

# **Hermosa Sanitation District**

ANNUAL FINANCIAL REPORT

**December 31, 2023**





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1221 W. Mineral Avenue, Suite 202  
Littleton, CO 80120

 303-734-4800

 303-795-3356

 [www.HaynieCPAs.com](http://www.HaynieCPAs.com)

Board of Directors and Management  
Hermosa Sanitation District

## **Opinions**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Hermosa Sanitation District, as of December 31, 2023 and the respective changes in the financial position 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 Hermosa Sanitation District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hermosa Sanitation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 Hermosa Sanitation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hermosa Sanitation District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hermosa Sanitation District's basic financial statements. The supplemental information, as listed in table of contents, is presented for purposes of additional analysis and is not a required part of the 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. This 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.

Sincerely,

*Haynie & Company*

Littleton, Colorado  
September 25, 2024

## **Hermosa Sanitation District Management Discussion and Analysis**

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

This discussion and analysis is intended to be an easily readable analysis of the Hermosa Sanitation District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

### **Report Layout**

Besides this Management's Discussion and Analysis (MD&A), the report consists of financial statements, the notes to the financial statements, and other supplementary information. Hermosa Sanitation District is a proprietary fund entity whose primary function is to collect and treat wastewater. Operating revenues and expenses relate to the core function of operating the district and its facilities; non-operating revenues and expenses reflect investment earnings and losses, as well as tap fees collected during the year. The financial statements of Hermosa Sanitation District consist of three primary statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position reflects the cumulative financial condition of the District at December 31, 2023. Net position reflects the sum total of earnings and contributions to the District over its lifetime, net of any losses incurred. The Statement of Revenues, Expenses and Changes in Net Position shows the change in financial condition from operations and other activities during the calendar year ended December 31, 2023.

The Statement of Cash Flows reports cash activities of the District for the year resulting from operating activities, capital and related financing activities, and investing activities.

This MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior year. Significant changes from the prior year are explained following the charts.

## Financial Statements

### Net Position

Following is a condensed comparative summary of the District's Statement of Net Position at December 31:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current assets	\$ 4,984,366	\$ 4,598,600	\$ 385,766
Capital assets, net	1,240,835	1,235,034	5,801
Total Assets	<u>6,225,201</u>	<u>5,833,634</u>	<u>391,567</u>
Current liabilities	<u>61,731</u>	<u>21,200</u>	<u>40,531</u>
Net position: Invested in capital assets	1,240,835	1,235,034	5,801
Net position: Unrestricted	<u>4,922,635</u>	<u>4,577,400</u>	<u>345,235</u>
Total net position	<u>\$ 6,163,470</u>	<u>\$ 5,812,434</u>	<u>\$ 351,036</u>

During the year ended December 31, 2023, there was an increase in current assets mainly due to an increase in investments. Current liabilities increased as the result of payments received for tap deposits. Capital assets increase of \$5,801 was the result of additions of \$101,377 offset by depreciation expense for the year of \$95,576 as follows:

	<u>Balance</u> <u>December 31,</u> <u>2022</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>December 31,</u> <u>2023</u>
Land	\$ 342,614	\$ -	\$ -	\$ 342,614
Land Improvements	-	92,631	-	92,631
Collection and distribution system	2,817,014	60,817	-	2,877,831
Equipment	243,726	5,271	-	248,997
Vehicles	175,749	-	-	175,749
Construction in progress	<u>57,342</u>	<u>-</u>	<u>(57,342)</u>	<u>-</u>
Total capital assets	<u>3,636,445</u>	<u>158,719</u>	<u>(57,342)</u>	<u>3,737,822</u>
Less accumulated depreciation	<u>(2,401,411)</u>	<u>(95,576)</u>	<u>-</u>	<u>(2,496,987)</u>
Total capital assets, net	<u>\$ 1,235,034</u>	<u>\$ 63,143</u>	<u>\$ (57,342)</u>	<u>\$ 1,240,835</u>

## Statement of Revenues, Expenses, and Changes in Net Position

Following is a condensed comparative summary of the District's statement of Revenues, Expenses, and Changes in Net position at December 31:

### CHANGE IN NET POSITION

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Operating revenues	\$ 715,260	\$ 615,642	\$ 99,618
Operating expenses	635,164	583,753	51,411
Operating income (loss)	80,096	31,889	48,207
Non-operating revenues	270,940	252,254	18,686
Change in net position	351,036	284,143	66,893
Net position - beginning	5,812,434	5,528,291	284,143
Net position - end	\$ 6,163,470	\$ 5,812,434	\$ 351,036

Revenue increased in 2023 due to an increase in interest income and customer fees. Operating expenses increased in 2023 mainly due to personnel costs and system repairs and maintenance.

