

**SOUTH ARAPAHOE SANITATION DISTRICT**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2023 AND 2022**

**SOUTH ARAPAHOE SANITATION DISTRICT  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>I</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	<b>IV</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF NET POSITION</b>	<b>1</b>
<b>STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>2</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>3</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>4</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND FUNDS AVAILABLE –     BUDGET AND ACTUAL (BUDGETARY BASIS)</b>	<b>15</b>
<b>RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF     REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>16</b>



Board of Directors  
South Arapahoe Sanitation District  
Arapahoe County, Colorado

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the business-type activities of South Arapahoe Sanitation District (the "District"), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's 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 financial position of South Arapahoe Sanitation District as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

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 (GAAP), 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.

## 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 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 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.

## Other Matters

### Required Supplemental Information

The management's discussion and analysis information on pages IV through VIII is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

### Supplementary Information

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

*Wipfli LLP*

Wipfli LLP  
Denver, Colorado

June 7, 2024

**SOUTH ARAPAHOE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

The management of South Arapahoe Sanitation District (the District) offers the 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.

**Financial Highlights**

- Net position increased \$596,674 during 2023.
- The District had \$1,654,781 of operating revenue for sewer services as compared to revenue of \$1,532,374 in 2022, and \$1,368,126 of operating expenses for sewer as compared to expenses of \$1,169,633 in 2022.
- Operating revenues increased 7.99% and operating expenses (exclusive of depreciation) increased 22.92% from 2022 revenues and expenses, respectively.
- One sewer tap was issued in 2023, raising the total number of Single-Family Equivalents (SFE) in the District to 11,135.
- Funds available (current assets less current liabilities) increased \$769,174 from \$5,695,429 in 2022 to \$6,464,603 in 2023.
- The District constructed \$170,023 of capital improvements during 2023.

**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 are comprised of Financial Statements and Notes to Financial Statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The financial statements of the District are presented as a special purpose government engaged only in business type activities - providing sewer utility services.

The *statement of net position* presents information on all of the District's assets, liabilities and deferred inflow of resources, with the difference between the three reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* presents information that reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *statement of cash flows* reports the District's cash flows from operating, noncapital financing, capital, and investing activities.

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

The *supplemental information* contained in this report provides a schedule of budget and actual information and a reconciliation of budgetary basis to the statement of revenues, expenses, and changes in net assets.

**SOUTH ARAPAHOE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

The statement of net position and reviews of revenue and expenses are condensed with comments and presented as follows:

**Statement of Net Position**

	December 31,		
	2023	2022	2021
<b>ASSETS</b>			
Current Assets	\$ 7,655,779	\$ 6,829,494	\$ 6,479,079
Capital Assets	7,672,364	7,844,864	7,571,836
Total Assets	<u>15,328,143</u>	<u>14,674,358</u>	<u>14,050,915</u>
<b>LIABILITIES</b>			
Current Liabilities	1,190,385	1,134,065	996,416
Total Liabilities	<u>1,190,385</u>	<u>1,134,065</u>	<u>996,416</u>
<b>NET POSITION</b>			
Net Assets Invested in Capital Assets	7,672,364	7,844,864	7,571,836
Unrestricted Net Position	6,465,394	5,695,429	5,482,663
Total Net Position	<u>\$ 14,137,758</u>	<u>\$ 13,540,293</u>	<u>\$ 13,054,499</u>

The District increased its net position \$596,674 during 2023 and \$485,794 during 2022. Current assets increased \$826,285 from 2022. The "Funds Available" (current assets less current liabilities) calculates to \$6,464,603 for 2023 and \$5,695,429 for 2022, which is available primarily for future operations and capital projects.

