



***CORTEZ SANITATION DISTRICT***

***FINANCIAL STATEMENTS***

***AND***

***REQUIRED SUPPLEMENTARY INFORMATION***

***AND***

***SUPPLEMENTAL INFORMATION***

***WITH***

***INDEPENDENT AUDITORS' REPORT***

***DECEMBER 31, 2023***

**ERICKSON, BROWN & KLOSTER, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Cortez Sanitation District  
Cortez, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Cortez Sanitation District (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 governmental activities, the business-type activities, and each major fund of the District as of December, and the respective changes in financial position and, where applicable, 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, 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 Supplemental Information**

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

**Supplemental Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cortez Sanitation District's basic financial statements. The Budgetary Comparison Schedules 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 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Erickson, Brown & Kloster, LLC*

Colorado Springs, Colorado

August 12, 2024

***CORTEZ SANITATION DISTRICT***

**ROSTER OF DISTRICT OFFICIALS**

**Year Ended December 31, 2023**

**BOARD OF DIRECTORS**

Ryan Griglak – Chairman

Terri Muller – Vice Chairman

Ernest Maness – Secretary/Treasurer

Richard Landreth – Director

Leroy Roberts – Director

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

## **CORTEZ SANITATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Cortez Sanitation District, we offer readers of Cortez Sanitation District's (District) financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023.

### **Financial Highlights**

- The assets of the District exceeded its current liabilities at the close of the most recent fiscal year by \$28,121,168. Out of this amount, \$5,455,153 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$517,365.
- As of the close of the current fiscal year, the District's governmental activities and business-type activities reported ending net position of \$11,052 and \$26,564,590 respectively.

### **Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements presented are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains supplementary information in addition to the financial statements themselves.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of District finances, in a manner similar to a private-sector business.

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. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected grant expenses).

The government-wide statement of activities distinguishes functions/programs of the District supported primarily by charges for services. The governmental activities of the District include the collection of property tax and payment of bonded debt.

The business-type activities of the District include operations that are intended to recover all or a significant portion of their costs through user fees.

The government-wide financial statements can be found on pages 5-6 of this report.

**CORTEZ SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Fund Financial Statements**

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two types of funds: governmental fund and proprietary fund.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term financial resources and fund balances (which are spendable resources available at the end of the fiscal year). Such information may be useful in evaluating the District's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government-wide financial statements. By doing so, the readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation of differences between the governmental funds and the government-wide financial statements, if any, to facilitate this comparison.

The District has one governmental fund, the Debt Service Fund. The Debt Service Fund accounts for revenues and expenditures for the receipt and payment of administration and debt.

The basic governmental fund financial statements can be found on pages 7-8 of this report.

**Proprietary Funds** - The District maintains one type of proprietary fund. The proprietary fund type is called the Enterprise Fund. Enterprise funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The District uses an enterprise fund to account for its service operation.

Proprietary fund financial statements can be found on pages 9-11 of this report.

**CORTEZ SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Government-Wide Financial Analysis**

The District had an increase in net position from Governmental Activities of \$553 for the year, and an increase from Business-Type Activities of \$516,812, for a net increase of \$517,365.

**Cortez Sanitation District's Government-Wide  
Condensed Comparative Statement of Net Position  
December 31,**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
<b>Assets</b>			
Current and Other	\$ 6,646,365	\$ 7,132,909	\$ (486,544)
Capital Assets	21,997,532	21,147,513	850,019
Total Assets	<u>28,643,897</u>	<u>28,280,422</u>	<u>363,475</u>
<b>Liabilities</b>			
Current Liabilities	522,729	476,629	46,100
Long-term Liabilities	1,545,526	1,745,516	(199,990)
Total Liabilities	<u>2,068,255</u>	<u>2,222,145</u>	<u>(153,890)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	20,405,437	19,394,853	1,010,584
Restricted	715,052	683,499	31,553
Unrestricted	5,455,153	5,979,925	(524,772)
Total Net Position	<u>\$ 26,575,642</u>	<u>\$ 26,058,277</u>	<u>\$ 517,365</u>

**Assets**

Current assets have decreased primarily due to an increase in operating costs and unbudgeted expenses. The change in capital assets is due to the replacement of sewer lines, work in progress and purchase of equipment during the fiscal year offset by the current year's depreciation.

**Liabilities**

Current liabilities increased due to payroll liabilities that had not been submitted to the IRS and the State of Colorado. December's final payroll was late in the month. Long-term liabilities decreased due to annual payments on loan balances.

**Net Position**

The increase in net position is due to an increase in net revenues and purchase of assets offset by a loss on the sale of an asset and loan payments.

