

**CITY OF CHERRY HILLS VILLAGE
SANITATION DISTRICT
Arapahoe County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

Table of Contents

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | I |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | IV |
| BASIC FINANCIAL STATEMENTS | |
| Statements of Net Position | 1 |
| Statements of Revenues, Expenses and Changes in Fund Net Position | 2 |
| Statements of Cash Flows | 3 |
| Notes to Financial Statements | 4 |
| SUPPLEMENTAL INFORMATION | |
| Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis) – Enterprise Fund | 15 |
| Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Fund Net Position | 16 |



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Independent Auditor's Report

Board of Directors
City of Cherry Hills Village
Sanitation District
Arapahoe County, Colorado

Opinion

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

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

Basis for Opinion

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 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.

Responsibility 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 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 Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
April 8, 2024

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2023 and 2022**

Our discussion and analysis of the City of Cherry Hills Village Sanitation District's financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2023 and 2022. Please read it in conjunction with the District's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- Transmission Fees collected in 2023 were \$620,517. Sewer Treatment Fees collected in 2023 were \$481,606 which includes \$472,555 of fees collected and retained by the City of Englewood.
- During 2023, eleven additional taps were sold resulting in \$255,920 in tap fees.
- Investment income was \$327,695 which includes a positive adjustment to fair value of \$43,933.
- Excluding sewer treatment fees to Englewood and depreciation expense, the District ended 2023 with operating expenses of \$588,027.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Fund Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Non-financial factors should also be considered to assess the overall position of the District.

The Statement of Revenues, Expenses and Changes in Fund Net Position reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise of the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The Statement of Cash Flows, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four potential sections on the statement: 1) cash flows from operating activities, 2) cash flows from capital financing activities, 3) cash flows from noncapital financing activities, and 4) cash flows from investing activities.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2023 and 2022**

FINANCIAL SUMMARY AND ANALYSIS

As noted earlier, net position may serve as a useful indicator of the District's financial position. In the District's case, net position as of December 31, 2023 and 2022 was \$11,965,751 and \$11,418,091, respectively. The District's current assets decreased from 2022 to 2023 by \$668,947. This is due to the District's positive change in net position which increased cash and investment holdings as of December 31, 2023 which was offset by the current year capital asset additions of \$1,324,539. The change in capital assets is due to depreciation of \$107,496 taken in 2023 and capital asset additions of \$1,324,539. The District's current assets increased from 2021 to 2022 by \$227,388. This is due to the District's positive change in net position which increased cash and investment holdings as of December 31, 2022 more than the amount used for the current year capital asset additions of \$118,480. The change in capital assets is due to depreciation of \$106,863 taken in 2022 and capital asset additions of \$118,480. Approximately 64% and 73%, respectively of the District's assets as of December 31, 2023 and 2022 consist of cash and investments and current receivables. The remaining assets represent the historical cost of the sewer system net of accumulated depreciation.

The increase in current liabilities from 2023 to 2022 is a result of the timing of payments to vendors.

NET POSITION

| | December 31, | | |
|--------------------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2021 |
| ASSETS | | | |
| Current assets | \$ 7,622,898 | \$ 8,291,845 | \$ 8,064,457 |
| Capital assets | 4,346,134 | 3,129,091 | 3,117,474 |
| Total assets | <u>11,969,032</u> | <u>11,420,936</u> | <u>11,181,931</u> |
| LIABILITIES | | | |
| Current liabilities | 3,281 | 2,845 | 3,385 |
| Total liabilities | <u>3,281</u> | <u>2,845</u> | <u>3,385</u> |
| NET POSITION | | | |
| Net invested in capital assets | 4,346,134 | 3,129,091 | 3,117,474 |
| Unrestricted | 7,619,617 | 8,289,000 | 8,061,072 |
| Total net position | <u>\$ 11,965,751</u> | <u>\$ 11,418,091</u> | <u>\$ 11,178,546</u> |

Sewer service fees have fluctuated over the past year two years due to changes in usage. From 2022 to 2023, the District's sewer transmission fees increased by \$11,965 due primarily to increases in commercial usage. The sewer treatment fees billed and collected by the City of Englewood increased by \$39,348 from 2022 to 2023 as a result of increased flows.

