

CENTER SANITATION DISTRICT

FINANCIAL STATEMENTS

December 31, 2023



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

CENTER SANITATION DISTRICT
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Center Sanitation District
Center, Colorado

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the District, as of December 31, 2023, and the respective changes 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 Auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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,

Certified Public Accountants

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intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The proprietary fund budgetary comparison schedule is presented for purposes of additional analysis and is 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the proprietary fund budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

May 31, 2024

CENTER SANITATION DISTRICT

BASIC FINANCIAL STATEMENTS

CENTER SANITATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

ASSETS

Current Assets

Cash and Cash Equivalents	\$	434,002
Accounts Receivable		111,295
Property Tax Receivable		32,592
Lease Receivable		128,803
Due From Other Governments		106,004
Total Current Assets		812,696

Noncurrent Assets

Lease Receivable		1,245,672
Capital Assets		
Capital Assets not being depreciated		35,766
Capital Assets being depreciated, net		15,287,785
Total Capital Assets		15,323,551

TOTAL ASSETS

17,381,919

LIABILITIES

Current Liabilities

Accounts Payable		(5,076)
Accrued Interest		4,648
Unearned Revenue		102,400
Due to State		25,000
Loans Payable - Current Portion		213,797
Total Current Liabilities		340,769

Noncurrent Liabilities

Due to State		50,000
Loans Payable		5,108,616
Total Noncurrent Liabilities		5,158,616

TOTAL LIABILITIES

5,499,385

DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue - Property Taxes		32,592
Unavailable Revenue - Leases		1,374,475
		1,407,067

TOTAL DEFERRED INFLOWS OF RESOURCES

1,407,067

NET POSITION

Net Investment in Capital Assets		10,001,138
Unrestricted		474,329
		10,475,467

TOTAL NET POSITION

\$ 10,475,467

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

CENTER SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For the Year Ended December 31, 2023

OPERATING REVENUES	
User Fees	\$ 810,454
Lease Revenue	122,703
Miscellaneous	2,468
	935,625
Total Operating Revenues	
OPERATING EXPENSES	
Administration	124,159
System Maintenance	369,588
Plant Maintenance	85,176
Depreciation Expense	295,030
	873,953
Total Operating Expenses	
OPERATING INCOME (LOSS)	61,672
NON-OPERATING REVENUES (EXPENSES)	
Property Taxes	31,991
Specific Ownership Taxes	5,048
Grant Revenue	38,860
Loss on Disposal	(80,206)
Interest Revenue	58
Interest Income From Leases	71,087
Interest and Other Expense	(98,861)
	(32,023)
Total Non-Operating Revenues (Expenses)	
CHANGE IN NET POSITION	29,649
NET POSITION, Beginning of Year	10,445,818
NET POSITION, End of Year	\$ 10,475,467

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

CENTER SANITATION DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 747,524
Cash received from others	2,468
Cash received from leases	122,703
Cash paid to employees	(13,702)
Cash paid to suppliers	(516,752)
	342,241
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from taxes	37,039
	37,039
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(119,177)
Grant Proceeds	141,260
Interest Received on Leases	71,087
Principal payments on Loans	(179,132)
Interest and Other Payments on Loans	(96,932)
	(182,894)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	58
	58
Net Increase (Decrease) in Cash and Cash Equivalents	196,444
Cash and Cash Equivalents, Beginning of Year	237,558
	237,558
Cash and Cash Equivalents, End of Year	\$ 434,002
OPERATING INCOME (LOSS)	
	\$ 61,672
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	295,030
Change in Assets and Liabilities	
(Increase) decrease in accounts receivable	(3,894)
(Increase) decrease in due from other governments	(59,036)
Increase (decrease) in accounts payable	(24,073)
Increase (decrease) in due to state	75,000
Increase (decrease) in accrued payroll liabilities	(2,458)
	(114,451)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 342,241

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

CENTER SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Center Sanitation District (the District) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

The District was formed December 7, 1948 and is governed by a five-member elected Board of Directors. The District provides sanitation services for portions of both Saguache and Rio Grande Counties.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District.

Based on the aforementioned criteria, the Center Sanitation District has no component units.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are from user charges. Operating expenses for proprietary funds include the cost of operating, financing, and maintaining the District's sanitation systems and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

CENTER SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

ASSETS, LIABILITIES AND NET POSITION

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15, or in full on April 30. The County Treasurer bills and collects all property taxes for the District. Property taxes revenue is recognized by the District to the extent they result in a current receivable.

