

Cherry Hills Sanitation District

Annual Financial Statements and
Independent Auditor's Report

December 31, 2022 and 2021





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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 year ended December 31, 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, 2022, and the respective change in financial position and cash flows thereof for the year 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

Prior Period Financial Statements

The financial statements as of December 31, 2021 were audited by other auditors whose report dated May 12, 2022, expressed an unmodified opinion on those statements.

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.

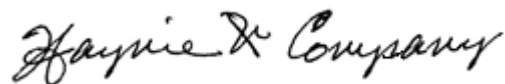
Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement 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.

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.



Littleton, Colorado
May 23, 2023

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, 2022. 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 \$1,090,628 which is an increase of \$72,695 from a year earlier.
- Capital investments in equipment was \$6,000 and maintenance charges were \$21,192. In the prior year, the combined total was \$221,510 or a decrease of \$194,318
- The District has neither any long-term debt nor any property tax levy.
- Expenditures, net of depreciation, increased to \$843,210 in 2022 from \$817,097 in 2021.

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 \$41,704, total liabilities decreased by \$30,991, and net position increased by \$72,695.
- Operating revenues grew by \$17,751 and operating expenses increased by \$26,113. Revenue increased due to scheduled increase in tap charges and 3 additional taps in CY.
- Net cash flows for the year increased by \$94,871 from the prior year, capital expenditures decreased by \$12,746, operating activities decreased by \$107,659, and investing activities increased by \$42.

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. Seven new taps have been sold during this two-year period and the District's active taps total 1,687. During 2022, there were 3 taps sold and no stand-by taps were activated.

Active tap revenues increased \$16,930 in 2022 due to scheduled increase in tap charges. The largest component of expense comprising 50 percent of budgeted 2022 expenditures is the amount charged by the City of Fort Collins as processing charges. In 2022 the District saw processing charges remained the same with no increase expected for 2023.

Budgetary Commentary

Expenditures were under budget by \$14,890.

Basic Financial Statements

Cherry Hills Sanitation District
Statements of Net Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 800,548	\$ 758,393
Certificates of deposit	155,094	155,024
Accrued interest receivable	32	32
Accounts receivable, net	33,053	26,092
Prepaid expenses	13,571	4,319
Total Current Assets	1,002,298	943,860
Non-Current Assets		
Capital assets		
Sanitation system	1,990,724	1,990,724
Machinery and equipment	161,857	155,858
Less accumulated depreciation	(2,011,644)	(1,988,911)
Capital assets, net	140,937	157,671
Other assets		
Deposit on utilities	185	185
Total Assets	\$ 1,143,420	\$ 1,101,716

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

Cherry Hills Sanitation District
Statements of Net Position (continued)
December 31, 2022 and 2021

	2022	2021
Liabilities and Net Position		
Liabilities		
Current liabilities		
Trade accounts payable	\$ 50,060	\$ 73,158
Accrued liabilities	<u>2,893</u>	<u>10,625</u>
Total Current Liabilities	<u>52,953</u>	<u>83,783</u>
Net Position		
Net investment in capital assets	140,937	275,121
Unrestricted	<u>949,530</u>	<u>742,812</u>
Total Net Position	<u>1,090,467</u>	<u>1,017,933</u>
 Total Liabilities and Net Position	 <u>\$ 1,143,420</u>	 <u>\$ 1,101,716</u>

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Sewer charges and other services:		
Active tap charges	\$ 925,022	\$ 908,092
Readiness-to-serve charges	1,350	1,359
Penalties	5,026	4,956
Reimbursements (net of expenses)	1,140	380
Total operating revenues	<u>932,538</u>	<u>914,787</u>
Operating Expenses		
Sanitation administration	163,587	147,864
Sewage collection and disposal	679,784	669,233
Depreciation expense	<u>22,733</u>	<u>22,425</u>
Total operating expenses	<u>866,104</u>	<u>839,522</u>
Operating Income	66,434	75,265
Nonoperating Revenues		
Interest	<u>1,600</u>	<u>353</u>
Total Nonoperating Revenues	<u>1,600</u>	<u>353</u>
Income Before Capital Contributions	68,034	75,618
Capital Contributions		
Contributed capital assets	<u>4,500</u>	<u>6,000</u>
Total capital contributions	<u>4,500</u>	<u>6,000</u>
Change in Net Position	72,534	81,618
Net Position—Beginning of Year	<u>1,017,933</u>	<u>936,315</u>
Net Position—End of Year	<u>\$ 1,090,467</u>	<u>\$ 1,017,933</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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Cash received from customers	\$ 925,577	\$ 915,901
Cash paid to suppliers for goods and services	(875,721)	(772,927)
Cash paid to employees for services	(7,732)	6,556
Net Cash From Operating Activities	42,124	149,530
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,499)	(12,745)
Net Cash From Capital and Related Financing Activities	(1,499)	(12,745)
Cash Flows from Investing Activities:		
Net investment income	1,530	241
Net Cash from Investing Activities	1,530	241
Net Change in Cash and Cash Equivalents	42,155	137,026
Cash and Cash Equivalents—Beginning of Year	758,393	621,367
Cash and Cash Equivalents—End of Year	\$ 800,548	\$ 758,393
Reconciliation of Net Operating Income to Net Cash From Operating Activities:		
Net operating income	\$ 66,434	\$ 75,265
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	22,733	22,425
Changes in assets and liabilities:		
Receivables	(6,961)	1,114
Prepaid expenses	(9,252)	7,775
Accounts payable	(23,098)	36,395
Accrued liabilities	(7,732)	6,556
Total Adjustments	(24,310)	74,265
Net Cash From Operating Activities	\$ 42,124	\$ 149,530
Cash and Cash Equivalents as stated on the Statements of Net Position:		
Cash and cash equivalents	\$ 800,548	\$ 758,393

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

Cherry Hills Sanitation District

Notes to Financial Statements

December 31, 2022 and 2021

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, 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.