Fluctuations in net investment income are primarily due to market fluctuations affecting interest rates and fair values of investments. During the year ended December 31, 2023, the District had a positive fair value adjustment of \$43,933. During the year ended December 31, 2022, the District had a negative change in fair value of \$53,141.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2023 and 2022**

From 2022 to 2023, District operating expenses, excluding wastewater treatment expenses retained by the City of Englewood and depreciation expense, increased by \$10,768 primarily as a result of an overall increase in repairs and maintenance costs. The District performed additional sewer line cleaning and root removal in 2023.

From 2021 to 2022, District operating expenses, excluding wastewater treatment expenses retained by the City of Englewood and depreciation expense, increased by \$121,804 primarily as a result of an overall increase in repairs and maintenance costs. The District performed several capital remove and replacement projects in 2022.

CHANGES IN NET POSITION

| | Years Ended December 31, | | |
|---|---------------------------------|----------------------|----------------------|
| | 2023 | 2022 | 2021 |
| REVENUES | | | |
| OPERATING REVENUE | | | |
| Sewer service fees | \$ 1,102,123 | \$ 1,069,988 | \$ 1,102,146 |
| NONOPERATING REVENUE | | | |
| Net investment income | 327,695 | 22,426 | 4,650 |
| Total nonoperating revenue | 327,695 | 22,426 | 4,650 |
| CAPITAL CONTRIBUTIONS | 255,920 | 234,460 | 177,000 |
| Total revenues | <u>1,685,738</u> | <u>1,326,874</u> | <u>1,283,796</u> |
| EXPENSES | | | |
| Operating expenses | 1,138,078 | 1,087,329 | 1,103,519 |
| Total expenses | <u>1,138,078</u> | <u>1,087,329</u> | <u>1,103,519</u> |
| CHANGE IN NET POSITION | 547,660 | 239,545 | 180,277 |
| NET POSITION - BEGINNING OF YEAR | 11,418,091 | 11,178,546 | 10,998,269 |
| NET POSITION - END OF YEAR | <u>\$ 11,965,751</u> | <u>\$ 11,418,091</u> | <u>\$ 11,178,546</u> |

CAPITAL ASSETS

The District's investment in capital assets at December 31, 2023 amounts to \$4,346,134 (net of accumulated depreciation). The District's capital assets at December 31, 2022 were \$3,129,091 (net of accumulated depreciation). This investment in capital assets includes the value of the existing sewer system.

In 2023, there were increases in the District's capital assets for removal and replacement projects that were started in 2021 and completed in 2023.

In 2022, there were increases in the District's capital assets for removal and replacement projects that were started in 2021. The projects are expected to be completed in 2023.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2023 and 2022**

ECONOMIC FACTORS AND RATES

The District acknowledges the risks to its operations occasioned by reducing revenues and increasing operating costs and that, if appropriate action is not taken and economic conditions continue, the District's reserves for capital will likely be insufficient to defray long term capital, operation and maintenance requirements. The District did increase sewer transmission rates for all classes to help to offset the increasing costs for repairs and replacements.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of Cherry Hills Village Sanitation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Administrator at 3333 S. Bannock Street, Suite 360, Englewood, Colorado 80110.