**SOUTH ARAPAHOE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**Review of Change in Net Position**

	December 31,		
	2023	2022	2021
<b>REVENUES</b>			
Operating Revenues:			
Sewer Services	\$ 1,654,781	\$ 1,532,374	\$ 1,464,058
Total Operating Revenues	<u>1,654,781</u>	<u>1,532,374</u>	<u>1,464,058</u>
Nonoperating Revenues(Expenses):			
Investment Income	305,419	92,048	2,819
Other Income	3,100	4,500	1,500
Total Nonoperating Revenues	<u>308,519</u>	<u>96,548</u>	<u>4,319</u>
Capital Contributions:			
Tap Fees	1,500	26,505	-
Total Capital Contributions	<u>1,500</u>	<u>26,505</u>	<u>-</u>
Total Revenues	<u>1,964,800</u>	<u>1,655,427</u>	<u>1,468,377</u>
<b>EXPENSES</b>			
Operating Expenses:			
Sewer	925,278	735,877	812,808
Total Operating Expenses	<u>925,278</u>	<u>735,877</u>	<u>812,808</u>
General and Administrative	99,534	98,489	101,404
Other	-	-	122,617
Depreciation	342,523	335,267	324,970
Total Expenses	<u>1,367,335</u>	<u>1,169,633</u>	<u>1,361,799</u>
<b>CHANGE IN NET POSITION</b>	597,465	485,794	106,578
Net Position - Beginning of Year	<u>13,540,293</u>	<u>13,054,499</u>	<u>12,947,921</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 14,137,758</u>	<u>\$ 13,540,293</u>	<u>\$ 13,054,499</u>

Total revenues increased \$309,373 in 2023. Sewer services increased \$122,407 and nonoperating revenue increased \$211,971. In 2023, tap fees decreased by \$25,005. The increase in net investment income was due to higher average interest rate yields on the District's local government investment pool from 2022 to 2023. The City bills annually in advance in June, September, and December. District transmission fees are a percentage of the City's service treatment fees, which were 40% in 2023 and 41% in 2022 and 43% in 2021. Operating and general and administrative expenses increased \$191,237 over 2022 expenses, due mainly to increase costs for Engineering Management and Locates.

**Budgetary Highlights**

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets, and debt repayments, as well as capital outlay, in addition to operations and nonoperating revenue and contributions. Depreciation is not reflected on the budget since it does not affect "funds available." This budgetary accounting is required by State statutes.

**SOUTH ARAPAHOE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

Total revenue of the District was more than the budgeted revenue by \$273,300 due mainly to the positive variances for investment income and transmission fee. The positive variances were offset by negative variances for grease trap review fee, plan review/construction observation fees, and other revenues.

Actual expenditures of the District were less than the budgeted appropriation by \$594,374, which included positive variances for repairs and maintenance, engineering management, capital improvements, and legal fees. The positive variances were offset by a negative variance for locates.

**Capital Assets Activity**

The activity related to capital assets during 2023, 2022, and 2021 is as follows:

	<u>December 31, 2022</u>	<u>Net Changes</u>	<u>December 31, 2023</u>
Land and Easements	\$ 64,057	\$ -	\$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor	343,026	-	343,026
Sewer System	<u>17,295,410</u>	<u>170,023</u>	<u>17,465,433</u>
Total Capital Assets	<u>17,702,493</u>	<u>170,023</u>	<u>17,872,516</u>
Accumulated Depreciation	<u>(9,857,629)</u>	<u>(342,523)</u>	<u>(10,200,152)</u>
Net Capital Assets	<u>\$ 7,844,864</u>	<u>\$ (172,500)</u>	<u>\$ 7,672,364</u>
	<u>December 31, 2021</u>	<u>Net Changes</u>	<u>December 31, 2022</u>
Land and Easements	\$ 64,057	\$ -	\$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor	343,026	-	343,026
Sewer System	<u>16,687,115</u>	<u>608,295</u>	<u>17,295,410</u>
Total Capital Assets	<u>17,094,198</u>	<u>608,295</u>	<u>17,702,493</u>
Accumulated Depreciation	<u>(9,522,362)</u>	<u>(335,267)</u>	<u>(9,857,629)</u>
Net Capital Assets	<u>\$ 7,571,836</u>	<u>\$ 273,028</u>	<u>\$ 7,844,864</u>
	<u>December 31, 2020</u>	<u>Net Changes</u>	<u>December 31, 2021</u>
Land and Easements	\$ 64,057	\$ -	\$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor	343,026	-	343,026
Sewer System	<u>16,347,580</u>	<u>339,535</u>	<u>16,687,115</u>
Total Capital Assets	<u>16,754,663</u>	<u>339,535</u>	<u>17,094,198</u>
Accumulated Depreciation	<u>(9,197,392)</u>	<u>(324,970)</u>	<u>(9,522,362)</u>
Net Capital Assets	<u>\$ 7,557,271</u>	<u>\$ 14,565</u>	<u>\$ 7,571,836</u>

**SOUTH ARAPAHOE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

The 2023 capital asset activity of \$155,873 and the 2022 capital asset activity of \$598,195 were spent for engineering, design, and construction of sewer pipe by cured-in-place rehabilitation and manhole rehabilitation. In 2023, the District also spent \$14,150 for GIS system program. In 2022, the District also spent \$10,100 for GIS system upgrade.