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

2. Summary of Significant Accounting Policies

The 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.

Cherry Hills Sanitation District
Notes to Financial Statements (continued)
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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."

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, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

The following is a summary of the original budget, total revisions, and revised budget for fiscal year 2022:

	Original Budget	Total Revisions	Revised Budget
Total expenses	<u>\$ 864,100</u>	<u>\$ -</u>	<u>\$ 864,100</u>

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, 2022 and 2021

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 reduce 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.

New Accounting Pronouncements

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, 2022. 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, 2022 and 2021

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, 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, 2022 and 2021, the District had deposits with a financial institution with carrying amounts of \$800,548 and \$758,393 respectively. The bank balance with the financial institution were \$799,631 and \$757,514, respectively. Of these amounts, \$397,641 and \$397,626 was covered by federal depository insurance. The remaining balances of \$401,990 and \$359,888 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, 2022 and 2021 were as follows:

	2022	2021
Cash on deposit with financial institution	\$ <u>800,548</u>	\$ <u>758,393</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, 2022 and 2021

3. Cash, 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 investment consisted of certificate of deposits. Total investments had the following balances at December 31:

	<u>2022</u>	<u>2021</u>
Certificate of Deposit	\$ <u>155,094</u>	\$ <u>155,024</u>

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, 2022 and 2021, 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, 2022 and 2021

4. Capital Assets

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>

An analysis of the changes in net capital asset for the year ended December 31, 2021 follows:

	Balance December 31, 2020	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2021
Capital assets, net				
Utility plant	1,990,724	-	-	1,990,724
Office equipment	7,471	-	-	7,471
Machinery and equipment	129,642	18,744	-	148,386
Total capital assets	<u>2,127,837</u>	<u>18,744</u>	<u>-</u>	<u>2,146,581</u>
Less accumulated depreciation:	<u>(1,966,486)</u>	<u>(22,425)</u>	<u>-</u>	<u>(1,988,911)</u>
Total capital assets, net	<u>\$ 161,351</u>	<u>\$(3,681)</u>	<u>\$ -</u>	<u>\$ 157,670</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$22,733 and \$22,425 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, 2022 and 2021

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.

6. TABOR (continued)

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 May 23, 2023, the date that the financial statements were available to be issued. There were no material subsequent events to be recognized or disclosed.

Supplementary Information

Cherry Hills Sanitation District
Schedules of Operating Expenses
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Sanitation and Administration:		
Salaries	94,411	\$ 93,200
Directors' fees	-	2,450
Total Salaries and fees	<u>94,411</u>	<u>95,650</u>
Other Expenses		
Office expense	19,228	15,738
Meeting expense	7,126	2,507
Legal and accounting	14,418	10,321
Insurance	<u>28,404</u>	<u>23,648</u>
Total Other Expenses	<u>69,176</u>	<u>52,214</u>
Total Sanitation Administration	163,587	147,864
Sewage Collection and Disposal:		
Sewer lift stations	11,674	11,057
Wages, taxes, and benefits	183,795	173,274
Supplies and expenses:		
Auto	11,777	13,096
Processing	433,088	432,211
Maintenance	21,192	25,195
Equipment lease	14,400	14,400
Contingency Provisions	<u>3,858</u>	<u>-</u>
Total Collection and Disposal	679,784	669,233
Depreciation	<u>22,733</u>	<u>22,425</u>
Total Operating Expenses	<u>\$ 866,104</u>	<u>\$ 839,522</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, 2022 and 2021

	Original and Final Budgeted Amounts	2022 Actual	Variance with Final Budget Positive (Negative)	2021 Actual
Revenues				
Active tap charges	\$ 910,000	\$925,022	\$ 15,022	\$908,092
Readiness-to-serve charges	1,600	1,350	(250)	1,359
Penalties	3,800	5,026	1,226	4,956
Interest	300	1,600	1,300	353
Reimbursements	300	1,140	840	380
Total revenues	<u>916,000</u>	<u>934,138</u>	<u>18,138</u>	<u>915,140</u>
Expenditures				
Wastewater collection & transmission				
Wastewater lift stations	10,500	11,674	(1,174)	11,057
Construction/equipment	14,700	6,000	8,700	18,745
Processing Charges	445,000	433,088	11,912	432,211
Maintenance/engineering	27,000	21,192	5,808	25,195
Staffing costs:				
Auto	5,000	11,777	(6,777)	13,096
Wages	202,500	183,795	18,705	173,274
Property lease	14,400	14,400	-	14,400
Administration:				
Contract/board	96,000	94,411	1,589	95,650
Supplies & expenses	15,000	26,354	(11,354)	18,245
Professional fees	11,000	14,418	(3,418)	10,321
Insurance	8,000	28,404	(20,404)	23,648
Contingency provision	15,000	3,858	11,142	-
Total expenditures	<u>\$ 864,100</u>	<u>\$849,371</u>	<u>\$ 14,729</u>	<u>\$835,842</u>
Reconciliation to GAAP-Basis Financial Statements				
Depreciation		22,733		22,425
Capital outlay		<u>(6,000)</u>		<u>(18,745)</u>
Net Position—End of Year (GAAP-Basis)		<u>\$866,104</u>		<u>\$839,522</u>