### Budgetary Highlights

The budgetary comparison schedule for the District is included in other supplementary information.

### Requests for Information

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's Manager, Steve Janes, P.O. Box 2217, Durango, CO 81302.

## **Basic Financial Statements**

**Hermosa Sanitation District**  
**Statement of Net Position**  
**December 31, 2023**

	<b>2023</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,178,262
Investments	3,750,154
Prepays	248
Accounts receivable, net	55,702
Total Current Assets	4,984,366
<b>Capital Assets, net</b>	1,240,835
Total Assets	\$ 6,225,201
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 10,994
Accrued liabilities	6,716
Tap Fee Deposits	39,100
Unearned Revenue	4,921
Total Liabilities	61,731
<b>Net Position</b>	
Net investment in capital assets	1,240,835
Unrestricted	4,922,635
Total Net Position	6,163,470
Total Liabilities and Net Position	\$ 6,225,201

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

**Hermosa Sanitation District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2023**

	<b>2023</b>
<b>Operating Revenues</b>	
Charges for services	\$ 713,858
Late charges	1,402
Total operating revenues	715,260
<b>Operating Expenses</b>	
Collection and Treatment	
Personnel services	258,525
Chemical testing	10,246
Fuel and power	38,457
Operating supplies	13,798
Maintenance	50,019
Engineering	6,172
Insurance	22,880
Depreciation	95,576
General and Administrative	
Telephone	4,449
Board of directors	7,200
Office supplies	31,362
Audit	9,500
Accounting	59,729
Legal	14,669
Other costs	12,582
Total operating expenses	635,164
<b>Operating Income (Loss)</b>	80,096
<b>Nonoperating Revenues (Expenses)</b>	
Investment earnings	192,488
Miscellaneous income (loss)	10,452
Tap fees	68,000
Total Nonoperating Revenues (Expenses)	270,940
<b>Change in Net Position</b>	351,036
<b>Net Position—Beginning of Year</b>	5,812,434
<b>Net Position—End of Year</b>	\$ 6,163,470

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

**Hermosa Sanitation District**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**

	<u>2023</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 668,019
Cash paid to suppliers for goods and services	(268,526)
Cash paid to employees for services	<u>(258,525)</u>
Net Cash From Operating Activities	<u>140,968</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(101,377)
Miscellaneous income	10,452
Tap fees	<u>107,100</u>
Net Cash From Capital and Related Financing Activities	<u>16,175</u>
Cash Flows from Investing Activities:	
Investments purchased	(363,042)
Net investment income received	<u>192,488</u>
Net Cash from Investing Activities	<u>(170,554)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(13,411)
Cash and Cash Equivalents—Beginning of Year	<u>1,191,673</u>
Cash and Cash Equivalents—End of Year	<u>\$ 1,178,262</u>
<b>Reconciliation of Net Operating Income to Net Cash From Operating Activities:</b>	
Net operating income (loss)	<u>\$ 80,096</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	95,576
Changes in assets and liabilities:	
Accounts receivable	(52,162)
Prepaid expenses	16,027
Accounts payable	(2,707)
Accrued liabilities	(783)
Unearned Revenue	<u>4,921</u>
Total Adjustments	<u>60,872</u>
<b>Net Cash From Operating Activities</b>	<u>\$ 140,968</u>

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

# **Hermosa Sanitation District**

## **Notes to Financial Statements**

### **December 31, 2023**

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#### **1. Definition of Reporting Entity**

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The Hermosa Sanitation District (the District) operates under the statutes governing special districts of the State of Colorado. The District was formed in 1982 for the purpose of providing sanitation services for the Hermosa area, north of Durango, Colorado. The District has its own governing board which is elected by residents within the District boundaries.

Since the major part of its income is derived from user charges, the District is classified and accounted for as an "Enterprise Fund". Because of the self-supporting nature of the District, its accounting is on the accrual basis much like a private, profit-making business. However, unlike a private business, the District is not subject to federal and state income taxes.

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.