Additional information on the District's capital assets can be found in Note 4 of this report.

**Economic and Other Factors**

The District expects to maintain a customer base of approximately 11,100 Single Family Equivalents (SFE). The planned continuing maintenance schedule of the District will videotape all clay lines over a two-year period, all PVC lines over a four-year period, and all outfall lines over a four-year period. All line types will be jet cleaned at least every four years. The District is also developing a Geographic Information System (GIS) that will provide detailed information on the District's sewer assets.

The District intends to maintain its percentage for transmission fees at a rate that will generate revenues to produce a funds available balance that will be sufficient to provide a capital reserve for future replacement of the District's sewer system assets, as well as unforeseen contingencies. The District's targeted reserves for capital replacement on December 31, 2023, was \$3,197,800.

**Request for Information**

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Arapahoe Sanitation District  
8390 E. Crescent Parkway, Suite 300  
Greenwood Village, CO 80111

## **BASIC FINANCIAL STATEMENTS**

**SOUTH ARAPAHOE SANITATION DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 115,579	\$ 51,034
Investments	6,402,702	5,906,971
Accounts Receivable	1,137,498	871,489
Total Current Assets	7,655,779	6,829,494
<b>CAPITAL ASSETS, Net</b>		
Capital Assets Not Being Depreciated	407,083	407,083
Capital Assets, Net of Accumulated Depreciation	7,265,281	7,437,781
Total Capital Assets, Net	7,672,364	7,844,864
Total Assets	\$ 15,328,143	\$ 14,674,358
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 172,921	\$ 87,887
Retainage Payable	4,651	26,414
Unearned Revenue	1,011,705	1,019,764
Director Fees Payable	1,108	-
Total Current Liabilities	1,190,385	1,134,065
<b>NET POSITION</b>		
Net Investment in Capital Assets	7,672,364	7,844,864
Unrestricted	6,465,394	5,695,429
Total Net Position	14,137,758	13,540,293
Total Liabilities and Net Position	\$ 15,328,143	\$ 14,674,358

See accompanying Notes to Basic Financial Statements.

**SOUTH ARAPAHOE SANITATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>OPERATING REVENUES</b>		
District Transmission Fee	\$ 1,642,481	\$ 1,516,924
Grease Trap Review Fee	12,300	15,450
Total Operating Revenues	1,654,781	1,532,374
<b>OPERATING EXPENSES</b>		
General and Administrative		
Accounting	48,289	43,853
Auditing	5,000	4,250
Conference/seminars	1,936	2,596
Customer communications	1,909	55
Directors' fees	5,700	5,600
Dues and licenses	1,650	1,238
Insurance and bonds	11,987	10,045
Legal services	21,189	26,809
Miscellaneous	51	1,310
Payroll taxes	436	428
Utilities	1,387	1,205
Website Maintenance	-	1,100
Sewer		
Depreciation	342,523	335,267
Engineering Management	162,993	121,356
Locates	259,232	146,673
Plan review/construction observation	15,164	16,019
Repairs and Maintenance	487,889	451,829
Total Operating Expenses	1,367,335	1,169,633
<b>OPERATING INCOME</b>	287,446	362,741
<b>NONOPERATING REVENUES AND EXPENSES</b>		
Investment Income	305,387	95,026
Unrealized Gain	32	-
Unrealized Loss	-	(2,978)
Plan Review/Construction Observation Fees	3,100	3,000
Other Revenue	-	1,500
Total Nonoperating Revenues and Expenses	308,519	96,548
<b>CAPITAL CONTRIBUTIONS</b>		
Sewer Tap Fees	1,500	26,505
Total Capital Contributions	1,500	26,505
<b>CHANGE IN NET POSITION</b>	597,465	485,794
Total Net Position - Beginning of Year	13,540,293	13,054,499
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 14,137,758	\$ 13,540,293

See accompanying Notes to Basic Financial Statements.

