

**SHERIDAN SANITATION DISTRICT NO. 2
Arapahoe and Denver Counties, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**SHERIDAN SANITATION DISTRICT NO. 2
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023**

INDEPENDENT AUDITOR’S REPORT	I
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION	2
STATEMENT OF CASH FLOWS	3
NOTES TO BASIC FINANCIAL STATEMENTS	4
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE – BUDGET AND ACTUAL (BUDGETARY BASIS)	
ALL FUNDS COMBINED	15
DISTRICT ACTIVITY	16
ENTERPRISE ACTIVITY	17
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION	18
SCHEDULE OF OPERATING EXPENSES	19
OTHER INFORMATION	
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sheridan Sanitation District No. 2
Arapahoe and Denver Counties, Colorado

Opinions

We have audited the accompanying financial statements of Sheridan Sanitation District No. 2 (the District), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

I

Fiscal Focus Partners, LLC

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

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

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary and other information (together, the information) as identified in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners LLC

Arvada, Colorado
June 4, 2024

BASIC FINANCIAL STATEMENTS

SHERIDAN SANITATION DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash and Investments	\$	761,961
Cash and Investments - Restricted		1,500
Accounts Receivable		80,440
Delinquent Sewer Fees Receivable		56,375
Receivable from County Treasurer		201
Prepaid Insurance		7,101
Property Tax Receivable		46,601
Total Current Assets		954,179

CAPITAL ASSETS, NET

1,963,885

Total Assets

2,918,064

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES

Accounts Payable		40,238
Total Current Liabilities		40,238

DEFERRED INFLOWS OF RESOURCES

Property Tax Revenue		46,601
Total Deferred Inflows of Resources		46,601

NET POSITION

Net Investment in Capital Assets		1,963,885
Restricted		1,500
Unrestricted		865,840
Total Net Position		\$ 2,831,225

See accompanying Notes to Basic Financial Statements.

SHERIDAN SANITATION DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

SEWER OPERATIONS	
Sewer Service Fees	\$ 492,229
Sewer Tap Fees	80,896
Direct Sewer Expenses	(533,307)
Depreciation	(37,334)
Gross Income (Loss) from Sewer Operations	2,484
GENERAL AND ADMINISTRATIVE EXPENSES	181,705
NET OPERATING INCOME (LOSS)	(179,221)
NONOPERATING REVENUES AND EXPENSES	
Property Taxes	43,530
Specific Ownership Taxes	3,307
Interest Income	38,899
County Treasurer's Fee	(656)
Total Nonoperating Revenues and Expenses	85,080
CAPITAL CONTRIBUTIONS	
Capital Replacement Fee	183,320
Total Capital Contributions	183,320
CHANGE IN NET POSITION	89,179
Total Net Position - Beginning of Year	2,742,046
TOTAL NET POSITION - END OF YEAR	\$ 2,831,225

See accompanying Notes to Basic Financial Statements.

**SHERIDAN SANITATION DISTRICT NO. 2
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 547,693
Payments to Suppliers	<u>(762,808)</u>
Net Cash Used by Operating Activities	(215,115)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Property Tax Collections for Operations	43,530
Specific Ownership Taxes	3,307
County Treasurer's Fees	<u>(656)</u>
Net Cash Provided by Noncapital Financing Activities	46,181

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Replacement Fee	183,320
Acquisition of Capital Assets	<u>(148,484)</u>
Net Cash Provided by Capital and Related Financing Activities	34,836

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>38,899</u>
Net Cash Provided by Investing Activities	<u>38,899</u>

DECREASE IN CASH AND CASH EQUIVALENTS

(95,199)

Cash and Cash Equivalents - Beginning of Year

858,660

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 763,461

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (179,221)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	37,334
(Increase) Decrease in:	
Accounts Receivable	(25,432)
Prepaid Expense	628
Increase (Decrease) in:	
Accounts Payable	(18,141)
Retainage Payable	<u>(30,283)</u>
Net Cash Used by Operating Activities	<u><u>\$ (215,115)</u></u>

See accompanying Notes to Basic Financial Statements.