**CORTEZ SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Cortez Sanitation District's Government-Wide  
Condensed Comparative Statement of Activities  
Year Ended December 31,**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
<b>Revenue</b>			
Operating Revenues			
Charges for Services	\$ 3,058,396	\$ 2,898,549	\$ 159,847
Capital Grants and Contributions	-	5,000	(5,000)
Total	<u>3,058,396</u>	<u>2,903,549</u>	<u>154,847</u>
General Revenues			
Taxes	12	55	(43)
Investment Earnings	174,813	56,223	118,590
Gain on Disposal of Equipment	-	10,000	(10,000)
Other	337,744	356,418	(18,674)
Total	<u>512,569</u>	<u>422,696</u>	<u>89,873</u>
<b>Total Revenues</b>	<u>3,570,965</u>	<u>3,326,245</u>	<u>244,720</u>
<b>Expenses</b>			
Sewer Operations	1,896,740	1,790,578	106,162
Depreciation	918,990	900,219	18,771
Treasurer Fees	-	2	(2)
Loss on Disposal of Equipment	236,870	-	236,870
<b>Total Expenses</b>	<u>3,052,600</u>	<u>2,690,799</u>	<u>361,801</u>
<b>Change in Net Position</b>	518,365	635,446	(117,081)
<b>Net Position - Beginning of Year</b>	<u>26,058,277</u>	<u>25,422,831</u>	<u>635,446</u>
<b>Net Position - End of Year</b>	<u>\$ 26,576,642</u>	<u>\$ 26,058,277</u>	<u>\$ 518,365</u>

**Revenues**

The increase in revenues is primarily due to an increase in charges for services and more interest received on investments.

**Expenses**

The increase in expenses is primarily due to an increase of operation costs in 2023 compared to 2022 as well as the current year's depreciation.

# **CORTEZ SANITATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Fund Level Financial Analysis**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal, and state requirements.

The Debt Service Fund is the District's governmental fund. It accounts for tax receipts used to retire debt and related administrative costs. The fund balance at the beginning of the 2023 fiscal year was \$10,499. The ending fund balance for 2023 of \$11,052 reflects a fund balance increase of \$553. The increase was due to the collections of outstanding property taxes.

The Enterprise Fund is the District's service operations fund. It accounts for charges for service and related costs. The net position at the beginning of the 2023 fiscal year was \$26,047,778. The ending net position for 2023 of \$26,564,590 reflects a net position increase of \$516,812. The increase was due primarily to the increased sewer charges in 2023.

## **Budgetary Analysis**

The District adopts an annual appropriated budget for both the governmental fund and proprietary fund. The budgetary comparison schedules for the Debt Service Fund and the Enterprise Fund are included on pages 24-25 of this report to demonstrate compliance with the adopted budget.

The District Board adopted the 2023 Budget on December 12, 2022. An appropriation resolution of \$0 for the Debt Service Fund and \$3,746,716 for the Enterprise Fund were approved.

During 2023, the Debt Service Fund had a net change in fund balance of \$553 due to transfers to the enterprise fund.

During 2023, the Enterprise Fund had actual expenditures of \$4,096,664. The budget variance of \$112,078 is mainly due to an unbudgeted purchase.

## **Economic Factors and Next Year's Budget**

Each year, the adoption of the budget must ensure quality of services for all customers and fiscal stability in ever changing political and economic conditions. Many factors, including the state's financial condition and ever-increasing costs must be considered in budget preparation. In 2024, the District will continue work on replacing aging infrastructure and replacing worn out equipment at the treatment facility.

## **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Cortez Sanitation District, Post Office Drawer 730, 2908 South Broadway, Cortez, Colorado, 81321.

***FINANCIAL STATEMENTS***

**CORTEZ SANITATION DISTRICT  
STATEMENT OF NET POSITION  
YEAR ENDED DECEMBER 31, 2023**

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current			
Cash and Cash Equivalents	\$ 11,052	\$ 2,341,224	\$ 2,352,276
Investments	-		-
Accounts Receivable	-	714,305	714,305
Total Current Assets	<u>11,052</u>	<u>3,055,529</u>	<u>3,066,581</u>
Noncurrent			
Capital Credits Receivable	-	106,369	106,369
Capital Assets			
Land and Work in Progress	-	736,417	736,417
Other Capital Assets, Net	-	21,261,115	21,261,115
Total Capital Assets	<u>-</u>	<u>21,997,532</u>	<u>21,997,532</u>
Total Noncurrent Assets	<u>-</u>	<u>22,103,901</u>	<u>22,103,901</u>
<b>Total Assets</b>	<u><u>\$ 11,052</u></u>	<u><u>\$ 25,159,430</u></u>	<u><u>\$ 25,170,482</u></u>
<b>Liabilities</b>			
Current			
Accounts Payable	\$ -	\$ 146,073	\$ 146,073
Accrued Interest	-	5,854	5,854
Accrued Wages Payable	-	31,675	31,675
Compensated Absences	-	90,475	90,475
Unearned Revenue	-	49,834	49,834
Lease Payable - Due Within One Year	-	28,985	28,985
Notes Payable - Due Within One Year	-	169,833	169,833
Total Current Liabilities	<u>-</u>	<u>522,729</u>	<u>522,729</u>
Noncurrent			
Lease Payable - Net of Current Portion	-	16,895	16,895
Notes Payable - Net of Current Portion	-	1,528,631	1,528,631
Total Noncurrent Liabilities	<u>-</u>	<u>1,545,526</u>	<u>1,545,526</u>
<b>Total Liabilities</b>	<u><u>-</u></u>	<u><u>2,068,255</u></u>	<u><u>2,068,255</u></u>
<b>Net Position</b>			
Net Investment in Capital Assets	-	20,405,437	20,405,437
Restricted:			
Emergency Reserves	-	704,000	704,000
Debt Service	11,052	-	11,052
Unrestricted	-	5,455,153	5,455,153
<b>Total Net Position</b>	<u><u>\$ 11,052</u></u>	<u><u>\$ 26,564,590</u></u>	<u><u>\$ 26,575,642</u></u>