**SOUTH ARAPAHOE SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 1,380,713	\$ 1,524,692
Payment for Operating Expenses	<u>(960,433)</u>	<u>(779,529)</u>
Net Cash Provided by Operating Activities	420,280	745,163
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Tap Fees	1,500	26,505
Other Nonoperating Revenues	<u>3,100</u>	<u>24,485</u>
Net Cash Provided by Noncapital Financing Activities	4,600	50,990
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of Capital Assets	<u>(170,023)</u>	<u>(608,295)</u>
Net Cash Used by Capital and Related Financing Activities	(170,023)	(608,295)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Certificate of Deposit Maturity	-	250,000
Interest Received	<u>305,419</u>	<u>92,048</u>
Net Cash Provided by Investing Activities	<u>305,419</u>	<u>342,048</u>
 <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	560,276	529,906
Cash and Cash Equivalents - Beginning of Year	<u>5,958,005</u>	<u>5,428,099</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 6,518,281</u></u>	<u><u>\$ 5,958,005</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 287,446	\$ 362,741
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation/Amortization	342,523	335,267
(Increase) Decrease in:		
Accounts Receivable	(266,009)	(100,539)
Prepaid Expense	-	10,045
Increase (Decrease) in:		
Accounts Payable	64,379	44,792
Unearned Revenue	<u>(8,059)</u>	<u>92,857</u>
Net Cash Provided by Operating Activities	<u><u>\$ 420,280</u></u>	<u><u>\$ 745,163</u></u>

See accompanying Notes to Basic Financial Statements.

**SOUTH ARAPAHOE SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

South Arapahoe Sanitation District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for Arapahoe County on July 30, 1957, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in unincorporated Arapahoe County, Colorado, City of Greenwood Village, Colorado, City of Littleton, Colorado, and City of Centennial, Colorado. The District was established to provide and maintain sanitary sewer lines and contracts with the City of Englewood (City) for sewage 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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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.

**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. Tap fees and contributed assets from developers are recorded as capital contributions when received.

**SOUTH ARAPAHOE SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**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 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 sanitation service 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.

**Cash Equivalents**

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

**Capital Assets**

Capital assets, which include land and easements, capacity rights, and sewer system components, are reported by the District. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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 capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of 10 to 40 years.

**Contributed Public Improvements**

Public improvements contributed to the District by developers are recorded as capital contributions and additions to the systems at estimated fair value when received.

**SOUTH ARAPAHOE SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributed Public Improvements (Continued)**

The District receives contributions in aid of construction from various sources. They are recorded as follows:

*Sewer System* – Sewer lines are temporarily accepted by the District for a probationary period of twelve months, during which time the developer remains responsible for maintenance and operation of the lines. Upon completion of the probationary period and the meeting of certain requirements, the lines are permanently accepted by the District. The lines are recorded at the time of probationary acceptance by the District at actual or estimated cost to the developer as capital contributions.

*Tap Fees* – These fees become collectible upon issuance of the tap permit and are classified as capital contributions at the time of collection.

*Inclusion Fees* – The District, upon approval of the board of directors, allows lines from outside the District’s boundaries to connect to its sewer lines. The users of these lines are billed for the cost of the facilities to be constructed by the District in order to complete the connection.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2023 and 2022 are classified in the accompanying financial statements as follows:

	2023	2022
Statement of Net Position:		
Cash	\$ 115,579	\$ 51,034
Investments	6,402,702	5,906,971
Total Cash and Investments	\$ 6,518,281	\$ 5,958,005

Cash and cash equivalents per the statement of cash flows as of December 31, 2023 and 2022 consist of the following:

	2023	2022
Deposits with Financial Institutions	\$ 115,579	\$ 51,034
Investments	6,402,702	5,906,971
Total Cash and Investments	\$ 6,518,281	\$ 5,958,005

**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.

**SOUTH ARAPAHOE SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Deposits with Financial Institutions (Continued)**

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 and 2022, the District's cash deposits had a bank balance of \$115,579 and \$52,142 and a carrying balance of \$115,579 and \$51,034, respectively.

**Investments**

The District has adopted a formal investment policy which 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 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

**SOUTH ARAPAHOE SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Fair Value Measurement and Application**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), and COLOTRUST which are recorded at net asset value.

As of December 31, 2023 and 2022, the District had the following investments:

Investment	Maturity	Amount	
		2023	2022
Colorado Local Government Liquid Asset Trust (COLOTRUST PLUS)	Weighted-Average Under 60 Days	\$ 6,391,698	\$ 4,895,196
Trust (COLOTRUST EDGE)	Under 60 Days	11,004	1,011,775
		<u>\$ 6,402,702</u>	<u>\$ 5,906,971</u>

**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, offer daily liquidity. Each share is equal in value to \$1.00. 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.

