



ESTES PARK SANITATION DISTRICT

FINANCIAL STATEMENTS

Year Ended December 31, 2022



TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management Discussion and Analysis	4
STATEMENT OF NET POSITION.....	8
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION.....	9
STATEMENT OF CASH FLOWS	10
NOTES TO FINANCIAL STATEMENTS.....	11
SUPPLEMENTARY INFORMATION	19



Independent Auditors' Report

Board of Directors
Estes Park Sanitation District
Estes Park, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities of the Estes Park 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 accompanying financial statements present fairly, in all material respects, the financial position of the Estes Park Sanitation District as of December 31, 2022, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Supplementary Information:

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 20-22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Required Supplementary Information:

Accounting principles generally accepted in the United States require that management 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, 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 evidence sufficient to express an opinion or provide any assurance.

Anderson & Whitney, P.C.

July 6, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

This is an analysis and overview of the financial activities of the Estes Park Sanitation District (EPSD) for the year ended December 31, 2022. This information should be read in conjunction with the financial statements and notes which follow:

FINANCIAL HIGHLIGHTS

- As of December 31, 2022, approximately \$7.3 million was held in net position for the provision of future services to citizens.
- For fiscal year 2022, the total net position increased by \$713,670 from 2021. This was primarily from increased fees.
- Operating revenue for 2022 totaled approximately \$1.9 million, which is an increase of 11% from 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to EPSD's financial statements which follow. The statements include:

1. Statement of Net Position
2. Statement of Revenue, Expenses, and Changes in Net Position
3. Statement of Cash Flows
4. Notes to Financial Statements.

The *statement of revenue, expenses, and changes in net position* presents EPSD revenue and expenses for the year ended December 31, 2022.

The *statement of cash flows* shows the net cash flows from activities for the year ended December 31, 2022.

These statements are in compliance with Governmental Accounting Standards Board (GASB) Statements. These pronouncements address the requirements for financial statement presentation and certain disclosures for state and local governmental entities. EPSD's financial statements comply with all material requirements of these pronouncements.

These statements provide a snapshot of EPSD's assets and liabilities as of December 31, 2022 and the activities which occurred during the year. All statements were prepared using the accrual basis of accounting as required by GASB.

Notes to financial statements provide additional information which is essential to a full understanding of the basic financial statements.

FINANCIAL ANALYSIS

As of December 31, EPSD's net position was:

<u>December 31</u>	<u>2022</u>	<u>2021</u>
Cash	\$ 60,620	\$ 37,630
Investments	2,914,493	2,183,297
Receivables	265,631	266,717
Inventories	20,116	20,116
Prepays	1,100	30,462
Capital Assets, net	7,150,288	7,341,436
Total Assets	10,412,248	9,879,658
Less Liabilities	3,147,359	3,328,439
Net Position	\$ 7,264,889	\$ 6,551,219

The following is a comparison of EPSD's results of operations:

<u>Years Ended December 31</u>	<u>2022</u>	<u>2021</u>
Revenues:		
Service charges	\$ 1,897,587	\$ 1,697,036
Other income	34,359	2,216
Capital contributions	528,660	100,464
Total Revenues	2,460,606	1,799,716
Expenses:		
Operating expenses:		
Plant	972,645	912,736
Lines	404,615	396,018
Administration	369,676	340,091
Total Expenses	1,746,936	1,648,845
Net Income	\$ 713,670	\$ 150,871

Net position has changed due to the following:

- During 2022, operating revenue increased approximately 11%, primarily due to rate increases.
- During 2022, nonoperating revenue increased approximately 595%, primarily due to an increase in system development fees.
- During 2022, operating expenses increased by approximately 6% due to inflation.

FINANCIAL HIGHLIGHTS

In addition to operational and debt related expenses, our annual budget attempts to address short-term and long-term capital needs. Short-term capital needs are primarily addressed through operational revenues each year. Long-term capital requirements require reserves to be set aside on an annual basis. We will continue to set aside reserves to help us minimize our financing needs.