The 2023 property tax levy due January 1, 2024 has been recorded in the financial statements as a receivable and in a corresponding deferred inflow of resources account.

Capital Assets

Capital assets include land, buildings, machinery and equipment and sewer system. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and a useful life of more than 1 year. Depreciation is computed on a straight-line basis over the estimated useful life of the assets. Estimated useful lives range from five to seventy-five years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. GASB No. 34 requires the District to report and depreciate new infrastructure assets.

Compensated Absences

The District's policy is to require employees to use vacation time within twelve months of earning the benefit. Sick leave is available for use during the following year; however, no sick leave benefits are payable upon termination. Therefore, no liability is reported for unpaid accumulated sick leave.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

CENTER SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the District considers restricted funds to have been spent first.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Leases

Leases are defined by the general government as the right to use an underlying asset. As a lessor, the District recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and the deferred inflow of resources at the beginning of the lease term. Periodic amortization of the discount on the receivable is reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows based on the percentage of cash flows of the total deferred inflow.

New Accounting Pronouncements

During fiscal year 2023, the District adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangement (SBITA)*, that establishes that a SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in exchange or exchange-like transaction. This standard requires governmental entities to record a subscription liability and an intangible right-to-use subscription asset for those contracts for the subscription term. This standard does not have a material effect on the financial statements of the District.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows the procedures outlined in the Financial Management Manual – A Guide for Colorado Local Governments – when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 1 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.
- 5) Ordinance to adopt supplemental appropriations

Formal budgetary integration is employed as a management control device for all funds of the District. The District prepares their budget following Colorado Statutes. The proprietary fund budget is adopted using the same accounting methods as governmental fund types; this procedure follows Colorado State Statute, but is not in accordance with GAAP. The total expenditures cannot exceed the budgeted amount unless a supplemental appropriation is adopted. There were supplemental appropriations during 2023.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget, if applicable.

CENTER SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

Stewardship

Total expenditures exceeded budgeted appropriations by \$150. This may be a violation of Colorado Revised State Statute.

NOTE 3 CASH AND DEPOSITS

CASH AND DEPOSITS

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

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

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. As of December 31, 2023, \$54,145 of the District's bank balance of \$497,246 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

NOTE 4 CAPITAL ASSETS

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

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
<i>Business-Type Activities</i>				
Capital assets not being depreciated				
Construction in Progress	\$ 12,664,250	\$ -	\$ (12,664,250)	\$ -
Land	35,766	-	-	35,766
Total capital assets not being depreciated	<u>12,700,016</u>	<u>-</u>	<u>(12,664,250)</u>	<u>35,766</u>
Capital assets being depreciated				
Buildings and Collection System	5,100,720	12,772,307	(342,423)	17,530,604
Machinery and Equipment	131,605	11,120	(9,014)	133,711
Sewer System	611,820	-	-	611,820
Total capital assets being depreciated	<u>5,844,145</u>	<u>12,783,427</u>	<u>(351,437)</u>	<u>18,276,135</u>
Less accumulated depreciation for:				
Buildings and Collection System	(2,389,110)	(118,027)	262,217	(2,164,714)
Machinery and Equipment	(106,365)	(6,493)	9,014	(103,843)
Sewer System	(469,076)	(170,510)	-	(639,587)
Total accumulated depreciation	<u>(2,964,551)</u>	<u>(295,030)</u>	<u>271,231</u>	<u>(2,988,350)</u>
Total Capital Assets being depreciated, net	<u>2,879,594</u>	<u>12,488,397</u>	<u>(80,206)</u>	<u>15,287,785</u>
<i>Business-Type Activities</i>				
<i>Capital Assets, Net</i>	<u>\$ 15,579,610</u>	<u>\$ 12,488,397</u>	<u>\$ (12,744,456)</u>	<u>\$ 15,323,551</u>

CENTER SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

With the completion of the new wastewater utility plant in 2023, the prior plant was permanently closed and dismantled. The net book value of the plant upon disposal was \$80,206.

