

Cherry Hills Sanitation District

Annual Financial Statements and Independent Auditor's Report

For the years ending
December 31, 2023 and 2022

Draft





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Independent Auditor's Report

Members of the Board of Directors
Cherry Hills Sanitation District
Fort Collins, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities of Cherry Hills Sanitation District (the "District") as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Cherry Hills Sanitation District, as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cherry Hills Sanitation District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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; this includes 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 Cherry Hills 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 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 Cherry Hills 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 the Cherry Hills Sanitation District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Haynie & Company

Littleton, Colorado
March 11, 2024

Draft

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Cherry Hills Sanitation District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial statements for the year ended December 31, 2023. In addition to this overview and analysis based upon currently known facts, decisions and conditions, the District would encourage readers to consider the information presented in the District's comparative financial statements and supplementary information which begin on page seven.

Financial Recap

- The net position of the District amounts to \$1,219,913 which is an increase of \$129,446 from a year earlier.
- Capital investments in equipment was \$2,552 and maintenance charges were \$18,855. In the prior year, the combined total was \$27,192 or a decrease of \$5,784.
- The District has neither any long-term debt nor any property tax levy.
- Expenses, net of depreciation, increased to \$888,339 in 2023 from \$866,104 in 2022.

Condensed Financial Information

The District reports its financial information as a special-purpose entity operating a sewer utility using enterprise fund accounting.

- Total assets increased by \$119,295, total liabilities decreased by \$10,151, and net position increased by \$129,446.
- Operating revenues grew by \$75,257 and operating expenses increased by \$22,235. Revenue increased due to scheduled increase in tap charges.
- No sewer taps were sold in 2023 and one was sold in 2022.
- Net cash flows for the year increased by \$160,440 from the prior year, capital expenditures totaled \$2,552, operating activities increased by \$153,002, and investing activities increased by \$9,990.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District operates as a special district under the laws of the State of Colorado. Accordingly, the financial statements are prepared to account for operations similar to a business-type enterprise. The basic financial statements include statements of net position, revenues, expenses, and changes in net position, and cash flows shown on a comparative basis with the prior year. The notes to the financial statements are considered to be an integral part of the basic financial statements since they provide additional information needed to gain a full understanding of the data provided. The accrual method is used which reports revenues when earned and expenses when incurred.

A budget or a plan for spending is adopted which comprises not only operating transactions except for depreciation but also provides for capital outlays. Supplemental reports are included to provide budgetary comparisons with actual operations.

Overall Financial Position and Results of Operations

Residential construction within the District's boundaries has remained consistent during the past two years. Four new taps have been sold during this two-year period and the District's active taps total 1,687. During 2023, there was 1 tap sold and no stand-by taps were activated.

Active tap revenues increased \$75,783 in 2023 due to scheduled increase in tap charges. The largest component of expense comprising 50 percent of budgeted 2023 expenditures is the amount charged by the City of Fort Collins as processing charges.

Budgetary Commentary

Expenditures for 2023 came in under budget by \$72,311.

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Basic Financial Statements

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Cherry Hills Sanitation District
Statements of Net Position
December 31, 2023 and 2022

| | 2023 | 2022 |
|-------------------------------|--------------|--------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 960,988 | \$ 800,548 |
| Certificates of deposit | 156,850 | 155,094 |
| Accrued interest receivable | 32 | 32 |
| Accounts receivable, net | 22,773 | 33,053 |
| Prepaid expenses | - | 13,571 |
| Total Current Assets | 1,140,643 | 1,002,298 |
| Non-Current Assets | | |
| Capital assets | | |
| Sanitation system | 1,993,276 | 1,990,724 |
| Machinery and equipment | 161,857 | 161,857 |
| Less accumulated depreciation | (2,033,246) | (2,011,644) |
| Capital assets, net | 121,887 | 140,937 |
| Other assets | | |
| Deposit on utilities | 185 | 185 |
| Total Assets | \$ 1,262,715 | \$ 1,143,420 |

The accompanying notes are an integral part of these financial statements.

Cherry Hills Sanitation District
Statements of Net Position (continued)
December 31, 2023 and 2022

| | 2023 | 2022 |
|--|------------------|------------------|
| Liabilities and Net Position | | |
| Liabilities | | |
| Current liabilities | | |
| Trade accounts payable | \$ 33,186 | \$ 50,060 |
| Accrued liabilities | 9,616 | 2,893 |
| Total Current Liabilities | 42,802 | 52,953 |
| Net Position | | |
| Investment in capital assets | 121,887 | 140,937 |
| Unrestricted | 1,098,026 | 949,530 |
| Total Net Position | 1,219,913 | 1,090,467 |
| Total Liabilities and Net Position | \$ 1,262,715 | \$ 1,143,420 |

The accompanying notes are an integral part of these financial statements.