See Notes to Financial Statements

**CORTEZ SANITATION DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023**

<b>Functions/Programs</b>	<b>Operating Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
Business-type Activities:							
Operating Expenses							
Sewer Operations	2,815,730	3,058,396	-	-	-	242,666	242,666
<b>Total Business-type Activities</b>	<u>2,815,730</u>	<u>3,058,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,666</u>	<u>242,666</u>
<b>Total Primary Government</b>	<u>\$ 2,815,730</u>	<u>\$ 3,058,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>242,666</u>	<u>242,666</u>
<b>General Revenues</b>							
Taxes							
Property Taxes					12	-	12
Sewer Development Charges					-	163,500	163,500
Plant Investment Fees					-	163,500	163,500
Investment Earnings					-	174,813	174,813
Loss on Disposal of Property and Equipment					-	(237,870)	(237,870)
Miscellaneous Income					-	10,744	10,744
<b>Total General Revenues</b>					<u>12</u>	<u>274,687</u>	<u>274,699</u>
<b>Transfers</b>							
Transfer to Other Fund					541	(541)	-
<b>Change in Net Position</b>					553	516,812	517,365
<b>Net Position - Beginning</b>					10,499	26,047,778	26,058,277
<b>Net Position - Ending</b>					<u>\$ 11,052</u>	<u>\$ 26,564,590</u>	<u>\$ 26,575,642</u>

**CORTEZ SANITATION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND - DEBT SERVICE FUND  
DECEMBER 31, 2023**

**ASSETS**

**Assets**

Cash and Cash Equivalents	\$ 11,052
	<u>11,052</u>
<b>Total Assets</b>	<b>\$ 11,052</b>
	<u><u>11,052</u></u>

**LIABILITIES AND FUND BALANCE**

**Fund Balance**

Restricted for:	
Debt Service	\$ 11,052
	<u>11,052</u>
Total Fund Balance	<u>11,052</u>
	<u><u>11,052</u></u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 11,052</b>
	<u><u>11,052</u></u>

See Notes to Financial Statements

**CORTEZ SANITATION DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUND - DEBT SERVICE FUND  
 YEAR ENDED DECEMBER 31, 2023**

<b>Revenues</b>	
Property Taxes	\$ 12
<b>Total Revenues</b>	<u>12</u>
 <b>Revenues in Excess of Expenditures</b>	 12
 <b>Other Financing Sources</b>	
Transfer To (From)	541
<b>Total Other Financing Sources</b>	<u>541</u>
 <b>Revenues and Other Sources in Excess of Expenditures</b>	 553
 <b>Fund Balance - Beginning</b>	 <u>10,499</u>
 <b>Fund Balance - Ending</b>	 <u><u>\$ 11,052</u></u>

See Notes to Financial Statements

**CORTEZ SANITATION DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND - SEWER ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 2023**

**Current Assets**

Cash and Cash Equivalents	\$ 2,341,224
Investments	3,473,415
Accounts Receivable	714,305
Total Current Assets	6,528,944

**Noncurrent Assets**

Capital Credits Receivable	106,369
Due from Other Funds	
Capital Assets	
Land and Work in Progress	736,417
Other Capital Assets, Net	21,261,115
Total Capital Assets	21,997,532
Total Noncurrent Assets	22,103,901
<b>Total Assets</b>	<b>\$ 28,632,845</b>

**Current Liabilities**

Accounts Payable	\$ 146,073
Accrued Interest	5,854
Accrued Wages Payable	31,675
Compensated Absences	90,475
Unearned Revenue	49,834
Notes Payable - Due Within One Year	198,818
Total Current Liabilities	522,729

**Long-term Liabilities**

Notes Payable - Net of Current Portion	1,545,526
Total Long-term Liabilities	1,545,526
<b>Total Liabilities</b>	<b>\$ 2,068,255</b>

**Net Position**

Net Investment in Capital Assets	\$ 20,359,557
Restricted:	
Emergency Reserves	704,000
Unrestricted	5,501,033
<b>Total Net Position</b>	<b>\$ 26,564,590</b>

See Notes to Financial Statements

**CORTEZ SANITATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND - SEWER ENTERPRISE FUND**  
**YEAR ENDED DECEMBER 31, 2023**

