences*. All employees who terminate their employment, with proper notice, will be paid unused vacation hours at their regular rate of pay up to 100% of their balance. Sick leave is not paid out on termination.

Operating Revenue and Expenses — Operating revenue and expenses are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Use of Estimates — Preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standards — In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

GASB issued Statement No. 101, *Compensated Absences*, is required to be applied retrospectively to all prior periods presented in the financial statements. However, the effect of the standard on the year ended December 31, 2023 was not material, and therefore was not restated.

Subsequent Events — The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. RECEIVABLES — PEACEFUL VALLEY

The District installed a water transmission system for a subdivision known as Peaceful Valley Lake Estates (Peaceful Valley). The cost of the improvements was $789,818 and was financed by the District's 1997 Series A bonds. Each homeowner within the subdivision was asked to pay a one-time charge equal to a pro-rata share of the overall cost or agree to a separate monthly assessment sufficient to amortize the pro-rata cost using a term and interest rate roughly equivalent to the 1997 Series A bonds. The amounts due from Peaceful Valley homeowners at December 31, 2024 and 2023 were $42,546 and $63,135, respectively. The receivables are secured by liens on each of the properties within Peaceful Valley.

After a one year warranty period, the District assumed ownership and maintenance responsibility for the system. Accordingly, the District has recorded the cost of the system as an asset and capital contribution. The receivables bear interest at 5.89% and are due as follows for the years ending December 31:

2025	$ 20,816
2026	21,730
Total	$ 42,546

3. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2024 and 2023 is as follows:

	Balance at January 1, 2024	Increases	Decreases	Balance at December 31, 2024
Land	$ 1,491,240			$ 1,491,240
Equipment and systems	93,908,732	$ 2,019,420	$ (77,647)	95,850,505
Office furniture and equipment	59,342			59,342
Construction in progress	19,889,906	7,387,261		27,277,167
Total capital assets	115,349,220	9,406,681	(77,647)	124,678,254
Less accumulated depreciation:				
Equipment and systems	(25,927,053)	(2,760,482)	28,718	(28,658,817)
Office furniture and equipment	(59,133)	(209)		(59,342)
Total accumulated depreciation	(25,896,186)	(2,760,691)	28,718	(28,718,159)
Capital assets, net	$ 89,363,034	$ 6,645,990	$ (48,929)	$ 95,960,095

	Balance at January 1, 2023	Increases	Decreases	Balance at December 31, 2023
Land	$ 1,491,240			$ 1,491,240
Equipment and systems	88,541,168	$ 5,486,937	$ (119,373)	93,908,732
Office furniture and equipment	59,342			59,342
Construction in progress	4,558,516	15,331,390		19,889,906
Total capital assets	94,650,266	20,818,327	(119,373)	115,349,220
Less accumulated depreciation:				
Equipment and systems	(23,536,148)	(2,443,759)	52,854	(25,927,053)
Office furniture and equipment	(51,912)	(7,221)		(59,133)
Total accumulated depreciation	(23,588,060)	(2,450,980)	52,854	(25,986,186)
Capital assets, net	$ 71,062,206	$ 18,367,347	$ (66,519)	$ 89,363,034

4. LONG-TERM DEBT

A summary of long-term debt is as follows:

	Balance at January 1, 2024	Increases	Decreases	Balance at December 31, 2024	Amounts Due Within One Year
Water and Sewer Revenue Refinancing Bonds, Series 2012	$ 1,685,000		$ (255,000)	$ 1,430,000	$ 265,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016	11,450,000		(1,805,000)	9,645,000	1,845,000
Total	$ 13,135,000	$ —	$ (2,060,000)	$ 11,075,000	$ 2,110,000

	Balance at January 1, 2023	Increases	Decreases	Balance at December 31, 2023	Amounts Due Within One Year
Water and Sewer Revenue Refinancing Bonds, Series 2012	$ 1,930,000		$ (245,000)	$ 1,685,000	$ 255,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2016	13,215,000		(1,765,000)	11,450,000	1,805,000
Total	$ 15,145,000	$ —	$ (2,010,000)	$ 13,135,000	$ 2,060,000