2022 items of note include;

- The District treated 192.666 million gallons of wastewater in 2022, a decrease of 6% from 2021. The difference can be explained by less infiltration into our system. The District charts non-billable flow to track infiltration. 2022 non-billable flow was 7.66% vs. 14.32% in 2021. Annual precipitation was similar, but the amount during spring runoff was less. Saturated soils contribute to infiltration. We have invested significant resources improving our collection system and will continue to do so.
- User fee revenue continued its recovery from COVID. Commercial billable flow was nearly back to pre-covid levels.
- User fees rates for commercial and residential customers increased 10% in 2022. Inflation, quiet for the last 25 years, spiked drastically. Efforts to stimulate the COVID economy contributed to a nationwide inflation rate of 8.38%.
- System Investment Fee revenues were strong, but possibly misleading. While tap revenue was a record \$528,660, a workforce housing development was responsible for 88% of the total. Rising interest rates have negatively affected growth in the District.
- Reserve balances increased approximately \$550,000 in 2022, aided greatly by the workforce housing development income. Once constructed, the development will provide housing for 94 families.

CAPITAL ASSETS AND ADMINISTRATION

Major capital assets constructed or purchased in 2022 include the following:

- A recent engineering study reviewed the existing treatment facility to determine what steps and costs might be required to meet future nutrient limits. The report detailed the costs of compliance for nutrient removal options. The options are very costly and a cause of concern for the District. This concern is shared throughout the wastewater community nationwide.
- Air piping improvements were made to one of our contact tanks to help us better control air for greater nutrient control. The in-house project resulted in solid gains at a relatively minor cost.
- The final phase of sewer line improvements in the One Thousand Pines subdivision was completed. The project replaced and upsized 2000 feet of clay sewer mains.

- The lines department replaced equipment used for televising sewer lines and the pumps/controls for a small lift station. Both upgrades were positive improvements.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE DISTRICT

We face many challenges, but chief among them will be meeting future effluent requirements, maintaining a quality workforce and environmental climate change. Each one of these challenges will require capital, which means our limited resources will be stressed.

Effluent limits for nutrient removal are the primary concern of every wastewater district and the solutions are very expensive. Removing phosphorus and total nitrogen from the effluent could require capital improvements greater than \$20 million. These improvements will become a reality in the next 10-15 years and this will require planning, preparation and reserves at a very high level.

Maintaining and replacing our workforce is very important. Worker shortages are common at every level of the economy. The demographics of our population means this will continue. Compounding the problem, housing costs in the Estes Valley have skyrocketed making it difficult to recruit new staff. Developing employees that can someday step into leadership roles will be critical. Investing in our employees and their productivity will be an ongoing mission.

Climate change remains a chief concern. Fires and flooding threaten to disrupt revenue streams. Increased drought may change historical stream flow levels used to determine permit requirements. Examples of this problem are already occurring in Colorado.

Balancing our needs and resources will require a thorough review of our revenues and sources of revenue. Greater reserve balances will be needed to lessen borrowing or pay off debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

James Duell, District Manager
Estes Park Sanitation District
P.O. Box 722
Estes Park, CO 80517

The office of the District is located at 1201 Graves Avenue, Estes Park, CO 80517. The office phone number is (970) 586-2866.

ESTES PARK SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31	2022
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 60,620
Investments	2,914,493
Accounts receivable, user fees	265,631
Prepaid expenses	1,100
Inventories	20,116
Total Current Assets	3,261,960
Utility Plant in Service	7,150,288
TOTAL ASSETS	\$ 10,412,248
<u>LIABILITIES</u>	
Current Liabilities:	
Current portion of long term liabilities	\$ 197,496
Accounts payable	28,221
Accrued expenses	90,787
Total Current Liabilities	316,504
Non-current Liabilities:	
Revenue note payable	2,830,855
Total Non-Current Liabilities	2,830,855
TOTAL LIABILITIES	3,147,359
<u>NET POSITION</u>	
Net investment in Capital Assets	4,121,937
Unrestricted, designated	422,281
Unrestricted, undesignated	2,720,671
TOTAL NET POSITION	\$ 7,264,889

ESTES PARK SANITATION DISTRICT

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31	2022
Revenue:	
User fee income	\$ 1,775,447
FOG non-compliance fees	22,872
Lift station fees	11,193
Account maintenance fee	45,985
Miscellaneous income	42,090
Total Revenue	1,897,587
Expenses:	
Treatment	972,645
Collection	404,615
Administration	369,676
Total Operating Expenses	1,746,936
Net Operating Income	150,651
Other Income:	
Interest income	34,359
System development fees	528,660
Total Other Income	563,019
Increase in net position	713,670
Net Position, Beginning of Year	6,551,219
Net Position, End of Year	\$ 7,264,889

See Accompanying Notes to Financial Statements.