BASIC FINANCIAL STATEMENTS

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 651,340 | \$ 745,122 |
| Investments | 6,918,172 | 7,500,434 |
| Accounts receivable | 14,562 | 5,089 |
| Accrued interest receivable | 38,824 | 41,200 |
| Total current assets | 7,622,898 | 8,291,845 |
| CAPITAL ASSETS | | |
| Easements | 253,121 | 253,121 |
| Sewer system | 9,368,340 | 7,926,121 |
| Geographic information system | 94,303 | 94,303 |
| Connecting sewer systems | 140,347 | 140,347 |
| Construction in progress | - | 117,680 |
| | 9,856,111 | 8,531,572 |
| Less accumulated depreciation | (5,509,977) | (5,402,481) |
| Total capital assets, net | 4,346,134 | 3,129,091 |
| TOTAL ASSETS | \$ 11,969,032 | \$ 11,420,936 |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts and retainage payable | \$ 3,281 | \$ 2,845 |
| Total current liabilities | 3,281 | 2,845 |
| NET POSITION | | |
| Net investment in capital assets | 4,346,134 | 3,129,091 |
| Unrestricted | 7,619,617 | 8,289,000 |
| Total net position | 11,965,751 | 11,418,091 |
| TOTAL LIABILITIES AND NET POSITION | \$ 11,969,032 | \$ 11,420,936 |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2023 and 2022**

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| OPERATING REVENUE | | |
| Wastewater transmission fees | \$ 570,861 | \$ 558,896 |
| Wastewater treatment fees - Englewood | 472,555 | 433,207 |
| Hillcrest treatment and transmission | 55,219 | 74,447 |
| Miscellaneous revenue | 3,488 | 3,438 |
| Total operating revenue | <u>1,102,123</u> | <u>1,069,988</u> |
| OPERATING EXPENSES | | |
| Accounting and audit | 6,436 | 6,412 |
| District Administrator/Operator | 284,790 | 288,360 |
| Vehicle allowance | 12,000 | 12,000 |
| Directors' fees | 2,400 | 1,900 |
| Certified operator | 1,200 | 1,200 |
| Insurance | 10,748 | 9,939 |
| Legal | 33,056 | 23,787 |
| Election | 65 | 106 |
| Consultant | 1,400 | 2,000 |
| Training | 715 | 685 |
| Miscellaneous | 7,635 | 8,231 |
| Office | 29,469 | 28,219 |
| Service agreement fees | 13,620 | 24,320 |
| Engineering and inspection | 17,408 | 11,978 |
| GIS system maintenance | 3,761 | 400 |
| Maintenance and repairs | 133,324 | 127,722 |
| Sewer treatment fees - Englewood | 472,555 | 433,207 |
| Depreciation | 107,496 | 106,863 |
| Total operating expenses | <u>1,138,078</u> | <u>1,087,329</u> |
| Gain/(Loss) from operations | <u>(35,955)</u> | <u>(17,341)</u> |
| NONOPERATING REVENUE (EXPENSES) | | |
| Net investment income | 327,695 | 22,426 |
| Total nonoperating revenue (expenses) | <u>327,695</u> | <u>22,426</u> |
| GAIN BEFORE CAPITAL CONTRIBUTIONS | <u>291,740</u> | <u>5,085</u> |
| CAPITAL CONTRIBUTIONS | | |
| Tap fees | 255,920 | 234,460 |
| Total capital contributions | <u>255,920</u> | <u>234,460</u> |
| CHANGE IN NET POSITION | 547,660 | 239,545 |
| NET POSITION - BEGINNING OF YEAR | 11,418,091 | 11,178,546 |
| NET POSITION - END OF YEAR | <u>\$ 11,965,751</u> | <u>\$ 11,418,091</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022**

| | 2023 | 2022 |
|--|-------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 620,095 | \$ 636,774 |
| Cash paid to vendors | (554,755) | (547,259) |
| Net cash provided by operating activities | 65,340 | 89,515 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Capital contributions - tap fees received | 255,920 | 234,460 |
| Capital asset additions | (1,327,375) | (119,020) |
| Net cash provided (required) by capital financing activities | (1,071,455) | 115,440 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Maturity of investments | 2,404,000 | 10,615,000 |
| Purchases of investments | (1,724,042) | (12,195,293) |
| Interest received | 232,375 | 52,600 |
| Net cash provided (required) by investing activities | 912,333 | (1,527,693) |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (93,782) | (1,322,738) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 745,122 | 2,067,860 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 651,340 | \$ 745,122 |
| RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES | | |
| Net operating loss | \$ (35,955) | \$ (17,341) |
| Adjustments to reconcile loss from operations to net cash required by operating activities: | | |
| Depreciation | 107,496 | 106,863 |
| Effects of changes in operating assets and liabilities: | | |
| Accounts receivable | (9,473) | (7) |
| Accounts payable | 3,272 | - |
| Net cash provided (required) by operating activities | \$ 65,340 | \$ 89,515 |