NOTE 5 LEASE RECEIVABLE

The District entered into an operating lease with Idaho-Pacific Colorado Corporation (the Corporation) on June 13, 2005, whereby the Corporation will lease an agricultural wastewater treatment plant and associated equipment and influent and effluent piping systems from the District for a term of five years beginning September 15, 2005. The tenant is responsible for the payment of utilities. On September 20, 2017, the District and the Corporation signed a lease amendment to extend the lease until September 1, 2027.

During 2005, the District ceased operating the agricultural wastewater treatment facility. The operation of the plant was transferred to the Idaho-Pacific Colorado Corporation. The Corporation pays the District a monthly lease fee that covers the monthly principal and interest payments on the loans from the San Luis Valley Development Resources Group, see also Note 6 Long-Term Debt. The District continues to operate the domestic wastewater plant.

Lease revenue and interest income from leases totaled \$193,790 for the year ended December 31, 2023. The carrying amount of the property under lease as of December 31, 2023 was \$932,938. The SLVDRG Loan from 1998 discussed in Note 6 is related to this property. At December 31, 2023, the outstanding balance of this note was \$245,963. The SLVDRG Loan from 2017 is also related to this property. At December 31, 2023, the outstanding balance of this note is \$1,102,008.

The following is the lease receivable schedule as of December 31, 2023:

	Principal	Interest	Total
2024	\$ 128,803	\$ 64,895	\$ 193,698
2025	134,285	58,422	192,707
2026	141,060	51,648	192,708
2027	970,327	34,086	1,004,413
Total	\$ 1,374,475	\$ 209,051	\$ 1,583,526

NOTE 6 LONG-TERM DEBT

Changes in Long-term Debt

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023	Due Within One Year
<i>Business-Type Activities</i>					
SLV DRG Loan (1998)	\$ 294,563	\$ -	\$ 48,600	\$ 245,963	\$ 48,600
SLV DRG Loan (2017)	1,189,053	-	87,045	1,102,008	92,485
USDA Loan - 2023A Series	1,855,000	-	17,233	1,837,767	30,381
USDA Loan - 2023B Series	2,161,000	-	24,325	2,136,675	42,331
Total	\$ 5,499,616	\$ -	\$ 177,203	\$ 5,322,413	\$ 213,797

CENTER SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

SAN LUIS VALLEY DEVELOPMENT RESOURCES GROUP – LOANS

In 1998, the District received a \$1,458,000 loan from the San Luis Valley Development Resources Group (SLVDRG). This loan assisted with the construction of an agricultural wastewater facility and the construction of collection lines. The face of the loan carries a 0% interest rate, and the loan is for a term of 30 years. Payments of \$4,050 are made monthly.

In 2017, the District received an additional \$1,530,000 loan which includes a \$30,000 origination fee from SLVDRG. This loan assisted with the Idaho Pacific Corporation expansion. The loan carries a 5% interest rate, and the loan is for a term of 10 years. Interest only payments of \$6,375 were made monthly beginning January 2018 for the first six months. Beginning July 2018, monthly payments of principal and interest are \$12,099.

	Principal	Interest	Total
2024	\$ 141,085	\$ 52,708	\$ 193,793
2025	145,817	48,580	194,397
2026	150,791	43,001	193,792
2027	855,848	37,774	893,622
2028	54,430	-	54,430
Total	\$ 1,347,971	\$ 182,063	\$ 1,530,034

UNITED STATES DEPARTMENT OF AGRICULTURE – LOANS

The District entered into a contract dated September 23, 2019 with the United States Department of Agriculture for a \$1,855,000 loan. The contract calls for the loan proceeds to be received as reimbursement of expenses incurred during completion of the wastewater collection system improvements project. The loan is repayable over 40 years at an interest rate of 2.125% with final payment due in 2063. Payments of \$5,751 are made monthly with repayments beginning June 2023.

The annual requirements to amortize the loan payable as of December 31, 2023 are as follows:

	Principal	Interest	Total
2024	\$ 30,381	\$ 38,631	\$ 69,012
2025	31,032	37,980	69,012
2026	31,698	37,314	69,012
2027	32,379	36,633	69,012
2028	33,073	35,939	69,012
2029-2033	175,612	168,738	344,350
2034-2038	196,069	148,991	345,060
2039-2043	218,027	127,033	345,060
2044-2048	242,446	102,614	345,060
2049-2053	269,598	75,462	345,060
2054-2058	299,792	45,268	345,060
2059-2063	277,660	12,215	289,875
Total	\$ 1,837,767	\$ 866,818	\$ 2,704,585

CENTER SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

The District entered into a contract dated February 16, 2021 with the United States Department of Agriculture for a \$2,161,000 loan. The contract calls for the loan proceeds to be received as reimbursement of expenses incurred during completion of the wastewater collection system improvements project. The loan is repayable over 40 years at an interest rate of 1.250% with final payment due in 2063. Payments of \$5,727 are made monthly with repayments beginning June 2023.