ESTES PARK SANITATION DISTRICT

STATEMENT OF CASH FLOWS

Year Ended December 31	2022
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 1,898,674
Payments to suppliers and employees	(1,239,878)
Net Cash Provided by Operating Activities	658,796
Cash Flows from Noncapital Financing Activities:	
Net cash provided by financing activities	-
Net Cash Provided by Noncapital Financing Activities	-
Cash Flows from Capital and Related Financing Activities:	
Acquisition of property, plant and equipment	(274,025)
Payments on note payable	(193,604)
System development fees received	528,660
Net Cash Provided by Capital and Related Financing Activities	61,031
Cash Flows from Investing Activities:	
Purchase of investments	(731,196)
Interest and dividends received	34,359
Net Cash Used by Investing Activities	(696,837)
Net Increase in Cash and Cash Equivalents	22,990
Cash and Cash Equivalents, Beginning of Year	37,630
Cash and Cash Equivalents, End of Year	\$ 60,620

Reconciliation of Operating Income to Net Cash Provided by

Operating Activities:	
Operating income	\$ 150,651
Depreciation expense	465,173
Change in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	1,087
Prepaid expenses	29,362
Increase (decrease) in:	
Accounts payable	-
Accrued expenses payable	12,523
Net Cash Provided by Operating Activities	\$ 658,796

See Accompanying Notes to Financial Statements.

ESTES PARK SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies:

This summary of the Estes Park Sanitation District’s significant accounting policies is to assist the reader with interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

Form of Organization:

Estes Park Sanitation District is an independent governmental entity organized in April 1940, under the provisions of the Colorado Revised Statutes. The District’s Board of Directors is elected by residents of the District and has the responsibilities for designation of management, operational decisions, and budget matters. The District is fully responsible for its financial matters and is not financially interdependent with another governmental unit. Revenues are derived by service charges determined by the Board. The District exists for the benefit of its residents and services of the District are generally available to the residents of the District.

Scope of Reporting Entity:

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

Financial Reporting Entity:

All the foregoing criteria indicate that Estes Park Sanitation District is a separate and distinct unit of government even though it operates within the boundaries of Larimer County and the Town of Estes Park, Colorado. There are no component units that should be included in these financial statements.

ESTES PARK SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Basis of Accounting:

The accounting policies of the District conform to generally accepted accounting principles as applicable to enterprise funds. The following is a summary of the significant policies:

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus used.

The Estes Park Sanitation District follows the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Enterprise funds are accounted for on the cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included in the balance sheet. The reported fund equity (total net position) is segregated into amounts investment in capital assets and unrestricted net position components. The operating statement presents increases (revenue) and decreases (expenses) in total net position.

Budgets and Budgetary Accounting:

Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year. Prior to September the department heads submit their budgets to the budget officer, who is designated as the person responsible for the budget. Prior to October 15th, the district manager submits the budgets to the District board. Prior to December 15th the District board after reviewing the budgets adopts the budget with a certified copy sent to the Division of Local Government prior to January 30th and passes a resolution making the appropriation for the ensuing fiscal year.

The Board approves total budget appropriations only. Budgeted amounts within the fund may be transferred as long as total appropriations are not altered. If the total appropriations must be revised, an official amended budget is approved and a resolution making additional appropriations is passed.

The level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis. Budgets are adopted on the accrual basis and the budgetary comparisons shown in these financial statements under supplementary information are shown on that basis.

ESTES PARK SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Assets, Liabilities and Net Position:

Cash:

All cash, savings accounts and money market accounts are stated at cost and are on deposit with various financial institutions that are entirely federally insured with the Federal Deposit Insurance Corporation (FDIC) with no account exceeding the \$250,000 insurance limit.

The Board authorizes the District to invest in certificates of deposit and U.S. Treasury bills at various financial institutions that are FDIC insured, or repurchase agreements provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds.

Cash and cash equivalents referred to in the Statement of Cash Flows comprise cash on hand, cash in checking accounts, cash in money market accounts and cash temporarily invested in certificates of deposits with maturity within three months from the financial statement dates.