<b>Operating Revenues</b>	
Sewer Charges	\$ 2,977,709
Other	80,687
Total Operating Revenues	3,058,396
 <b>Operating Expenses</b>	
Administration	501,480
Sanitation Board	14,558
Plant Operation	852,406
Sewer Line Maintenance	499,755
Interest	28,542
Depreciation	918,990
Total Operating Expenses	2,815,731
<b>Total Operating Income</b>	242,665
 <b>Nonoperating Revenues</b>	
Sewer Development Charges	163,500
Plant Investment Fees	163,500
Interest Income	174,813
Miscellaneous Income	10,745
Total Nonoperating Revenues	512,558
 <b>Nonoperating Expenses</b>	
Loss on Disposal of Asset	237,870
Total Nonoperating Expenses	237,870
<b>Income Before Other Financing Sources</b>	517,353
 <b>Other Financing Sources</b>	
Debt Service Transfers	(541)
Total Other Financing Sources	(541)
<b>Change in Net Position</b>	516,812
<b>Net Position, Beginning</b>	26,047,778
<b>Net Position, Ending</b>	\$ 26,564,590

See Notes to Financial Statements

**CORTEZ SANITATION DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - SEWER ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 2023**

<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 2,856,279
Other Operating Cash Receipts	85,469
Cash Payments to Employees and Board Members	(832,945)
Cash Payments to Suppliers for Goods and Services	(1,074,314)
Net Cash Provided by Operating Activities	<u>1,034,489</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Miscellaneous	10,745
Net Cash Provided by Noncapital Financing Activities	<u>10,745</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Transfer out for Principal Payments	(541)
Sewer Development Charges	163,500
Plant Investment Fees	163,500
Capital Expenditures	(2,006,879)
Debt Principal Payments	(193,044)
Net Cash Used by Capital and Related Financing Activities	<u>(1,873,464)</u>
<b>Cash Flows from Investing Activities</b>	
Interest Received	174,813
Purchase of Investments	3,299,162
Net Cash Provided by Investing Activities	<u>3,473,975</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	2,645,745
<b>Cash and Cash Equivalents - January 1</b>	3,168,894
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 5,814,639</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 242,665
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	918,990
Changes in Assets and Liabilities:	
Accounts Receivable	(127,755)
Capital Credit	4,782
Accounts Payable	(22,641)
Accrued Wages Payable	1,987
Compensated Absences	10,136
Unearned Revenue	6,325
Net Cash Provided by Operating Activities	<u>\$ 1,034,489</u>

See Notes to Financial Statements

***NOTES TO FINANCIAL STATEMENTS***

## **CORTEZ SANITATION DISTRICT NOTES TO FINANCIAL STATEMENTS**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Cortez Sanitation District have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting policies, as described below. The following is a summary of the significant accounting policies.

**Reporting Entity** - The Cortez Sanitation District (District) is a special district organized under Colorado Statutes on February 17, 1953. The District provides sanitation services and generally serves the residents of Cortez, Colorado, and the surrounding area. The District is governmental in nature and is autonomous from other organizations, and the residents of the District elect the Board.

Under the provisions of governmental standards, the District is a primary government that has a separate governing body, is legally separate, and financially independent of other governments. Financially independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, set rates or charges, and interact with other entities. The District has no component units, which are other legally separate organizations, for which it is financially accountable. The District has no material relationships with other primary governments.

No other entity qualified as a potential component unit. The decision to include or exclude a potential component unit in the reporting entity is through the application of the criteria set forth by governmental standards. The criteria for determining a component unit includes the District's ability to exercise oversight responsibility, financial interdependence, the ability to exercise oversight responsibility including the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. Other criteria include evaluating potential component units based on the scope of public service. Application of this criterion involves considering whether the activity of the other primary government benefits the District and/or its residents, overlaps the geographic boundaries of the District and is generally available to its residents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

### **Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements** - The government-wide financial statements, i.e., the statement of net position and the statement of activities, report information on all of the activities of the District. Inter-fund activity is presented in conformity with GASB prescribed guidance. Governmental activities, which normally are supported by taxes, charges for services, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment offset program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

**CORTEZ SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Program revenues include: (1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are reported under general revenues.

**Governmental Fund Financial Statements** - The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major funds:

*Debt Service Fund* - The Debt Service Fund is a governmental fund used to account for tax receipts used to retire debt and related administrative financial costs.

*Sewer Enterprise Fund* - The Sewer Enterprise Fund is a proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user's charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

**Measurement Focus and Basis of Accounting** - Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded, regardless of the measurement focus applied.

Governmental funds utilize the current financial resources measurement focus and the modified accrual basis of accounting. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the fiscal year.

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. All proprietary funds utilize the accrual basis of accounting.

**CORTEZ SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for services and sales. The District also recognizes as operating revenue the portion of fees used to connect customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The District reports all other revenues and expenses as non-operating.