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#### **2. Summary of Significant Accounting Policies**

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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 exercised in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

##### **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. Expenditures for capital assets are shown as increases in assets. Tap fees and contributed lines received are recorded as capital contributions when received. Penalties and interest, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received.

**Hermosa Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**2. Summary of Significant Accounting Policies (continued)**

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**Capital Assets**

Capital assets are defined by the District as assets with an initial individual cost of more than \$3,000. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Capital assets are reported net of accumulated depreciation on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility plant	20 - 40 years
Machinery and equipment	5 - 10 years

**Deposits and Investments**

Colorado law authorizes the District to invest in obligations of the United States, the State of Colorado, Colorado counties and school districts, repurchase agreements, financial institutions, and local government investment pools. House bill 1056 expanded the list of investments that are legal for local governments.

Deposits are stated at cost which approximates fair value. Investments are stated at fair value. Any differences between the market value and cost of investments are reflected in investment income.

**Accounts Receivable**

Service fees expected to be collected within one year are shown as current assets. Fees which may not be collected within one year and are subject to liens are shown as non-current assets.

**Allowance for Uncollectibles**

An allowance for uncollectible accounts receivable amounts is setup as determined necessary by the District. For the year ended December 31, 2023, this allowance has a balance of \$3,205.

**Budget and Budgetary Accounting**

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 District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end. Contributions of sewer lines are not reflected as a budgetary revenue or expenditure as they do not generate or require the use of funds available. For the year ended December 31, 2023, there were no supplemental appropriations.

**Hermosa Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**2. Summary of Significant Accounting Policies (continued)**

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**Operations**

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenue, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing sewer services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Tap Fees**

Tap fees are recorded as non-operating revenue on the Statements of Revenue, Expenses and Changes in Net Position.

**Contributed Capital**

Contributed capital represent contributions for plant and equipment acquired by the District primarily through donations by customers, developers and sub-dividers. These contributions are in the form of sewer lines installed and paid for by others and deeded over to the District.

**Cash and Cash Equivalents**

The District considers cash deposits and highly liquid investments with an intended maturity of three months or less to be cash equivalents.

**Investments**

The District's policy is to account for investments at fair market value in accordance with GASB. Gains or losses on the sale of investments are recognized when earned.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The net asset amount is also adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. All other net positions are reported as unrestricted. As of December 31, 2023, the District does not have any restricted net position.

**Hermosa Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**2. Summary of Significant Accounting Policies (continued)**

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**Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recently Adopted Accounting Pronouncements**

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements or “SBITAs”, in fiscal year 2023. This Statement was issued in May 2020 and increases the usefulness of government financial statements by requiring recognition of certain subscription-based IT assets and liabilities for subscriptions that previously were classified as expenses based on the payment provisions of the contract. The requirements of this Statement were effective for the District as of January 1, 2023. The statement had no impact to the District’s financial statements.

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**3. Cash, Cash Equivalents and Investments**

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A Summary of deposits and investments, as of December 31, 2023, follows:

	<b>2023</b>
Cash and cash equivalents	\$ 1,178,262
Investments	<u>3,750,154</u>
Total	<u>\$ 4,928,416</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. 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 regulations. At December 31, 2023, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District has no policy regarding custodial credit risk for deposits.

# Hermosa Sanitation District

## Notes to Financial Statements (continued)

### December 31, 2023

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### 3. Cash, Cash Equivalents and Investments (continued)

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At December 31, 2023, the District's cash deposits had a bank balance of \$1,184,770 and a carrying balance of \$1,178,262. \$782,914 of these balances were covered by federal depository insurance.

#### **Investments**

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

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investments in mutual funds are with the fund, not the securities that make up the fund, therefore interest rate risk is not determinable.

*Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The District does not have any investments that are exposed to foreign currency risk.

The District does not have a separate investment policy that addresses these types of risk; however the District's deposits and investments are made in accordance with Colorado State statute.

*Local Government Investment Pools* — As of December 31, 2023, the District had \$3,750,154 invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The District invested in COLOTRUST PLUS+ (PLUS), one of the three portfolios offered by COLOTRUST.

**Hermosa Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**3. Cash, Cash Equivalents and Investments (continued)**

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PLUS+ operates similarly to a money market fund and each share is equal in value to \$1.00. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption period. Allowable investments in the PLUS+ portfolio include U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies.

A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. PLUS+ is rated AAAM by S&P Global Ratings.

Certain investments 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.