Cash flows from operating activities do not include \$472,555 for 2023 and \$433,207 for 2022 in service fee revenue and sewage treatment expense which are collected and retained by the City of Englewood.

Cash flows from investing activities do not include a positive fair value adjustment of \$43,933 for 2023 and a negative fair value adjustment of \$(53,141) for 2022.

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

NOTE 1 – DEFINITION OF REPORTING ENTITY

City of Cherry Hills Village Sanitation District (District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District was established to provide sanitation services to property within its service area, which is primarily within the City of Cherry Hills Village (City). The City has no oversight responsibilities over the District (see Note 6).

The District has no employees and all operations and administrative functions are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The more significant accounting policies of the District are described as follows:

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenses for capital improvements are shown as increases in assets. Tap fees are recorded as capital contributions when received.

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Restricted resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation resolution can only be modified upon completion of notification and publication requirements.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets:

| | |
|---------------------------------------|----------|
| Sewer system (see Note 4) | 50 years |
| Geographic Information system | 7 years |
| Connecting sewer systems (see Note 6) | 20 years |

Capital Contributions

Tap fees, net of the fees payable to connector districts (Note 6), are recorded as capital contributions when received.

Grants or contracts received from other governments for capital outlay are recognized as capital contributions as the expenditures are incurred.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

Reclassifications

For comparability, certain 2022 amounts have been reclassified where appropriate to conform with the 2023 financial statement presentation.

Designated Net Position

In furtherance of the purposes of depreciation and reserves for replacement to pay for the deterioration of facilities over time, the District has set aside some of its net position to ensure that adequate funds are available to replace existing facilities as they fail. Based upon an analysis of the District's replacement needs for the system completed by the District's engineer in 2014, the District's entire unrestricted net position balance of \$7,619,617 as of December 31, 2023 and \$8,289,000 as of December 31, 2022 has been designated to be used for such future facility replacement.

NOTE 3 – CASH AND INVESTMENTS

Cash and cash equivalents are reflected for the December 31, 2023 and 2022 are classified in the accompanying financial statements as follows:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 651,340 | \$ 745,122 |
| Investments | 6,918,172 | 7,500,434 |
| Total cash and cash equivalents and investments | <u>\$ 7,569,512</u> | <u>\$ 8,245,556</u> |

Cash deposits as of December 31, 2023 and 2022 consist of the following:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|-------------------|-------------------|
| Deposits with Financial Institutions | <u>\$ 422,804</u> | <u>\$ 373,428</u> |

Cash Deposits – Custodial Credit Risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. 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 (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

At December 31, 2023, the District's cash deposits had a bank balance of \$448,982 and carrying balance of \$422,804. At December 31, 2022, the District's cash deposits had a bank balance of \$411,958 and carrying balance of \$373,428.

Investments

On January 9, 2012, the District adopted a formal investment policy, specifying the principal investment objectives of the District and standards of prudence to be used for managing the District's assets. The policy stipulates that all investments shall conform to State law.