Investments:

The District investments include certificates of deposit with maturities over three months, U.S. Government obligations and investments held in Colotrust (Prime). Colotrust (Prime) is an investment vehicle that pools funds from various Colorado governmental entities for investment purposes. Investments are presented at estimated fair market value.

Inventories:

Inventories are valued at original cost on the first -in first-out (FIFO) method and consist of pipe and laboratory supplies.

Utility Plant in Service:

All fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value at the date donated.

Investment in Deferred Compensation Plan:

The District offers a deferred compensation plan created in accordance with IRC Sec. 457. The plan is available to all employees who work 35 hours per week after completing one year of employment with the District. The deferred compensation is not available to employees until termination, retirement or death.

ESTES PARK SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies - Continued:

Assets, Liabilities and Net Position – Continued:

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributed to those amounts, property, or rights are managed and held by a third party for the benefit of the employee. The District paid \$45,580 for this in 2022.

Compensated Absences:

Vacation and sick leave accumulated by an employee are recorded as a liability and current operating expense of the District at the employee's current rate of pay.

Net Position – Designated:

The District records designated net position to indicate that a portion of the net position is Board designated for a specific future use. The Board has designated specific amounts for plant and equipment replacement or expansion.

Revenue and Expenses:

Operating and non-operating Revenues:

Operating revenues are defined as those revenues that represent the ongoing operations of the District as follows: user fees, permit fees, petitions for inclusion/exclusion, dump fees, water testing and miscellaneous income. Non-operating revenues include contributions in aid of construction, system development fees, interest income and proceeds from the sale of assets.

Depreciation:

Depreciation of exhaustible fixed assets used by enterprise funds is charged as an expense against its operation over the assets' estimated useful lives. Accumulated depreciation is reported on the enterprise fund balance sheet. Depreciation has been provided over the estimated useful lives on the straight-line basis. Useful lives by type of asset are as follows:

Buildings	20 years
Plant	40 years
Sewer Lines	60 years
Equipment	5-10 years

ESTES PARK SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Cash and Investments:

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA.

PDPA allows the institution to create a single collateral pool held in trust 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 the aggregate uninsured deposits.

Investments are stated at fair market value as required by the Governmental Accounting Standards Board Statement 31.

The PDPA requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, US government securities, mortgages and deeds of trust.

Credit risk – The District’s investment policy authorizes the District to invest in bonds or other interest-bearing obligations of the United States of America or its agencies thereof, certificates of deposit and local investment pools.

Interest rate risk – The District’s investment policy limits all federal securities to maturities of 5 years or less from the date of purchase.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does have a deposit policy that allows investments only in U.S. instrumentalities or deposits insured by federal depository insurance. The District’s bank accounts at year-end were entirely covered by federal depository insurance or by collateral held by the District’s custodial banks in the name of the District under provisions of the Colorado Public Deposit Protection Act (PDPA).

At December 31, 2022, the District had invested \$2,914,493 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is valued at the net asset value (NAV) of \$1.00. Investments of COLOTRUST consist of bills, notes, and bonds issued by the U.S. Treasury or a government agency, and repurchase agreements secured by such obligations. COLOTRUST is rated AAA by Standard & Poor’s. The District’s interest is valued at NAV.

ESTES PARK SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Cash and Investments – Continued:

The designated custodial bank of Colotrust (Prime) provides safekeeping and depository services in connection with the direct investment and withdrawal functions of ColoTrust (Prime). All securities owned by Colotrust (Prime) are held by the Federal Reserve Bank in the account maintained by the custodial bank.

Investments in Colotrust (Prime) consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes. The final maturity of any and all securities purchased by Colotrust (Prime) may not exceed one year. Colotrust (Prime) is rated AAAM by Standards & Poor's. The investment policy of Colotrust (Prime) does not include investing in derivatives.