The following is a summary of bond principal maturities and interest requirements as of December 31, 2024:

Year Ending December 31,	Series 2016 Bonds	Series 2012 Bonds	Total
2025	$ 2,060,084	$ 328,349	$ 2,388,433
2026	2,058,940	326,610	2,385,550
2027	2,061,905	324,427	2,386,332
2028	2,058,866	321,802	2,380,668
2029	2,081,899	323,732	2,405,631
Total	10,321,694	1,624,920	11,946,614
Less interest	(676,694)	(194,920)	(871,614)
Outstanding principal	$ 9,645,000	$ 1,430,000	$ 11,075,000

Series 2012 Bonds: In 2012, the District issued Water and Sewer Revenue Refunding Bonds Series 2012 in order to decrease the District's Series B Bonds. The Bonds have a face amount of $4,170,000 with an adjusting interest rate of 3% plus the five-year Secured Overnight Financing (SOFR) Swap Rate plus a credit spread adjustment multiplied by 0.65 (4.43% as of December 31, 2024). The interest rate is adjusted in five-year intervals.

Series 2016 Bonds: In 2016, the District issued Water and Sewer Revenue Refunding and Improvement Bonds Series 2016 in order to extinguish the District's Series 2004 Bonds, as well as purchase the remaining shares related to the Cody water rights. The bonds have a face value of $23,920,000 and bear interest at 2.23%.

The District's "net revenue" is pledged to pay the principal and interest of the Series 2016 and 2012 Bonds. Net revenue is generally defined as all income and revenue derived by the District from the operation and use of the water and wastewater systems less all reasonable and necessary expenses incurred for operating, maintaining and repairing the systems.

5. WATER RIGHTS

As of December 31, 2024 and 2023, the District owns 343 and 341 shares of stock in Fountain Mutual Irrigation Company, which are recorded at cost in the amount of $3,328,388 and $3,294,888, respectively.

Each share provides a right to 0.7 acre feet of water. In addition, the District has 100% interest in certain water rights referred to as the Cody Water Rights, which are also recorded at cost in the amount of $15,000,000.

6. DEPOSITS AND INVESTMENTS

Deposits — The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash into eligible public depositories as determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA which allows the institution to create a single collateral pool for all public funds.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

At December 31, 2024 and 2023, the carrying amount of the District's cash was $48,172,512 and $53,271,692, respectively, and the bank balances were $48,899,740 and $53,541,155, respectively. Of the bank balances, $250,000 was covered by federal depository insurance and $48,649,740 and $53,291,155 as of December 31, 2024 and 2023, respectively is required by Colorado statutes to be collateralized with securities held by the pledging financial institution's trust department in the District's name.

Investments — The District’s investments are subject to various risks, including the following:

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District invests primarily in certificates of deposit with limited durations. The District has a formal investment policy that limits investment maturities to short-term maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The District has a formal investment policy that limits investment maturities to short-term maturities as a means of managing its exposure to fair value losses arising from credit risk.

Concentrations of Credit Risk: The District has a formal investment policy for managing concentrations of credit risk by limiting investments to short-term maturities.

Summary of Carrying Value — At December 31, 2024 and 2023, the District’s deposits and investments consisted of the following:

	2024	**2023**
Carrying value:		
Cash and cash equivalents	$ 48,172,512	$ 53,271,692
Certificates of deposit	21,134,638	10,106,765
Total	$ 69,307,150	$ 63,378,457

Included in the following statement of net position captions:

	2024	2023
Cash and cash equivalents nondesignated	$ 38,178,416	$ 38,695,886
Cash and cash equivalents designated	9,994,096	14,575,806
Investments	21,134,638	10,106,765
Total	$ 69,307,150	$ 63,378,457

Fair Value Measurements - 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 and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level 3), as follows:

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted market prices.

Level 3: Valuation derived from valuation techniques in which significant inputs are unobservable.

The District holds all of its investments in certificates of deposit as of December 31, 2024, which are classified as Level 2 investments.