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

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

Investments as of December 31, 2023 and 2022 consist of the following:

| | 2023 | 2022 |
|-----------------------------|--------------|--------------|
| Money Market Mutual Fund | \$ 228,536 | \$ 371,694 |
| U.S. Treasury Bills / Notes | 6,918,172 | 7,500,434 |
| Total investments | \$ 7,146,708 | \$ 7,872,128 |

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

The valuation of the District's investments are as follows at December 31, 2023:

| | Carrying Amount | Level 1 Inputs |
|--|----------------------------|---------------------------|
| Investments measured at fair value: | | |
| U.S. Treasury Bills / Notes | \$ 6,918,172 | \$ 6,918,172 |
| Total investments at fair value | 6,918,172 | \$ 6,918,172 |
| Investments measured at NAV: | | |
| Schwab Government Money Fund | 228,536 | |
| Total investments at NAV | 228,536 | |
| Total investments | \$ 7,146,708 | |

The valuation of the District's investments are as follows at December 31, 2022:

| | Carrying Amount | Level 1 Inputs |
|--|----------------------------|---------------------------|
| Investments measured at fair value: | | |
| U.S. Treasury Bills / Notes | \$ 7,500,434 | \$ 7,500,434 |
| Total investments at fair value | 7,500,434 | \$ 7,500,434 |
| Investments measured at NAV: | | |
| Schwab Government Money Fund | 371,694 | |
| Total investments at NAV | 371,694 | |
| Total investments | \$ 7,872,128 | |

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Revenue bonds of U.S. local governments, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

Interest rate risk is the risk that market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the District's investments by maturity.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

The District held the following investments as of December 31, 2023:

| <u>Investment Type</u> | <u>Amount</u> | <u>Maturity</u> |
|-----------------------------|---------------------|-----------------------|
| Money Market Mutual Fund | \$ 228,536 | Weighted avg. 46 days |
| U.S. Treasury Bills / Notes | <u>6,918,172</u> | Mature in 2023-2025 |
| Total investments | <u>\$ 7,146,708</u> | |

The District held the following investments as of December 31, 2022:

| <u>Investment Type</u> | <u>Amount</u> | <u>Maturity</u> |
|-----------------------------|---------------------|-----------------------|
| Money Market Mutual Fund | \$ 371,694 | Weighted avg. 46 days |
| U.S. Treasury Bills / Notes | <u>7,500,434</u> | Mature in 2022-2023 |
| Total investments | <u>\$ 7,872,128</u> | |

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2023 and 2022, the District's demand deposits and negotiable certificates of deposit are insured by FDIC and PDPA.

The District has invested in the Schwab Government Money Fund, a money market mutual fund, which invest in U.S. Government securities and other obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities. As of December 31, 2023 and 2022, the Schwab Government Money Fund was not rated.

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer. Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures* require the District to disclose investments in single issuers (other than U.S. Government securities) that exceed five percent (5%) of the District's entire investment portfolio. At December 31, 2023 and 2022, the District had no applicable investments exceeding the 5% limit.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

NOTE 4 - CAPITAL ASSETS

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

| | Balance at January 1, 2023 | Increases | Decreases | Balance at December 31, 2023 |
|--|---|----------------------------|--------------------------|---|
| Capital assets not being depreciated | | | | |
| Easements | \$ 253,121 | \$ - | \$ - | \$ 253,121 |
| Construction in progress | 117,680 | - | 117,680 | - |
| Total capital assets, not being depreciated | <u>370,801</u> | <u>-</u> | <u>117,680</u> | <u>253,121</u> |
| Capital assets, being depreciated: | | | | |
| Sewer system | 7,926,121 | 1,442,219 | - | 9,368,340 |
| Geographic information system | 94,303 | - | - | 94,303 |
| Connecting sewer systems | 140,347 | - | - | 140,347 |
| Total capital assets being depreciated | <u>8,160,771</u> | <u>1,442,219</u> | <u>-</u> | <u>9,602,990</u> |
| Less accumulated depreciation for: | | | | |
| Sewer system | 5,241,770 | 104,905 | - | 5,346,675 |
| Geographic information system | 94,303 | - | - | 94,303 |
| Connecting sewer systems | 66,408 | 2,591 | - | 68,999 |
| Total accumulated depreciation | <u>5,402,481</u> | <u>107,496</u> | <u>-</u> | <u>5,509,977</u> |
| Net capital assets being depreciated | <u>2,758,290</u> | <u>1,334,723</u> | <u>-</u> | <u>4,093,013</u> |
| Total capital assets, net | <u><u>\$ 3,129,091</u></u> | <u><u>\$ 1,334,723</u></u> | <u><u>\$ 117,680</u></u> | <u><u>\$ 4,346,134</u></u> |