NOTE 3 – Utility Plant in Service:

A summary of changes in Utility Plant in Service follows:

	Balance 1/1/22	Additions	Deletions	Balance 12/31/22
Land & easements	\$ 108,430	\$ --	\$ --	\$ 108,430
Buildings & improvements	115,892	--	--	115,892
Plant	8,777,589	6,527	--	8,784,116
Collection system	2,319,745	52,106	--	2,371,851
Equipment	1,311,134	215,392	--	1,526,526
	12,632,790	274,025	--	12,906,815
Accumulated depreciation	(5,291,354)	(465,173)	--	(5,756,527)
Net Utility Plant	\$ 7,341,436	\$ (191,148)	\$ --	\$ 7,150,288

ESTES PARK SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Revenue Notes Payable:

The District has two notes outstanding with the Colorado Water Resources & Power Development Authority. Note W14F340 is dated November 14, 2014 and is due May 1, 2036. The original amount of the note was \$2,872,730 payable at 2% interest with payments of \$89,013 each May 1st and November 1st. Note W15F361 is dated November 23, 2015 and is due May 1, 2036. The original amount of the note was \$1,273,470 payable at 2% interest with payments of \$39,527 each May 1st and November 1st. Both notes are secured by the sewer revenue of the District.

A summary of changes in revenue notes payable follows:

	Balance 1/1/2022	Reduction	Balance 12/31/2022
Revenue Note W14F340	\$ 2,231,187	\$ 134,070	\$ 2,097,117
Revenue Note W15F361	990,768	59,534	931,234
	<u>\$ 3,271,955</u>	<u>\$ 193,604</u>	<u>\$ 3,028,351</u>

The principal and interest due on each note is as follows:

Years Ending December 31	Principal		Interest	
	W14F340	W15F361	W14F340	W15F361
2023	\$ 136,765	\$ 60,731	\$ 41,262	\$ 18,323
2024	139,513	61,952	38,513	17,102
2025	142,318	63,197	35,709	15,857
2026	145,178	64,467	32,848	14,586
2027-2036	1,533,343	680,887	157,909	70,120
	<u>\$ 2,097,117</u>	<u>\$ 931,234</u>	<u>\$ 306,241</u>	<u>\$ 135,988</u>

ESTES PARK SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Net Position:

Net position is presented reflecting the portion of the net investment in capital assets and the remainder divided between designated and undesignated as follows:

December 31	2022	2021
Net Investment in capital assets	\$ 4,121,937	\$ 4,119,481
Designated:		
Vehicle/equipment reserve	135,205	158,257
Plant reserve	2,217,383	1,726,364
Lines reserve	338,344	257,110
Employee compensated absences	29,739	24,739
	2,720,671	2,166,470
Undesignated	422,281	265,268
	\$ 7,264,889	\$ 6,551,219

NOTE 6 – Contingencies:

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, injuries to employees or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

Tax, Spending and Debt Limitations:

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

SUPPLEMENTARY INFORMATION

ESTES PARK SANITATION DISTRICT

Schedule of Revenue and Expenses - Actual (Budgetary Basis) Compared to Budget

Year Ended December 31, 2022	Actual	Original Budget	Final Budget	Variance
Revenues:				
User fee income	\$ 1,775,447	\$ 1,760,638	\$ 1,774,637	\$ 810
FOG non-compliance fees	22,872	25,000	25,000	(2,128)
Lift station fees	11,193	11,172	11,172	21
Miscellaneous income	42,090	20,000	35,000	7,090
Account maintenance fee	45,985	45,785	45,960	25
Total Operating Revenue	1,897,587	1,862,595	1,891,769	5,818
Nonoperating Revenue:				
Interest income	34,359	1,500	30,000	4,359
System development fees	528,660	367,886	375,000	153,660
Total Nonoperating Income	563,019	369,386	405,000	158,019
Total Revenue and Contributions	2,460,606	2,231,981	2,296,769	163,837
Expenditures:				
Treatment expenses:				
Payroll:				
Salaries	\$ 226,498	\$ 218,151	\$ 226,000	498
Payroll contingencies	-	10,453	-	-
Payroll taxes	18,206	19,341	19,440	(1,234)
Employee benefits	50,509	50,904	53,000	(2,491)
Employee clothing	1,613	1,650	1,650	(37)
Workmen's compensation	2,102	4,150	4,150	(2,048)
Total Payroll - Treatment	298,928	304,649	304,240	(5,312)
Operations:				
Biosolids removal	46,489	35,000	48,500	(2,011)
Chemicals	49,078	42,000	51,000	(1,922)
Education & training	750	5,000	2,500	(1,750)
Utilities: natural gas	8,104	7,000	8,000	104
Lab tests & supplies	23,260	25,000	25,000	(1,740)
Repairs & maintenance: plant	34,314	40,000	40,000	(5,686)
Miscellaneous	3,188	450	3,500	(312)
Utilities: Electricity	96,026	92,000	96,000	26
Communications	2,347	2,300	2,500	(153)
Repairs & maintenance: vehicle	2,994	3,500	3,500	(506)
SCADA improvement	-	10,000	10,000	(10,000)
Utilities: Potable water	2,860	3,000	3,000	(140)
Total Operations - Treatment	269,410	265,250	293,500	(24,090)
Total Treatment Expenses	\$ 568,338	\$ 569,899	\$ 597,740	\$ (29,402)