**Budgets and Budgetary Accounting** - Budgets are adopted on a governmental modified cash basis. All annual appropriations lapse at fiscal year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. State law requires all funds to be included in the budget filed with the State of Colorado within thirty days after the beginning of the fiscal year. The District Manager submits to the District Board, in October, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures by fund and the means of financing them. All budgets lapse at year-end. Prior to December 31, the board adopts the budget by formal resolution.
- B. State statutes require that expenditures may not legally exceed appropriations at the fund level without a formally approved amendment to the budget. The District Board approves amendments, which change the total appropriated funds, prior to filing with the State.
- C. Budgeted figures in the supplemental information are from the original budget adopted by the District Board. The District filed a subsequent amendment to the original budget. This amendment corrected the amount appropriated for expenditures to match the original budget.

**Cash and Cash Equivalents** - Cash and invested cash approximate fair value. The District reports liquid investments, with a maturity of three months or less, as cash and cash equivalents.

**Receivables and Allowances for Doubtful Accounts** - The District reports receivables net of allowances for doubtful accounts. Management evaluates receivables for collectability, and due to the power of the District, it can place liens on residences for non-payment, and believes all receivables are fully collectable and has made no allowances for doubtful accounts. Capital credits are anticipated to be received subsequent to December 31, 2023.

**CORTEZ SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Property and Equipment** - The District carries property and equipment at historical cost, less accumulated depreciation. Management depreciates assets over the estimated useful life using the straight-line method, beginning in the first full year of service. The District capitalizes work in process and does not record depreciation until the period the asset is available for use.

Management has estimated the following useful lives of the assets:

Buildings and Improvements	30-50 Years
Infrastructure Assets	30-50 Years
Equipment	5-20 Years
Furniture and Fixtures	5-20 Years

**Unearned Revenue** – Customer credit balances and early payments for sewer services are recorded as unearned revenue.

**Compensated Absences** - It is the District’s policy to allow employees to accumulate vacation and sick pay benefits. Employees may accumulate vacation and sick pay up to a predetermined maximum level compensated through paid time off or at termination of employment.

**Interfund Receivables/Payables and Transfers** – During the course of operations, payments or receipts may be made or received in one fund but relate to activity in another fund, resulting in interfund receivables/payables. These receivables and payables are classified, if applicable, as “due from other funds” and “due to other funds” in the fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers. Interfund receivables/payables are not expected to be repaid within one year.

**Fund Equity** - The governmental fund reports fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for the funds. Fund balances for the District’s Debt Service Fund consists of the following classifications.

*Non-spendable* - includes amounts that (a) are not in spendable form or (b) legally or contractually required. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items, and long-term notes receivable.

*Restricted* - includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.

*Committed* - includes amounts segregated for the specific purposes determined by the passage of a resolution of the District’s board directors. Modification or changes to these commitments require approval through the District’s board by resolution.

**CORTEZ SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Assigned* - includes amounts segregated by District's Board of Directors through their communications with management as to the intended use of segregated funds. Assigned funds are not legally restricted, nor committed by official board resolution, but are assigned based on management's understanding of the intended use of the funds.

*Unassigned* - this is the residual classification for any other funds not considered segregated by law, contractual obligation, board resolution or intent.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned, and unassigned.

Net asset classification in the Government Wide financial statements are as follows:

*Net Investment in Capital Assets* - this classification consists of capital assets net of accumulated depreciation, reduced by any outstanding debt attributed to the acquisition, construction, or improvement of the capital assets.

*Restricted Net Position* - this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of the other governments, enabling legislation and constitutional provisions.

*Unrestricted Net Position* - This classification represents the residual funds balances not classified in of the two categories above.

**Revenues and Expenses** - The Enterprise Fund recognizes revenues and expenses based on accrual accounting as prescribed by GAAP.

**Property Tax Revenues** - On December 15, the District levies property taxes, based on the assessed value of property as certified by the County Assessor on or before December 10. Property tax attaches a lien on January 1 and may be paid in full by April 30 or in equal installments by February 28 and June 15.

**Contributions** - The Enterprise Fund considers non-operating revenues to consist of capital contributions towards repair and replacement costs to include tap fees, water resource fees, developer infrastructure donated assets, and other development fees. The Enterprise Fund recognizes donated infrastructure at the estimated fair market value as defined by the internally calculated cost to construct the same assets.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires the administration to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ materially from those estimates.

**CORTEZ SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Amortization** - The District amortizes the advanced refunding benefits on a straight-line basis over the outstanding life of the bond as a component of interest expense. Management has determined that the straight-line method is not materially different from the effective interest rate method prescribed by GAAP.

**Operating Reserve** - The loan agreements with the Colorado Water Resources and Power Development CWRPDA generally require that the District maintain a minimum of a three-month operating reserve relating to the anticipated expenditures for Enterprise Fund. Restricted funds available for this reserve as of December 31, 2023, are \$704,000.