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**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

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

| | Balance at January 1, 2021 | Increases | Decreases | Balance at December 31, 2022 |
|--|---|------------------|------------------|---|
| Capital assets not being depreciated | | | | |
| Easements | \$ 253,121 | \$ - | \$ - | \$ 253,121 |
| Construction in progress | 30,859 | 86,821 | - | 117,680 |
| Total capital assets, not being depreciated | <u>283,980</u> | <u>86,821</u> | <u>-</u> | <u>370,801</u> |
| Capital assets, being depreciated: | | | | |
| Sewer system | 7,894,462 | 31,659 | - | 7,926,121 |
| Geographic information system | 94,303 | - | - | 94,303 |
| Connecting sewer systems | 140,347 | - | - | 140,347 |
| Total capital assets being depreciated | <u>8,129,112</u> | <u>31,659</u> | <u>-</u> | <u>8,160,771</u> |
| Less accumulated depreciation for: | | | | |
| Sewer system | 5,137,499 | 104,271 | - | 5,241,770 |
| Geographic information system | 94,303 | - | - | 94,303 |
| Connecting sewer systems | 63,816 | 2,592 | - | 66,408 |
| Total accumulated depreciation | <u>5,295,618</u> | <u>106,863</u> | <u>-</u> | <u>5,402,481</u> |
| Net capital assets being depreciated | <u>2,833,494</u> | <u>(75,204)</u> | <u>-</u> | <u>2,758,290</u> |
| Total capital assets, net | <u>\$ 3,117,474</u> | <u>\$ 11,617</u> | <u>\$ -</u> | <u>\$ 3,129,091</u> |

NOTE 5 - NET POSITION

The District's net position consists of two components – net investment in capital assets and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation. As of December 31, 2023 and 2022, the District had net investment in capital assets of \$4,346,134 and \$3,129,091, respectively.

Unrestricted net position consists of amounts that do not meet the definition of invested in capital assets or restricted. As of December 31, 2023 and 2022, the District had an unrestricted net position of \$7,619,617 and \$8,289,000, respectively.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

NOTE 6 – INTERGOVERNMENTAL SERVICE AGREEMENTS

Treatment and Transmission of Wastewater

City of Englewood

The original service contract with the City of Englewood (Englewood) was dated June 2, 1975. A new contract was entered into on May 12, 1997. Under the terms of the contracts, Englewood treats all District wastewater (except that which is treated under the agreement with Hillcrest Water and Sanitation District), bills District residents for this service and retains all billing collections. This contract extends for a period of three years with six automatic three-year renewals, unless either party gives six months' notice.

On March 4, 2019, the City and the District entered into a new contract for the Treatment and Transmission of Wastewater. The new contract was entered into as the 1997 contract expired in May 2019. The new contract extends for a period of 20 years with two automatic 20 year renewals, unless either party gives six months' notice. Total service fees billed were \$472,555 and \$433,207 for the years ended December 31, 2023 and 2022, respectively.

Transmission of Wastewater – Connector Agreements

City of Cherry Hills Village

An agreement dated April 15, 1977 originally with Cherryridge Water and Sanitation District (Cherryridge), provides for the connection and transmission of wastewater for approximately 140 taps through the lines of Cherryridge. Cherryridge was dissolved in 1995 with all rights and obligations under this contract being assigned to the City of Cherry Hills Village. This agreement extends for a period of twenty years, with five automatic ten-year renewal periods, unless notice of intent not to renew is given at least ninety days prior to the renewal period. No notice of intent has been received by the District.