ESTES PARK SANITATION DISTRICT

Schedule of Revenue and Expenses - Actual (Budgetary Basis) Compared to Budget

Year Ended December 31, 2022	Actual	Original Budget	Final Budget	Variance
Collection expenses:				
Payroll:				
Salaries	\$ 212,274	\$ 202,004	\$ 215,000	\$ (2,726)
Payroll Contingencies	-	6,549	-	-
Payroll taxes	18,242	17,663	18,520	(278)
Employee benefits	51,049	50,335	51,500	(451)
Employee clothing	1,566	1,650	1,650	(84)
Workmen's compensation	1,866	4,000	4,000	(2,134)
Total Payroll - Collection	284,997	282,201	290,670	(5,673)
Operations:				
Education & training	7,553	6,000	8,000	(447)
Repairs & maintenance: equipment	15,831	18,000	16,500	(669)
FOG interceptor program	2,500	2,500	2,500	-
Miscellaneous	74	450	450	(376)
Collection maintenance	21,250	15,000	16,500	4,750
Communications	2,339	2,400	2,500	(161)
Repairs & maintenance: vehicle	5,173	3,500	5,750	(577)
Property maintenance	-	400	400	(400)
Lift station variable costs	-	5,500	6,750	(6,750)
Total Operations - Collection	54,720	53,750	59,350	(4,630)
Total Collection Expenses	\$ 339,717	\$ 335,951	\$ 350,020	\$ (10,303)

ESTES PARK SANITATION DISTRICT

Schedule of Revenue and Expenses - Actual (Budgetary Basis) Compared to Budget

Year Ended December 31, 2022	Actual	Original Budget	Final Budget	Variance
Administrative expenses:				
Payroll:				
Salaries	\$ 155,293	\$ 171,220	\$ 165,820	\$ (10,527)
Directors salaries	5,400	5,400	5,400	-
Payroll taxes	12,720	14,888	14,888	(2,168)
Employee benefits	35,953	40,825	40,825	(4,872)
Workmen's compensation	98	250	250	(152)
Total Payroll - Administrative	209,464	232,583	227,183	(17,719)
Operations:				
Bank charges	1,832	2,000	2,000	(168)
Education	-	750	750	(750)
Insurance	30,812	30,800	30,800	12
Permit fees	8,841	8,000	8,000	841
Miscellaneous	3,093	2,500	2,500	593
Office maintenance and utilities	2,284	2,350	2,350	(66)
Office supplies	18,827	14,000	18,000	827
Professional fees	19,210	21,750	21,750	(2,540)
Publications	131	850	850	(719)
Communications	4,174	2,600	4,000	174
Vehicle	1,806	2,200	2,200	(394)
Election Expense	127	3,000	3,000	(2,873)
Total Operations - Administrative	91,137	90,800	96,200	(5,063)
Total Administrative Expenses	300,601	323,383	323,383	(22,782)
Other Budgeted items:				
Purchase/construction of fixed assets	283,656	236,355	306,500	(22,844)
Interest payment on debt	63,476	63,476	63,476	-
Principal repayment on debt	193,604	193,604	193,604	-
Total Other Budgeted Items	540,736	493,435	563,580	(22,844)
Total Expenditures	1,749,392	1,722,668	1,834,723	(85,331)
Net Income - Budget Basis	\$ 711,214	\$ 509,313	\$ 462,046	\$ 249,168
Reconciliation of Net Income - Budget Basis to Net Income - GAAP Basis:				
Capital Outlay	274,025			
Debt repayment	193,604			
Depreciation Expense	(465,173)			
Net Income - GAAP Basis	\$ 713,670			