The annual requirements to amortize the loan payable as of December 31, 2023 is as follows:

	Principal	Interest	Total
2024	\$ 42,331	\$ 26,393	\$ 68,724
2025	42,863	25,861	68,724
2026	43,402	25,322	68,724
2027	43,947	24,777	68,724
2028	44,500	24,224	68,724
2029-2033	231,033	112,587	343,620
2034-2038	245,925	97,695	343,620
2039-2043	261,778	81,842	343,620
2044-2048	278,652	64,968	343,620
2049-2053	296,614	47,006	343,620
2054-2058	315,733	27,887	343,620
2059-2063	289,897	7,746	297,643
Total	\$2,136,675	\$ 581,948	\$ 2,702,983

NOTE 7 TABOR EMERGENCY RESERVE

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 has received above the 10% of its annual revenue in grants. The District met the criteria for designation as an enterprise for fiscal years 2023, 2020, 2019, and 2017 with the exception of 2022, 2021, and 2018. The District is expected to continue meeting the criteria for enterprise status.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. During 2005 the voters of the District approved a measure, which allows the District to retain and spend revenue in excess of the limit.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending. This Emergency Reserve has been presented as a restricted net position in the Statement of Net Position. The entity is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by commercial insurance

CENTER SANITATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Penalty Assessment

The Colorado Department of Public Health & Environment assessed a \$75,000 penalty related to non-compliance with the permit for the District's sewer lagoons. The District was unable to mitigate this assessment and will make annual payments of \$25,000 beginning January 31, 2024 through 2026.

CENTER SANITATION DISTRICT
SUPPLEMENTARY INFORMATION

CENTER SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL -PROPRIETARY FUND - NON GAAP
For the Year Ended December 31, 2023

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
OPERATING REVENUE				
User Fees	\$ 810,692	\$ 723,703	\$ 810,454	\$ 86,751
Lease Revenue	193,793	136,584	122,703	(13,881)
Miscellaneous	-	-	2,468	2,468
Total Operating Revenues	<u>1,004,485</u>	<u>860,287</u>	<u>935,625</u>	<u>75,338</u>
OPERATING EXPENSES				
Administration	103,184	49,951	124,159	(74,208)
System Maintenance	410,145	376,629	369,588	7,041
Plant Maintenance	122,892	90,832	85,176	5,656
Total Operating Expenses	<u>636,221</u>	<u>517,412</u>	<u>578,923</u>	<u>(61,511)</u>
OPERATING INCOME (LOSS)	<u>368,264</u>	<u>342,875</u>	<u>356,702</u>	<u>13,827</u>
NON-OPERATING REVENUES (EXPENSES)				
Property Taxes	-	-	31,991	31,991
Specific Ownership Taxes	32,995	14,356	5,048	(9,308)
Grant Revenue	-	102,400	38,860	(63,540)
Loan Principal	(128,227)	(136,584)	(177,203)	(40,619)
Interest Revenue	-	57,330	58	(57,272)
Interest Income From Leases	-	-	71,087	76,978
Interest and Other Expense	(206,295)	(200,841)	(98,861)	101,980
Total Non-Operating Revenues (Expenses)	<u>(301,527)</u>	<u>(163,339)</u>	<u>(129,020)</u>	<u>40,210</u>
Net Income (Loss) - Budget Basis	<u>66,737</u>	<u>179,536</u>	<u>227,682</u>	<u>54,037</u>
Add: Loan Principal			177,203	
Less: Loss on Disposal			(80,206)	
Depreciation Expense			<u>(295,030)</u>	
CHANGE IN NET POSITION			29,649	
NET POSITION, Beginning of Year	<u>268,655</u>	<u>237,692</u>	<u>10,445,818</u>	<u>10,208,126</u>
NET POSITION, End of Year	<u>\$ 335,392</u>	<u>\$ 417,228</u>	<u>\$ 10,475,467</u>	<u>\$ 10,058,239</u>