Cherry Hills Sanitation District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Operating Revenues | | |
| Sewer charges and other services: | | |
| Active tap charges | \$ 1,000,805 | \$ 925,022 |
| Readiness-to-serve charges | 1,314 | 1,350 |
| Penalties | 5,556 | 5,026 |
| Reimbursements (net of expenses) | 120 | 1,140 |
| Total operating revenues | <u>1,007,795</u> | <u>932,538</u> |
| Operating Expenses | | |
| Sanitation administration | 167,314 | 163,587 |
| Sewage collection and disposal | 699,423 | 679,784 |
| Depreciation expense | <u>21,602</u> | <u>22,733</u> |
| Total operating expenses | <u>888,339</u> | <u>866,104</u> |
| Operating Income | 119,456 | 66,434 |
| Nonoperating Revenues | | |
| Interest | <u>9,990</u> | <u>1,600</u> |
| Total Nonoperating Revenues | <u>9,990</u> | <u>1,600</u> |
| Income Before Capital Contributions | 129,446 | 68,034 |
| Capital Contributions | | |
| Contributed capital assets | <u>-</u> | <u>4,500</u> |
| Total capital contributions | <u>-</u> | <u>4,500</u> |
| Change in Net Position | 129,446 | 72,534 |
| Net Position—Beginning of Year | <u>1,090,467</u> | <u>1,017,933</u> |
| Net Position—End of Year | <u>\$ 1,219,913</u> | <u>\$ 1,090,467</u> |

The accompanying notes are an integral part of these financial statements.

Cherry Hills Sanitation District
Statements of Cash Flows
For the Year Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|--------------|-------------|
| Cash Flows from Operating Activities: | | |
| Cash received from customers | \$ 1,016,319 | \$ 925,507 |
| Cash paid to suppliers for goods and services | (676,357) | (691,926) |
| Cash paid to employees for services | (186,960) | (191,527) |
| Net Cash From Operating Activities | 153,002 | 42,054 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (2,552) | (1,499) |
| Net Cash From Capital and Related Financing Activities | (2,552) | (1,499) |
| Cash Flows from Investing Activities: | | |
| Net investment income | 9,990 | 1,600 |
| Net Cash from Investing Activities | 9,990 | 1,600 |
| Net Change in Cash and Cash Equivalents | 160,440 | 42,155 |
| Cash and Cash Equivalents—Beginning of Year | 800,548 | 758,393 |
| Cash and Cash Equivalents—End of Year | \$ 960,988 | \$ 800,548 |
| Reconciliation of Net Operating Income to Net Cash From Operating Activities: | | |
| Net operating income | \$ 119,456 | \$ 66,434 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 21,602 | 22,733 |
| Changes in assets and liabilities: | | |
| Receivables | 8,524 | (7,031) |
| Prepaid expenses | 13,571 | (9,252) |
| Accounts payable | (16,874) | (23,098) |
| Accrued liabilities | 6,723 | (7,732) |
| Total Adjustments | 33,546 | (24,380) |
| Net Cash From Operating Activities | \$ 153,002 | \$ 42,054 |

The accompanying notes are an integral part of these financial statements.

Cherry Hills Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

1. Definition of Reporting Entity

The Cherry Hills Sanitation District (the District) was created as a quasi-municipal corporation and political subdivision of the State of Colorado and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Larimer County, Colorado. The District was established to provide sewer service to property within its service area. The District is governed by an elected Board of Directors.

2. Summary of Significant Accounting Policies

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

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an "other standalone government."

Cherry Hills Sanitation District
Notes to Financial Statements (continued)
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Basic Financial Statements

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

Basis of Accounting

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statements of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Net position is segregated into net investment in capital assets, restricted for operations and maintenance and loan proceeds, and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors (the "Board") in accordance with state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments are budgeted as expenditures, debt proceeds are budgeted as revenues, and depreciation is not budgeted.

The budget process timeline is as follows:

- 1) On or about October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted at regular Board meetings to obtain taxpayer comments.
- 3) Prior to December 15, the budget is legally adopted by the Board if levying property taxes, or December 31 if not levying property taxes.
- 4) Unused appropriations lapse at the end of each year.

Cherry Hills Sanitation District
Notes to Financial Statements (continued)
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

The following is a summary of the original budget, total revisions, and revised budget for fiscal year 2023:

| | <u>Original Budget</u> | <u>Total Revisions</u> | <u>Revised Budget</u> |
|----------------|------------------------|------------------------|-----------------------|
| Total expenses | \$ 941,300 | \$ - | \$ 941,300 |

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, the District has adopted the policy that all Certificates of Deposit, even those with maturities of three months or less when purchased, are not cash equivalents.