City of Cherry Hills Village

An agreement dated October 10, 1977, originally with Cherrymoor South Water and Sanitation District (Cherrymoor), provides for the connection and transmission of wastewater for five single family taps through Cherrymoor's lines. Through October 9, 1997, Cherrymoor billed the District's customers directly for a maintenance and service charge. Effective February 1, 1998, the District is obligated to pay the greater of \$5.50 per month per tap or 150% of the current charge made to Cherrymoor users. In addition, the District is obligated to pay its prorated share of any major repair to or replacement of the connecting line. In 2001, Cherrymoor was dissolved with all rights and obligations under this contract being assigned to the City of Cherry Hills Village. The agreement expired on June 30, 2000 but has continued informally since that time.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

Country Homes Metropolitan District (Country Homes)

The first agreement dated March 12, 1981 provides for the connection and transmission of wastewater for one District tap at Lot 4, Block B, Cherry Hills Park, through Country Homes' lines. The agreement provides for annual charges based upon the property tax levy of County Homes and the assessed valuation of the properties within the District. The agreement has no termination date but continues informally.

The second agreement dated December 26, 1989 (as amended June 18, 1991) provides for the connection and transmission of wastewater for one District tap at Lot 8, Block B, Cherry Hills Park, through Country Homes' lines. The agreement provides for annual charges based upon the property tax levy of County Homes and the assessed valuation of the properties within the District. The agreement extends for a period of twenty years from the date stated above, with five automatic ten-year renewal periods unless notice of intent not to renew is given at least ninety days prior to the expiration of the renewal period.

South Englewood Sanitation District No. 1 (South Englewood)

An agreement dated September 9, 1995 and amended September 9, 2000, September 9, 2005, and September 9, 2010, provides for the extension of the connection and transmission agreement of wastewater through the South Englewood lines. The District is required to pay to South Englewood an annual service charge each year for the maximum of 27 allowable taps to be connected to the line. The amount of the service charge is reviewed every five years for reasonableness. The fee increased to \$2,050 in 2020. The agreement extends for a period of twenty years from the date stated above.

Hillcrest Water and Sanitation District (Hillcrest)

An agreement dated August 1, 1997 provides for the connection and transmission of sewage for 111 taps through the Hillcrest lines. The District paid Hillcrest \$111,000 in 1998 for the capacity of the 111 residential equivalent taps. Wastewater is transmitted through the Hillcrest lines to lines owned by Metropolitan Wastewater Reclamation District (Metro). The District pays Hillcrest for its equivalent share of treatment costs billed to Hillcrest by Metro. The District also pays for its equivalent share of repair and maintenance costs to the connecting lines of Hillcrest. The agreement continues for a period of thirty years, with five automatic ten-year renewal periods unless Hillcrest gives notice of intent not to renew at least ninety days prior to the expiration of any such period. During 1998, the District entered into a similar agreement with Hillcrest for up to nine additional residential equivalent taps. Payment of \$4,000 for such capacity was paid in 1999.

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022**

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage during the past three years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

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 its operations qualify for this exclusion.

NOTE 9 – CONSTRUCTION COMMITMENTS

As of December 31, 2023 and 2022, the District had unexpended construction related contract commitments of approximately \$0 and \$445,495, respectively.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
ENTERPRISE FUND
Year Ended December 31, 2023**