SHERIDAN SANITATION DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Sheridan Sanitation District No. 2 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree for the District Court for Arapahoe County and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Arapahoe and Denver Counties, Colorado. The District was established to provide sanitation services. The District contracts with the Metropolitan Denver Reclamation District for sanitary treatment services.

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 has no employees, and all operations and administrative functions are contracted.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities.

SHERIDAN SANITATION DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the statements of revenues, expenses, and change 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 sanitation services to its customers. Operating revenues consist of charges to customers for service 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 or capital contributions.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. For financial statement purposes, the District is reported as a single Enterprise Fund. For budgetary purposes, the District separately budgets for a General Fund and an Enterprise Fund.

The District has amended its annual budget for the year ended December 31, 2023.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Cash Equivalents

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

SHERIDAN SANITATION DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets reported by the District include collection systems and machinery and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Sewer System	50 Years
--------------	----------

Tap Fees, Capital Replacement Fee, and Contributed Lines

Tap fees and capital replacement fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at estimated fair market value when received.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item *deferred property tax revenue* is deferred and recognized as inflow of resources in the period that the amount becomes available.

**SHERIDAN SANITATION DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 761,961
Cash and Investments - Restricted	1,500
Total Cash and Investments	<u>\$ 763,461</u>

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

Deposits with Financial Institutions	\$ 85,691
Investments	677,770
Total Cash and Investments	<u>\$ 763,461</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2023, the District's cash deposits had a bank balance and a carrying balance of \$85,691.

**SHERIDAN SANITATION DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial credit risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

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

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	\$ 677,770
Total		<u>\$ 677,770</u>

SHERIDAN SANITATION DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (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 Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust'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 the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAs1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

The District holds all its investments in the COLOTRUST PLUS+ portfolio.

SHERIDAN SANITATION DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 606,126	\$ 148,484	\$ 754,610	\$ -
Total Capital Assets, Not Being Depreciated	606,126	148,484	754,610	-
Capital Assets, Being Depreciated:				
Sewer Lines and Equipment	1,710,818	754,610	-	2,465,428
Total Capital Assets, Being Depreciated	1,710,818	754,610	-	2,465,428
Accumulated Depreciation	(464,209)	(37,334)	-	(501,543)
Total Capital Assets, Being Depreciated, Net	1,246,609	717,276	-	1,963,885
Capital Assets, Net	<u>\$ 1,852,735</u>	<u>\$ 865,760</u>	<u>\$ 754,610</u>	<u>\$ 1,963,885</u>

Depreciation expense for the year ended December 31, 2023, was charged to sewer operations in the amount of \$37,334.

**SHERIDAN SANITATION DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 INTERGOVERNMENTAL AGREEMENT

Sewage Treatment Contract

The District is a “special connector” by agreement with Metropolitan Denver Reclamation District (Metro), which provides the treatment of sewage collected within the District. The standard service agreement with Metro provides for annual charges to be assessed by formula against the District on an estimated basis. Corrections to the estimated charge for metered flows and actual costs are billed and payable or credited during the two succeeding years. Metro assesses tap fees against the District for connections to the system. The composition of the charges for 2023 is as follows:

Estimate for Current Year	\$	351,718
Adjustment of Second Preceding Year Estimate to Actual Final		11,733
Preliminary Adjustment of Preceding Year Estimate		14,553
Total Annual Charges	\$	378,004

The 2024 sewer treatment estimate is \$433,899.

NOTE 6 NET POSITION

The District has net position consisting of three components – investment in capital assets, restricted, and unrestricted.

Investment in capital assets consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2023, the District had investment in capital assets of \$1,963,885.

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provision or enabling legislation. The District’s restricted net position as of December 31, 2023 was \$1,500.

The District’s unrestricted net position as of December 31, 2023 was \$865,840.

SHERIDAN SANITATION DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 RISK MANAGEMENT

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

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

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

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations 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 a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation. Internally, the District maintains its records in two funds - the General Fund and the Enterprise Fund.