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is estimated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at year end for which the investment evaluations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with FASB guidance. It is the goal of PLUS+ to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

**Hermosa Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**4. Capital Assets**

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

	<b>Balance December 31, 2022</b>	<b>Additions/ Transfers</b>	<b>Retirements/ Transfers</b>	<b>Balance December 31, 2023</b>
Land	\$ 342,614	\$ -	\$ -	\$ 342,614
Land Improvements	-	92,631	-	92,631
Collection and distribution system	2,817,014	60,817	-	2,877,831
Equipment	243,726	5,271	-	248,997
Vehicles	175,749	-	-	175,749
Construction in progress	<u>57,342</u>	<u>-</u>	<u>(57,342)</u>	<u>-</u>
Total capital assets	<u>3,636,445</u>	<u>158,719</u>	<u>(57,342)</u>	<u>3,737,822</u>
Less accumulated depreciation	<u>(2,401,411)</u>	<u>(95,576)</u>	<u>-</u>	<u>(2,496,987)</u>
Total capital assets, net	<u>\$ 1,235,034</u>	<u>\$ 63,143</u>	<u>\$ (57,342)</u>	<u>\$ 1,240,835</u>

Depreciation expense was \$95,576 for the year ended December 31, 2023.

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**5. Net Position**

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The District has net position consisting of two components — net investment in capital assets and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation. The District had no outstanding debt as of December 31, 2023. As of December 31, 2023, the District had net investment in capital assets of \$1,240,835.

Unrestricted net position consists of net position that does not meet the definition of invested in capital assets or restricted. When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are considered expended. At December 31, 2023, the District had unrestricted net position of \$4,922,635.

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**6. Retirement Plans**

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The District has a 457b retirement plan for full-time employees. It is a defined contribution plan and is administered by Wachovia Securities. The District contributes 8% of the employee's annual salary to the plan. For the year ending December 31, 2023, the District contributed \$12,844.

**Hermosa Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**7. Risk Management**

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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. The District participates in the Colorado Special Districts Property and Liability Pool (the "Pool"), which is an organization created by inter-governmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate.

It provides coverage for property claims up to the values declared, and liability claims for up to \$1,000,000. It is reinsured for up to 80% of the first \$250,000 of each casualty claim and for 100% of the excess. Public official liability claims are reinsured for the full limit of \$1,000,000.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members.

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**8. TABOR**

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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 which 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 they are exempt from the provisions of the bill.

## **Supplementary Information**

**Hermosa Sanitation District**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2023**

	Original Budgeted Amounts	2023 Actual	Variance with Final Budget Positive (Negative)
<b>Operating Revenues</b>			
Charges for services	\$ 684,500	\$ 713,858	\$ 29,358
Late charges	1,300	1,402	102
Total operating revenues	685,800	715,260	29,460
<b>Operating Expenses</b>			
Collection and Treatment			
Personnel services	244,911	258,525	(13,614)
Chemical testing	10,000	10,246	(246)
Fuel and power	46,000	38,457	7,543
Operating supplies	16,320	13,798	2,522
Maintenance	50,800	50,019	781
Engineering	10,000	6,172	3,828
Insurance	22,500	22,880	(380)
General and Administrative			
Telephone	5,000	4,449	551
Board of directors	10,000	7,200	2,800
Office supplies	22,600	31,362	(8,762)
Audit	9,200	9,500	(300)
Accounting	82,000	59,729	22,271
Legal	10,000	14,669	(4,669)
Other costs	8,500	12,582	(4,082)
Total operating expenses	547,831	539,588	8,243
<b>Operating Income (Loss)</b>	137,969	175,672	37,703
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	75,000	192,488	117,488
Miscellaneous income	6,800	10,452	3,652
Capital expenses	(385,000)	(352,512)	32,488
Tap fees	85,000	68,000	(17,000)
Total Nonoperating Revenues (Expenses)	(218,200)	(81,572)	136,628
<b>Change in Net Position</b>	(80,231)	94,100	174,331
<b>Funds Available—Beginning of Year</b>	4,489,932	4,922,635	432,703
<b>Funds Available—End of Year, budgetary basis</b>	\$ 4,409,701	\$ 5,016,735	\$ 607,034
<b>Reconciliation to GAAP-Basis Financial Statements</b>			
Depreciation		\$ (95,576)	
Capital outlay		352,512	
<b>Net Income (GAAP-Basis)</b>		\$ 351,036	