**NOTE 1 – CASH AND CASH EQUIVALENTS**

Government-wide cash and cash equivalents held at financial institutions as of December 31, 2023, are as follows:

Demand Deposits	\$ 2,340,728
Cash on Hand	496
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 2,341,224</u></u>

**Deposits** – The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash only in eligible public depositories. The depository institution must pledge eligible collateral as security for all public deposits held by that institution not covered by the FDIC, equal to at least 102% of the total uninsured deposits held by that institution of governmental entity fund. Throughout the year, the District has cash deposits in excess of the FDIC insurance. All funds in excess of the FDIC coverage were in PDPA covered financial institutions.

**NOTE 2 – INVESTMENTS**

The District is subject to the provisions of the Colorado Revised Statutes 24-75-601, which is entitled “Concerning Investments in Securities by Public Entities.” This law, among other things, outlines the types of securities that public entities in Colorado may invest. These include U.S. Government and agency securities, certain bonds of political subdivisions, bankers' acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts, and U.S. dollar-dominated corporate or bank debt.

The Statute also includes a provision limiting any investment to five-year maturities, or less, unless the governing body authorizes a longer period.

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover the value of its investments that are in possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the District’s name and are held by either the counterparty to the investment purchase, or held by the counter party’s trust department or agent but not held in the District’s name. None of the District’s investments owned at December 31, 2023 were subject to custodial credit risk.

**CORTEZ SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – INVESTMENTS - Continued**

**Interest Rate Risk** – Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an instrument. The District is subject to interest rate risk but does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Management evaluated their investment policy as of December 31, 2023, and believes their exposure to interest rate risk was minimal.

**Credit Risk** – Credit risk the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District is subject to credit risk but does not have a formal investment policy that limits investments beyond the requirements of Colorado statutes. As of December 31, 2023, the District’s investments in ColoTrust are rated AAAM by Standard & Poor’s and CSAFE is rated AAAMmf by Fitch Ratings.

**Fair Value Measurement** - Governmental Accounting Standards Board Statement No. 72 (GASB 72) Fair Value Measurement and Application establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. According to GASB 72, an investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

The District records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures about fair value measurements.

The District’s investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure fair value of assets and liabilities as follows.

*Level 1* – Quoted prices in active markets for identical securities.

*Level 2* – Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with the evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy.

*Level 3* – Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

**CORTEZ SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – INVESTMENTS - Continued**

The District’s ColoTrust accounts are reported at fair value. However, these investments are not subject to the fair value hierarchy. At December 31, 2023, the District had the following investments:

<b>Investment</b>	<b>Total</b>
ColoTrust	\$ 693,492
CSAFE	2,779,923
<b>Total Investments</b>	<b>\$ 3,473,415</b>

ColoTrust is not a 2a7-like external investment pool. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1. The unit of account is each share held, and the value of the position would be the fair value of the pool’s share price multiplied by the number of shares held. The government-investor does not “look through” the pool to report a pro rata share of the pool’s investments, receivables, and payables. ColoTrust may invest in securities with a maximum maturity of 365 days and an average weighted maturity not in excess of 60 days. ColoTrust is rated AAAM by Standard and Poor’s. The investment pool financial statements can be obtained at [www.colotrust.com](http://www.colotrust.com).

CSAFE is considered to be a 2a7-like investment and is valued using the net asset value (NAV) per share (or its equivalent) of the investments using amortized cost. The 2a7-like investments do not have any unfunded commitments, redemption restrictions or redemption notice periods. CSAFE is a highly liquid fund operating similarly to a money market fund.

The 2a7-like investments conform to Colorado Status CRS 24-75-601 et. seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado depositories collateralized at 102% of market value according to the guidelines of the Public Deposit Protection Act. The investments will conform to its Permitted Investments and will meet Fitch Rating’s investment guidelines to achieve an AAAMmf rating, the highest attainable rating for a Local Government Investment Pool. The investment pool financial statements can be obtained [www.csafe.org](http://www.csafe.org).

**CORTEZ SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CAPITAL ASSETS**

A summary of the changes to capital assets are as follows:

	<b>Beginning Balance</b>	<b>Transfers</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Business-type					
Activities					
Capital Assets, Not Being Depreciated					
Land	\$ 169,686	\$ -	\$ -	\$ -	\$ 169,686
Work in Progress	132,856	(132,856)	566,731	-	566,731
	<u>302,542</u>	<u>(132,856)</u>	<u>566,731</u>	<u>-</u>	<u>736,417</u>
Capital Assets, Being Depreciated					
Distribution Lines	17,380,319	97,123	857,221	(10,959)	18,323,704
Buildings and Plant	12,795,055	-	13,000	-	12,808,055
Equipment	3,245,338	-	241,972	(391,194)	3,096,116
Vehicles	1,186,955	-	277,466	-	1,464,421
Furniture and Fixtures	7,065	-	45,896	-	52,961
Intangible Assets	-	35,733	4,592	-	40,325
	<u>34,614,732</u>	<u>132,856</u>	<u>1,440,147</u>	<u>(402,153)</u>	<u>35,785,582</u>
Less: Accumulated Depreciation					
Distribution Lines	(5,549,116)	-	(408,444)	10,959	(5,946,601)
Buildings and Plant	(5,160,985)	-	(278,844)	-	(5,439,829)
Equipment	(2,065,126)	-	(130,098)	153,324	(2,041,900)
Vehicles	(987,469)	-	(101,603)	-	(1,089,072)
Furniture and Fixtures	(7,065)	-	-	-	(7,065)
	<u>(13,769,761)</u>	<u>-</u>	<u>(918,989)</u>	<u>164,283</u>	<u>(14,524,467)</u>
Capital Assets, Being Depreciated, Net	<u>20,844,971</u>	<u>132,856</u>	<u>521,158</u>	<u>(237,870)</u>	<u>21,261,115</u>
Total Business-type Activities					
Capital Assets, Net	<u>\$ 21,147,513</u>	<u>\$ -</u>	<u>\$ 1,087,889</u>	<u>\$ (237,870)</u>	<u>\$ 21,997,532</u>