SHERIDAN SANITATION DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 ESTABLISHMENT OF WATER ACTIVITY ENTERPRISE

On November 8, 1995, the District formally established the Sheridan Sanitation District No. 2, under Water Activity Law, effective January 1, 1996. The enterprise is operated and maintained as government-owned business, and manages, operates, uses, maintains, and provides services and facilities for the benefit of its customers in a manner generating revenues that are used to operate such business. The Enterprise Fund is established to separately account for all revenue and expenditures of the enterprise. The establishment of this water activity enterprise excludes it from requirements with respect to budgetary activities of the District.

SUPPLEMENTARY INFORMATION

SHERIDAN SANITATION DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL FUNDS COMBINED
YEAR ENDED DECEMBER 31, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 43,597	\$ 43,869	\$ 43,530	\$ (339)
Specific Ownership Taxes	2,613	3,307	3,307	-
Interest Income	15,100	40,100	38,899	(1,201)
Other Revenue	500	2,724	-	(2,724)
Capital Replacement Fee	181,000	185,000	183,320	(1,680)
Sewer Treatment Income	465,000	485,000	484,611	(389)
Sewer Transfer Fees	-	3,000	2,925	(75)
Sewer Tap Fees	10,240	56,320	80,896	24,576
Late Fees / Penalties	6,000	5,000	4,693	(307)
Total Revenues	<u>724,050</u>	<u>824,320</u>	<u>842,181</u>	<u>17,861</u>
EXPENDITURES				
General and Administrative Expenses	165,655	230,782	181,705	49,077
County Treasurer's Fee	652	656	656	-
Direct Sewer Expenses	515,504	558,450	533,307	25,143
Sewer Line Replacement	120,000	148,484	148,484	-
Total Expenditures	<u>801,811</u>	<u>938,372</u>	<u>864,152</u>	<u>74,220</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(77,761)	(114,052)	(21,971)	92,081
OTHER FINANCING SOURCES (USES)				
Transfers In/(Out)	9,999	11,628	11,695	67
Transfers In/(Out)	(9,999)	(11,628)	(11,695)	(67)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUNDS AVAILABLE				
	(77,761)	(114,052)	(21,971)	92,081
Funds Available - Beginning of Year	<u>910,940</u>	<u>889,311</u>	<u>889,311</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 833,179</u>	<u>\$ 775,259</u>	<u>\$ 867,340</u>	<u>\$ 92,081</u>