7. WATER PURCHASE COMMITMENTS

Fountain Valley Authority: Fountain Valley Authority (the Authority) is a political subdivision of the State of Colorado formed in 1979 for the primary purpose of constructing and operating a water treatment plant for its five customers, each of which owns and operates a water system. The District has a 7.46% share in the Authority and is a customer of the Authority.

The Authority has entered into a water treatment and delivery contract with its five customers in which each customer agrees to pay the Authority its proportionate share of all costs, including bonded indebtedness, whether or not such customer requests or receives any treated water.

In addition, the Authority has conveyance contracts with the United States Department of the Interior through the Southeastern Colorado Water Conservancy District which has constructed a conduit from the Pueblo Reservoir to the site of the water treatment plant. Construction costs of this project will be reimbursed with interest over a forty-year period by conveyance service rates based upon the scheduled acre feet of water to be conveyed for each customer.

The District's participation is 1,500 acre-feet (7.46% of the total). The Authority charges contract participants amounts necessary to recover its construction costs and to purchase and treat the raw water. Total expenses under this arrangement were $1,043,999 and $1,070,172 for the years ended December 31, 2024 and 2023, respectively.

1997 Master Lease of Water: In 1997, the District entered into a perpetual Master Lease of Water (Water Lease) that was subsequently amended in 2009. Terms of the Water Lease require the District to acquire a minimum of 1,000 acre feet annually.

The lease provides that on March 1, 2003 and on each ten-year anniversary thereafter, the lease payment per acre-foot is to be adjusted to the then market value. Each year after a market value determination has been made and until the next market value determination, annual adjustments shall be made to the lease rate pursuant to the CPI. Effective March 1, 2024 and 2023, the rate was $258 and $245 per acre foot, respectively.

2006 Water Rights Agreement: In December 2006, the District, together with Security Water District (Security), entered into a perpetual Water Rights Agreement with Pikes Peak Community Foundation to lease approximately 1,350 acre feet of water per year. Terms of the agreement provide for the District and Security each receiving, and paying for, one half of the water available and include future annual CPI adjustments to lease payments. Concurrent with the lease, the District and Security entered into a Water Rights Sublease with the City of Fountain (Fountain) to lease to Fountain approximately 1,125 acre feet of water per year through December 2011. The agreement was amended in March 2012 to extend the initial sublease period through December 31, 2016. Commencing January 1, 2017, Fountain has the continuing right to lease water that the District and Security are unable to use or do not wish to use. Also, commencing January 1, 2017, Fountain is entitled to lease, in perpetuity, 10% of the amount of water available under the Water Rights Lease Agreement with Pikes Peak Community Foundation. The District and Security will share the remaining water 45% each. Additional terms of the Water Rights Sublease require Fountain to pay for the necessary well rehabilitation and pipeline installations with an understanding that the District and Security will reimburse Fountain for two-thirds of the costs of infrastructure that benefits them, at such time as the District and Security cease to sublet their water to Fountain.

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. There were no claims resulting from these risks that exceeded commercial insurance coverage during 2024 and 2023.

9. TAX, SPENDING AND DEBT LIMITATIONS

In November 1992 Colorado voters approved Amendment 1 to the state Constitution which is commonly known as the Taxpayer's Bill of Rights or the TABOR Amendment. The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refundings to lower interest rates and adding employees to pension plans). The amendment does not apply to units of local government that are defined as an "Enterprise".

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 substantially all of its operations qualify for this exclusion. Therefore, the District adopted a resolution pursuant to CRS 37-45.1-101 et seq. to establish a water activity enterprise.

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 interpretation of qualification as an Enterprise will require judicial interpretation.

10. PENSION PLAN

The District contributes to the Colorado County Officials and Employees Retirement System (CCOERS), the plan is a cost-sharing multiple-employer defined contribution pension plan administered by the Colorado Retirement Association (CRA), formally known as Colorado County Officials and Employees Retirement Association (CCOERA).

The District is required to contribute between 5% and 9% of the participant's compensation. The District's board approved rate is 5% of compensation. Total contributions made by the District for the years ended December 31, 2024 and 2023 were $123,511 and $114,112, respectively.