| | Original and Final Budgeted Amounts | Actual | Variance with Final Budget - |
|--|--|---------------------|---|
| OPERATIONS | | | |
| REVENUES | | | |
| Wastewater transmission fees - Englewood | \$ 568,250 | \$ 570,861 | \$ 2,611 |
| Wastewater transmission fees - Hillcrest | 48,941 | 49,656 | 715 |
| Wastewater treatment fees - Englewood | 475,000 | 472,555 | (2,445) |
| Wastewater treatment fees - Hillcrest | 5,420 | 5,563 | 143 |
| Other | - | 3,488 | 3,488 |
| Total Operating Revenues | <u>1,097,611</u> | <u>1,102,123</u> | <u>4,512</u> |
| EXPENDITURES | | | |
| Accounting and audit | 8,000 | 6,436 | 1,564 |
| District Administrator | 298,920 | 284,790 | 14,130 |
| Vehicle allowance | 12,000 | 12,000 | - |
| Directors' fees | 3,000 | 2,400 | 600 |
| Certified operator | 1,200 | 1,200 | - |
| Insurance | 11,000 | 10,748 | 252 |
| Legal | 25,000 | 33,056 | (8,056) |
| Election | 500 | 65 | 435 |
| Consultant | 2,000 | 1,400 | 600 |
| Training | 1,500 | 715 | 785 |
| Miscellaneous | 8,600 | 7,635 | 965 |
| Office rent | 22,000 | 20,718 | 1,282 |
| Office supplies | 4,500 | 5,255 | (755) |
| Telephone | 2,750 | 3,071 | (321) |
| Office equipment & software | 1,000 | 425 | 575 |
| Service agreement fees: | | | |
| Englewood transmission | - | 8,200 | (8,200) |
| Hillcrest wastewater treatment | 5,420 | 5,420 | - |
| Engineering and inspection | 10,000 | 17,408 | (7,408) |
| GIS system maintenance | 4,000 | 3,761 | 239 |
| Maintenance and repairs | 175,000 | 133,324 | 41,676 |
| Sewer treatment fees - Englewood | 475,000 | 472,555 | 2,445 |
| Contingency | 25,000 | - | 25,000 |
| Total Operating Expenditures | <u>1,096,390</u> | <u>1,030,582</u> | <u>65,808</u> |
| Gain from operations | <u>\$ 1,221</u> | <u>\$ 71,541</u> | <u>\$ 70,320</u> |
| CAPITAL | | | |
| REVENUES | | | |
| Tap fees | \$ 70,000 | \$ 255,920 | \$ 185,920 |
| Net investment income | 275,000 | 327,695 | 52,695 |
| Total Capital Revenues | <u>345,000</u> | <u>583,615</u> | <u>238,615</u> |
| EXPENDITURES | | | |
| Capital outlay - capitalizable and non-capitalizable | 1,300,000 | 1,324,539 | (24,539) |
| Total Capital Expenditures | <u>1,300,000</u> | <u>1,324,539</u> | <u>(24,539)</u> |
| Gain (loss) from capital | <u>\$ (955,000)</u> | <u>\$ (740,924)</u> | <u>\$ 214,076</u> |
| TOTAL REVENUES | <u>\$ 1,442,611</u> | <u>\$ 1,685,738</u> | <u>\$ 243,127</u> |
| TOTAL EXPENDITURES | <u>2,396,390</u> | <u>2,355,121</u> | <u>41,269</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(953,779)</u> | <u>(669,383)</u> | <u>284,396</u> |
| FUNDS AVAILABLE - BEGINNING OF YEAR | <u>7,713,491</u> | <u>8,289,000</u> | <u>575,509</u> |
| FUNDS AVAILABLE - END OF YEAR | <u>\$ 6,759,712</u> | <u>\$ 7,619,617</u> | <u>\$ 859,905</u> |

Funds available at December 31, 2023 is computed as follows:

| | |
|---------------------|---------------------|
| Current assets | \$ 7,622,898 |
| Current liabilities | (3,281) |
| | <u>\$ 7,619,617</u> |

**CITY OF CHERRY HILLS VILLAGE SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2023**

| | |
|---|--------------|
| Revenue (budgetary basis) | \$ 1,685,738 |
| Revenues per Statements of Revenues, Expenses and Changes in Fund Net Position | 1,685,738 |
| Expenditures (budgetary basis) | 2,355,121 |
| Depreciation | 107,496 |
| Capital outlay | (1,324,539) |
| Expenses per Statements of Revenues, Expenses and Changes in Fund Net Position | 1,138,078 |
| Change in net position per Statements of Revenues, Expenses and Changes in Fund Net Position | \$ 547,660 |