Depreciation expense recorded in the business-type activities operating expenses for the year ended December 31, 2023, was \$918,989.

**CORTEZ SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – TAX, SPENDING, REVENUE AND DEBT LIMITATIONS**

**Enterprise Funds** - Enterprise Funds are generally exempt from the provisions of TABOR. The District's management believes that the proprietary activities of the District qualify as an Enterprise Fund. The Enterprise Fund is a self-funded fund, which receives no subsidies from the General Fund tax revenues. The Enterprise fund assesses an operating fee to the General Fund.

**NOTE 5 – LONG-TERM LIABILITIES**

**Supplementary Revenue Allowances (SRA's)** - The CWRPDA appropriates annual SRA's as a way to subsidize the loans they issue, effectively reducing the interest costs to the District.

**Loan Collateral and Covenants** - All capital assets constructed from loan proceeds are collateral against the loan, as well as any other legal remedies available under law in the event the District defaults on the loan.

The CWRPDA's covenants include the annual board appropriation of the mill levy, service fees must be sufficient to allow for proper maintenance of the capital assets and provide for operating expenses, establishing a three-month operating reserve, and the annual submission of the final audit. As of December 31, 2023, the District was in material compliance with all covenants.

**Water Pollution Control Revolving Fund Loan** - On May 3, 2007, the CWRPDA issued a second loan for \$2,000,000 to the District. No subsidies were associated with this loan. The 2007 loan is due in semi-annual installments of \$69,964 on May 1 and November 1, including interest at 3.5% and an annual administrative fee, through May 1, 2027.

On April 30, 2019, the CWRPDA issued a third loan for \$1,400,000 to the District. No subsidies were associated with this loan. The 2019 loan is due in semi-annual installments of \$25,486 on May 1 and November 1, including interest at 0.5% through November 1, 2049.

The business activities net revenues, defined as revenues after deducting necessary operation and maintenance expense, are collateral against the loan. Further, rates must be sufficient to produce gross revenues to pay all operating and maintenance expenses, plus 110% of the total debt service payments.

**Administrative Fees** - The CWRPDA breaks out interest expense into two components, interest and an administrative fee. The administrative fee is the portion of the interest expense internally allocated by the CWRPDA for administrative expenses. The interest expense and administrative fee combined is the total interest expense.

**CORTEZ SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – LONG-TERM LIABILITIES - Continued**

**Lease Purchase Agreement** - On February 15, 2018, the District entered into a contract to finance the purchase of equipment. The lease purchase agreement is due in semi-annual installments of \$15,339 on August 8 and February 2, including interest at 4.6%. The District has the option to purchase, at a set option price, on each contract payment date.

The following is a government wide schedule of changes to the debt service requirements in 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>					
Notes Payable					
CWRPDA 2007	\$ 577,945	\$ -	\$ (120,749)	\$ 457,196	\$ 125,012
CWRPDA 2019	1,285,867	-	(44,597)	1,241,270	44,821
Lease Purchase Agreement	73,577	-	(27,697)	45,880	28,985
<b>Total Business-type Activities</b>	<u>\$ 1,937,389</u>	<u>\$ -</u>	<u>\$ (193,043)</u>	<u>\$ 1,744,346</u>	<u>\$ 198,818</u>

Interest expense of \$28,542 was included in the business-type activities, respectively for the year ending December 31, 2021.

The following is the estimated five-year maturity schedule for the business-type activities:

<u>December 31,</u>	<u>Principal</u>	<u>Admin Fee</u>	<u>Interest Net of Credits</u>
2024	198,818	1,000	21,761
2025	191,366	800	16,775
2026	179,266	600	11,635
2027	114,259	100	6,677
2028	45,725	-	5,246
2029-2049	1,014,912	-	55,482
	<u>\$ 1,744,346</u>	<u>\$ 2,500</u>	<u>\$ 117,576</u>

Capital assets acquired through lease purchase obligations are as follows:

Equipment	\$ 181,842
Accumulated Depreciation	(129,887)
	<u>\$ 51,955</u>

**CORTEZ SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – RETIREMENT PLAN**

In 2016, the District established a defined contribution District Retirement Plan (Plan) intended to qualify as a profit-sharing plan under Internal Revenue Code a Section 401(a). Any full-time employee who is at least age 18 and scheduled to work regularly at least 30 hours per week is eligible to participate in the Plan upon date of hire. The Plan documents require a contribution of 5% of the participant's compensation. Participants may contribute any amount to the Plan if the contribution satisfies the requirements under law for rollover contributions. Amounts are fully vested at all times.