SHERIDAN SANITATION DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
DISTRICT ACTIVITY
YEAR ENDED DECEMBER 31, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive – (Negative)
	Original	Final		
DISTRICT REVENUES				
Property Taxes	\$ 43,597	\$ 43,869	\$ 43,530	\$ (339)
Specific Ownership Taxes	2,613	3,307	3,307	-
Interest Income	100	100	118	18
Other Revenue	500	2,724	-	(2,724)
Total District Revenues	<u>46,810</u>	<u>50,000</u>	<u>46,955</u>	<u>(3,045)</u>
DISTRICT EXPENDITURES				
Accounting	8,200	10,000	9,734	266
Auditing	6,000	5,750	5,750	-
County Treasurer's Fee	652	656	656	-
Directors' Fees	6,000	5,800	5,800	-
Dues and Membership	500	530	530	-
Election	2,000	2,591	2,591	-
Legal	8,000	10,000	9,320	680
Miscellaneous	5,000	2,601	435	2,166
Payroll Taxes	459	444	444	-
Total District Expenditures	<u>36,811</u>	<u>38,372</u>	<u>35,260</u>	<u>3,112</u>
EXCESS OF DISTRICT REVENUES OVER DISTRICT EXPENDITURES	9,999	11,628	11,695	67
OTHER FINANCING USES				
Transfers In/(Out)	(9,999)	(11,628)	(11,695)	(67)
Total Other Financing Uses	<u>(9,999)</u>	<u>(11,628)</u>	<u>(11,695)</u>	<u>(67)</u>
NET CHANGE IN FUNDS AVAILABLE	-	-	-	-
District Funds Available - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DISTRICT FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SHERIDAN SANITATION DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
ENTERPRISE ACTIVITY
YEAR ENDED DECEMBER 31, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
ENTERPRISE REVENUES				
Capital Replacement Fee	\$ 181,000	\$ 185,000	\$ 183,320	\$ (1,680)
Sewer Treatment Income	465,000	485,000	484,611	(389)
Sewer Transfer Fees	-	3,000	2,925	(75)
Interest Income	10,240	56,320	80,896	24,576
Late Fees / Penalties	6,000	5,000	4,693	(307)
Interest Income	15,000	40,000	38,781	(1,219)
Total Enterprise Revenues	<u>677,240</u>	<u>774,320</u>	<u>795,226</u>	<u>20,906</u>
ENTERPRISE EXPENDITURES				
General and Administrative Expenses	129,496	193,066	147,101	45,965
Direct Sewer Expenses	515,504	558,450	533,307	25,143
Sewer Line Replacement	120,000	148,484	148,484	-
Total Enterprise Expenditures	<u>765,000</u>	<u>900,000</u>	<u>828,892</u>	<u>71,108</u>
EXCESS OF ENTERPRISE REVENUES OVER (UNDER) ENTERPRISE EXPENDITURES	(87,760)	(125,680)	(33,666)	92,014
OTHER FINANCING SOURCES				
Transfers In	9,999	11,628	11,695	67
Total Other Financing Sources	<u>9,999</u>	<u>11,628</u>	<u>11,695</u>	<u>67</u>
NET CHANGE IN FUNDS AVAILABLE	(77,761)	(114,052)	(21,971)	92,081
Enterprise Funds Available - Beginning of Year	<u>910,940</u>	<u>889,311</u>	<u>889,311</u>	<u>-</u>
ENTERPRISE FUNDS AVAILABLE - END OF YEAR	<u>\$ 833,179</u>	<u>\$ 775,259</u>	<u>\$ 867,340</u>	<u>\$ 92,081</u>

**SHERIDAN SANITATION DISTRICT NO. 2
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2023**

	Actual
Funds Available are Defined as Follows:	
Current Assets	\$ 954,179
Less: Current Liabilities	(40,238)
Less: Deferred Inflow of Resources	(46,601)
Funds Available	\$ 867,340
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses, and Changes in Net Position:	
Revenues (Budgetary Basis)	\$ 842,181
Total Revenues per Statement of Revenues, Expenses, and Changes in Net Position	842,181
Expenditures (Budgetary Basis)	864,152
Depreciation	37,334
Capital Outlay	(148,484)
Total Expenses per Statement of Revenues, Expenses, and Change in Net Position	753,002
Change in Net Position per Statement of Revenues, Expenses, and Change in Net Position	\$ 89,179

**SHERIDAN SANITATION DISTRICT NO. 2
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023**

DIRECT SEWER EXPENSES

Sewer Treatment	\$ 378,004
Billing Expense	70,164
Collection Fee	367
Engineering	36,753
Repairs and Maintenance	46,654
Telephone	1,365
Total Direct Sewer Expenses	<u>\$ 533,307</u>

GENERAL AND ADMINISTRATIVE EXPENSES

Accounting and Audit	\$ 54,420
Directors' Fees	5,800
District Management Fees	62,461
Dues and Subscriptions	530
Election	2,591
Insurance	7,729
Legal	45,053
Miscellaneous	2,677
Payroll Expense	444
Total General and Administrative Expenses	<u>\$ 181,705</u>

OTHER INFORMATION

SHERIDAN SANITATION DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023

Year Ended December 31,	Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2019	\$ 66,990,777	0.490	\$ 32,826	\$ 32,686	99.57 %
2020	82,043,711	0.425	34,869	34,302	98.37
2021	79,966,099	0.467	37,344	37,067	99.26
2022	93,215,547	0.430	40,082	39,285	98.01
2023	90,448,243	0.482	43,597	43,530	99.85
Estimated for Year Ending December 31, 2024	\$ 110,955,287	0.420	\$ 46,601		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.