Allowance for Doubtful Accounts

User and other similar fees set from time to time by the District's governing board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed in the same manner as provided by the laws of the State of Colorado. Therefore, no provision for uncollectible receivables is considered necessary.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | |
|-----------------------|---------------|
| Utility plant | 7 to 33 years |
| Office equipment | 3 to 7 years |
| Machinery & equipment | 5 to 8 years |

Cherry Hills Sanitation District
Notes to Financial Statements (continued)
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation of these assets and related debt balances reduces this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

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.

Operating Revenue Tap Charges

Charges for tap service consist primarily of quarterly charges for services provided to residential and commercial customers within the District's boundaries.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases

In June 2017, the GASB established Statement 87, Leases, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months.

The Company has adopted this standard effective January 1, 2022. The leasing standard has no impact to the Company's financial statements for the year ending December 31, 2023. All leases held by the Company qualify for the short-term lease exemption under GASB 87 as the lease has a non-cancellable period of not more than 12 months and can be terminated at any time by lessor or lessee.

Cherry Hills Sanitation District
Notes to Financial Statements (continued)
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain prior year amounts have been adjusted to conform to the current year presentation. These reclassifications did not have an impact on the District's change in net assets.

3. Cash and Cash Equivalents and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, C.R.S. requires the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the federal insurance levels to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2023 and 2022, the District had deposits with a financial institution with carrying amounts of \$960,988 and \$800,548 respectively. The bank balance with the financial institution were \$813,847 and \$799,631, respectively. Of these amounts, \$397,655 and \$397,641 was covered by federal depository insurance. The remaining balances of \$416,492 and \$401,990 respectively, were collateralized with securities held by the financial institutions' agents but not in the District's name.

Cash and cash equivalents held by the District at December 31, 2023 and 2022 were as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Cash on deposit with financial institution | \$ <u>960,988</u> | \$ <u>800,548</u> |

Investments

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

- Certificates of deposit with an original maturity in excess of three months,
- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities, general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,

Cherry Hills Sanitation District
Notes to Financial Statements (continued)
December 31, 2023 and 2022

3. Cash and Cash Equivalents and Investments (continued)

- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

District policy is to match maturity of investments with cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than three (3) years from the date of purchase or in accordance with state and local statutes and ordinances.

The District's investments consisted of certificate of deposits. Total investments had the following balances at December 31:

| | <u>2023</u> | <u>2022</u> |
|------------------------|-------------|-------------|
| Certificate of Deposit | \$ 156,850 | \$ 155,094 |

Custodial Credit Risk - Investments

Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2023 and 2022, none of the District's investments were exposed to custodial credit risk.

Interest Rate Risk

The District's written investment policy limits investment maturities to five years or less from the date of purchase as a means of managing its exposure to fair value losses arising from increasing interest rates.

Cherry Hills Sanitation District
Notes to Financial Statements (continued)
December 31, 2023 and 2022

4. Capital Assets

An analysis of the changes in net capital assets for the year ended December 31, 2023 follows:

| | Balance December 31, 2022 | Transfers/ Additions | Transfers/ Retirements | Balance December 31, 2023 |
|--------------------------------|------------------------------|-------------------------|---------------------------|------------------------------|
| Capital assets, net | | | | |
| Utility plant | \$ 1,990,724 | \$ 2,552 | \$ - | \$ 1,993,276 |
| Office equipment | 7,471 | - | - | 7,471 |
| Machinery and equipment | 154,386 | - | - | 154,386 |
| Total capital assets | <u>2,152,581</u> | <u>2,552</u> | <u>-</u> | <u>2,155,133</u> |
| Less accumulated depreciation: | <u>(2,011,644)</u> | <u>(21,602)</u> | <u>-</u> | <u>(2,033,246)</u> |
| Total capital assets, net | <u>\$ 140,937</u> | <u>\$ (19,050)</u> | <u>\$ -</u> | <u>\$ 121,887</u> |

An analysis of the changes in net capital asset for the year ended December 31, 2022 follows:

| | Balance December 31, 2021 | Transfers/ Additions | Transfers/ Retirements | Balance December 31, 2022 |
|--------------------------------|------------------------------|-------------------------|---------------------------|------------------------------|
| Capital assets, net | | | | |
| Utility plant | \$ 1,990,724 | \$ - | \$ - | \$ 1,990,724 |
| Office equipment | 7,471 | - | - | 7,471 |
| Machinery and equipment | 148,386 | 6,000 | - | 154,386 |
| Total capital assets | <u>2,146,581</u> | <u>6,000</u> | <u>-</u> | <u>2,152,581</u> |
| Less accumulated depreciation: | <u>(1,988,911)</u> | <u>(22,733)</u> | <u>-</u> | <u>(2,011,644)</u> |
| Total capital assets, net | <u>\$ 157,670</u> | <u>\$ (16,733)</u> | <u>\$ -</u> | <u>\$ 140,937</u> |

Depreciation expense for the years ended December 31, 2023, and 2022 was \$21,602 and \$22,733 respectively.

5. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors and omissions, or natural disasters. The District maintains commercial insurance coverage to mitigate these risks of loss. Settled claims have not exceeded this commercial insurance coverage in any of the past three years.

Cherry Hills Sanitation District
Notes to Financial Statements (continued)
December 31, 2023 and 2022

6. TABOR

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the entity under specified voting requirements by the entire electorate.

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 they are exempt from the provisions of the bill.

On May 7, 1996, the District's voters passed a ballot issue allowing the District to retain excess revenues over Article X, Section 20 limits. Further, the amendment requires the creation of emergency reserves to use for declared emergencies only. As of the May 7, 1996 election, the District had no retained excess revenues. Therefore, the District has no reserves to separately segregate as emergency reserves.

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 how to calculate fiscal year spending limits and qualification as an enterprise, will require judicial interpretation.

7. Subsequent Events

The District has evaluated subsequent events March 11, 2024, the date that the financial statements were available to be issued. There were no material subsequent events to be recognized or disclosed.

Supplementary Information

Draft

Cherry Hills Sanitation District
Schedules of Operating Expenses
For the Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Sanitation and Administration: | | |
| Salaries | \$ 94,405 | \$ 94,411 |
| Total Salaries and fees | <u>94,405</u> | <u>94,411</u> |
| Other Expenses | | |
| Office expense | 18,956 | 19,228 |
| Meeting expense | 8,489 | 7,126 |
| Legal and accounting | 16,027 | 14,418 |
| Insurance | 29,437 | 28,404 |
| Total Other Expenses | <u>72,909</u> | <u>69,176</u> |
| Total Sanitation Administration | 167,314 | 163,587 |
| Sewage Collection and Disposal: | | |
| Sewer lift stations | 12,176 | 11,674 |
| Wages, taxes, and benefits | 193,863 | 183,795 |
| Supplies and expenses: | | |
| Auto | 11,510 | 11,777 |
| Processing | 448,619 | 433,088 |
| Maintenance | 18,855 | 21,192 |
| Equipment lease | 14,400 | 14,400 |
| Contingency Provisions | - | 3,858 |
| Total Collection and Disposal | 699,423 | 679,784 |
| Depreciation | <u>21,602</u> | <u>22,733</u> |
| Total Operating Expenses | <u>\$ 888,339</u> | <u>\$ 866,104</u> |

Cherry Hills Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Budgetary Basis)
For the Years Ended December 31, 2023 and 2022

| | Original and Final Budgeted Amounts | 2023 Actual | Variance with Final Budget Positive (Negative) | 2022 Actual |
|--|--|-------------------|---|------------------|
| Revenues | | | | |
| Active tap charges | \$ 996,000 | \$1,000,805 | \$ 4,805 | \$925,022 |
| Readiness-to-serve charges | 1,600 | 1,314 | (286) | 1,350 |
| Penalties | 3,800 | 5,556 | 1,756 | 5,026 |
| Interest | 300 | 9,990 | 9,690 | 1,600 |
| Reimbursements | 300 | 120 | (180) | 1,140 |
| Total revenues | <u>1,002,000</u> | <u>1,017,785</u> | <u>15,785</u> | <u>934,138</u> |
| Expenditures | | | | |
| Wastewater collection & transmission | | | | |
| Wastewater lift stations | 13,500 | 12,176 | 1,324 | 11,674 |
| Construction/equipment | 14,000 | 2,252 | 11,748 | 18,745 |
| Processing Charges | 452,000 | 448,619 | 3,381 | 433,088 |
| Maintenance/engineering | 30,000 | 18,855 | 11,145 | 21,192 |
| Staffing costs: | | | | |
| Auto | 20,000 | 11,510 | 8,490 | 11,777 |
| Wages | 233,400 | 193,863 | 39,537 | 183,795 |
| Property lease | 14,400 | 14,400 | - | 14,400 |
| Administration: | | | | |
| Contract/board | 100,500 | 94,405 | 6,095 | 94,411 |
| Supplies & expenses | 19,000 | 27,445 | (8,445) | 26,354 |
| Professional fees | 18,000 | 16,027 | 1,973 | 14,418 |
| Insurance | 11,500 | 29,437 | (17,937) | 28,404 |
| Contingency provision | 15,000 | - | 15,000 | 3,858 |
| Total expenditures | <u>\$ 941,300</u> | <u>\$ 868,989</u> | <u>\$ 72,311</u> | <u>\$862,116</u> |
| Reconciliation to GAAP-Basis Financial Statements | | | | |
| Depreciation | | 21,602 | | 22,733 |
| Capital outlay | | (2,252) | | (18,745) |
| Net Position—End of Year (GAAP-Basis) | | <u>\$ 888,339</u> | | <u>\$866,104</u> |