CRA issues a publicly available annual financial report that includes financial statements and required supplementary information for CRA. That report may be obtained by writing to CRA, 751 South Park Drive, Littleton, CO 80120 or by calling CRA at 1-800-352-0313.

11. JOINT FACILITIES OPERATING AGREEMENT

The District has a Joint Facilities Operating Agreement (Agreement) with the City of Fountain, Colorado (Fountain). The purpose of the Agreement is to provide for the ownership, operation, and use of water storage tanks and related facilities. Under the Agreement, the facilities were constructed at a cost of $2,623,177 shared equally by the District and Fountain.

The District provides day-to-day operational control and revenues and costs generally are shared equally.

12. WIDEFIELD AQUIFER RECHARGE ASSOCIATION

During 2003, the District entered into an agreement with Security Water District (Security) to form the Widefield Aquifer Recharge Association (the Association), made up of the District and Security as members. The Association was formed to engage in the planning, evaluation, design and financial feasibility of jointly developing a public water treatment and supply facility that would utilize certain water rights controlled by the Members. In 2008, the agreement was amended for the purpose of including Fountain into the Association. The Association's purpose continues to be the same and will ultimately utilize water rights of the Members to enhance each Member's developed water supply.

The Association will continue until the earlier of: (a) the execution of a new agreement between the parties, (b) the withdrawal of a member, (c) the mutual agreement of the Members to dissolve or (d) December 31, 2016, unless the term of the Association is extended by mutual agreement of the Members. During 2019, the agreement was renewed through May 1, 2025. The Association is governed by a Board of Directors which consists of a representative from each of the Member entities.

Each member contributes one third (1/3) of the annual operating budget. There were no District contributions in both 2024 and 2023. The Association had $74,037 and $88,001 of cash remaining at December 31, 2024 and 2023, respectively.

WIDEFIELD WATER AND SANITATION DISTRICT

SUPPLEMENTAL INFORMATION

WIDEFIELD WATER AND SANITATION DISTRICT

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION COMPARED TO BUDGET FOR THE YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance Between Final and Actual
OPERATING REVENUES				
Water revenue	$ 7,884,100	$ 7,884,100	$ 8,453,942	$ 569,842
Wastewater revenue	6,395,470	6,395,470	6,410,854	15,384
Other operating revenue	854,443	854,443	1,055,518	201,075
Total operating revenue	15,134,013	15,134,013	15,920,314	786,301
OPERATING EXPENSES				
Salaries and payroll taxes	3,306,090	3,306,090	3,363,083	(56,993)
Water	2,306,444	2,306,444	1,970,297	336,147
Depreciation	3,870,782	3,870,782	2,760,691	1,110,091
Other operating costs	1,291,530	1,291,530	1,212,080	79,450
Maintenance and repairs	808,119	808,119	958,333	(150,214)
Employee benefits and insurance	791,000	791,000	653,675	137,325
Office services	847,008	847,008	820,902	26,106
Professional fees	552,500	552,500	1,231,316	(678,816)
Total operating expenses	13,773,473	13,773,473	12,970,377	803,096
OPERATING INCOME	1,360,540	1,360,540	2,949,937	1,589,397
NON-OPERATING REVENUE (EXPENSES)				
Tap fees	2,880,000	2,880,000	3,952,800	1,072,800
Water acquisition fees	1,350,000	1,350,000	2,088,000	738,000
Interest income	1,398,600	1,398,600	1,962,144	563,544
Interest expense	(331,800)	(331,800)	(375,992)	(44,192)
Other non-operating income			23,393	23,393
Total non-operating revenue, net	5,296,800	5,296,800	7,650,345	2,353,545
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS FOR CAPITAL ASSETS	6,657,340	6,657,340	10,600,282	3,942,942
CONTRIBUTIONS FOR CAPITAL ASSETS			5,256,134	5,256,134
CHANGE IN NET POSITION	$ 6,657,340	$ 6,657,340	$ 15,856,416	$ 9,199,076