The District established a Section 457 Plan for employee contributions. As of December 31, 2023, no employees are actively contributing to the Section 457 Plan.

During the fiscal year ending December 31, 2023, the District made \$37,110 in retirement contributions.

**NOTE 7 – PARTICIPATION IN PUBLIC ENTITY RISK POOL**

The District is a member of the Colorado Special Districts Property and Liability Pool (CSD Pool). The CSD Pool was created under authority of Colorado State Statutes, and provides defined property and liability coverage, and claims and risk management services.

The District pays an annual premium to the CSD Pool for insurance coverage. For 2023, the District paid \$38,357 in insurance premiums. The District's agreement with the CSD Pool provides the CSD Pool will be self-sustaining through member premiums.

The District is subject to additional liabilities should the CSD Pool's anticipated claims exceed available reserves. There were no significant reductions in insurance coverage from the prior year, and no claims that exceeded reserved coverage in the last three years.

**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 omissions; injuries to employees; and natural disasters. As of December 31, 2023, the District was not aware of any contingent liabilities that would require estimates relating to any of these types of exposures.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

During the year ended December 30, 2023, the District purchased supplies from an employee-owned company totaling \$1,368.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the independent auditors' report, the date on which the financial statements were available to be issued.

***SUPPLEMENTAL INFORMATION***

**CORTEZ SANITATION DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GOVERNMENTAL FUND - DEBT SERVICE FUND  
 YEAR ENDED DECEMBER 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Property Taxes	\$ -	\$ -	\$ 12	\$ 12
<b>Total Revenue</b>	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
<b>Revenues in Excess of Expenditures</b>	-	-	12	12
<b>Other Financing Uses</b>				
Transfers in	-	-	541	541
<b>Net Change in Fund Balance</b>	-	-	553	553
<b>Beginning Fund Balance</b>	<u>10,335</u>	<u>10,335</u>	<u>10,499</u>	<u>164</u>
<b>Ending Fund Balance</b>	<u><u>\$ 10,335</u></u>	<u><u>\$ 10,335</u></u>	<u><u>\$ 11,052</u></u>	<u><u>\$ 717</u></u>

See Notes to Financial Statements

**CORTEZ SANITATION DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
PROPRIETARY FUND - SEWER ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Revenue</b>				
Operating				
Sewer Charges	\$ 2,971,096	\$ 2,971,096	\$ 2,977,709	\$ 6,613
Other Charges	40,000	40,000	80,687	40,687
Sewer Development Charges	50,000	50,000	163,500	113,500
Plant Investment Fees	50,000	50,000	163,500	113,500
Interest Income	99,315	99,315	174,813	75,498
Miscellaneous	-	-	10,745	10,745
Transfers Out	-	-	(541)	(541)
Total Revenue	<u>3,210,411</u>	<u>3,210,411</u>	<u>3,570,413</u>	<u>360,002</u>
<b>Expenditures</b>				
Administration	529,634	529,634	501,480	28,154
Sanitation Board	29,562	29,562	14,558	15,004
Plant Operation	889,459	889,459	852,406	37,053
Sewer Line Maintenance	553,781	553,781	499,755	54,026
Capital Outlay	1,522,700	1,522,700	2,006,879	(484,179)
Capital Improvement Loan	50,971	50,971	-	50,971
Debt Service				
Principal	139,930	139,930	193,044	(53,114)
Interest	30,679	30,679	28,542	2,137
Total Expenditures	<u>3,746,716</u>	<u>3,746,716</u>	<u>4,096,664</u>	<u>(349,948)</u>
<b>Income - Budget Basis</b>	<u>\$ (536,305)</u>	<u>\$ (536,305)</u>	(526,251)	<u>\$ 10,054</u>
<b>To Reconcile Net Income to GAAP Basis</b>				
Capital Outlay			2,006,879	
Principal Payments			193,044	
Depreciation			(918,990)	
Loss on Disposal of Assets			(237,870)	
<b>Change in Net Position - GAAP Basis</b>			<u>\$ 516,812</u>	

See Notes to Financial Statements

**CORTEZ SANITATION DISTRICT  
NOTES TO SUPPLEMENTAL INFORMATION  
DECEMBER 31, 2023**

**BUDGETARY INFORMATION**

Cortez Sanitation District (District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

On or before October 15, the District Manager submits to the Board of Directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. The District adopts budgets for all funds. The general fund uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process.

During the year ended December 31, 2023, the Enterprise fund had expenditures over appropriations of approximately \$350,000.