**SOUTH ARAPAHOE SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**COLOTRUST (Continued)**

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 is rated AAAM by Standard & Poor's. 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.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the years ended December 31, 2023 and 2022 follows:

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 64,057	\$ -	\$ -	\$ 64,057
Capacity in Southgate's Big Dry Creek Interceptor	343,026	-	-	343,026
Total Capital Assets, Not Being Depreciated	407,083	-	-	407,083
Capital Assets, Being Depreciated:				
GIS Program	132,522	14,150	-	146,672
Sewer System	17,162,888	155,873	-	17,318,761
Total Capital Assets, Being Depreciated	17,295,410	170,023	-	17,465,433
Less Accumulated Depreciation for:				
GIS Program	(92,715)	(9,042)	-	(101,757)
Sewer System	(9,764,914)	(333,481)	-	(10,098,395)
Total Accumulated Depreciation	(9,857,629)	(342,523)	-	(10,200,152)
Total Capital Assets, Being Depreciated, Net	7,437,781	(172,500)	-	7,265,281
Capital Assets, Net	<u>\$ 7,844,864</u>	<u>\$ (172,500)</u>	<u>\$ -</u>	<u>\$ 7,672,364</u>

**SOUTH ARAPAHOE SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

	Balance at December 31, 2021	Increases	Decreases	Balance at December 31, 2022
Capital Assets, Not Being Depreciated:				
Land and Easements Capacity in Southgate's Big Dry Creek Interceptor	\$ 64,057	\$ -	\$ -	\$ 64,057
Total Capital Assets, Not Being Depreciated	<u>343,026</u>	<u>-</u>	<u>-</u>	<u>343,026</u>
Capital Assets, Being Depreciated:				
GIS Program	122,422	10,100	-	132,522
Sewer System	16,564,693	598,195	-	17,162,888
Total Capital Assets, Being Depreciated	<u>16,687,115</u>	<u>608,295</u>	<u>-</u>	<u>17,295,410</u>
Less Accumulated Depreciation for:				
GIS Program	(83,258)	(9,457)	-	(92,715)
Sewer System	(9,439,104)	(325,810)	-	(9,764,914)
Total Accumulated Depreciation	<u>(9,522,362)</u>	<u>(335,267)</u>	<u>-</u>	<u>(9,857,629)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,164,753</u>	<u>273,028</u>	<u>-</u>	<u>7,437,781</u>
Capital Assets, Net	<u>\$ 7,571,836</u>	<u>\$ 273,028</u>	<u>\$ -</u>	<u>\$ 7,844,864</u>

Depreciation expense for the year ended December 31, 2023 and 2022 was charged to the following operations:

	2023	2022
Sewer Depreciation Expense	<u>\$ 342,523</u>	<u>\$ 335,267</u>

**NOTE 5 INTERGOVERNMENTAL AGREEMENTS**

**City of Englewood Sewage Treatment**

The District has a service contract with the City of Englewood. Under the terms of the contract, Englewood treats all District sewage, bills District residents for this service, and retains all treatment service billing collections. Englewood Service treatment fees were \$4,088,798 and \$3,936,922 in 2023 and 2022, respectively.

**SOUTH ARAPAHOE SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 5 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**City of Englewood Sewage Treatment (Continued)**

The District charges for transmission fees which are added to the treatment fees billed by Englewood. Collection of these fees, net of uncollected transmission and treatment fees, are remitted periodically to the District by Englewood.

**Basin Interceptor Agreement**

The District has entered into an intergovernmental agreement (Basin Interceptor Agreement) with the City of Englewood, Southgate Sanitation District, and the South Englewood Sanitation District to provide for the orderly and timely enlargement of the Big Dry Creek Interceptor system and to properly allocate the individual entities' capacity rights of the interceptor. Legal title to the interceptor shall be held by the City of Englewood and the Southgate Sanitation District. The District shall have the capacity rights set forth in the agreement in the amount of 13,331 Single Family Equivalents. The Agreement identifies eight projects to enlarge the Big Creek Interceptor.

Englewood bills the residents in each party's service area for the estimated maintenance costs of the interceptor and retains all billing collections in trust. The Basin Interceptor Agreement charges were \$201,284 and \$202,981 in 2023 and 2022, respectively.

In late 2005, Southgate Sanitation District advised the other parties to the Basin Interceptor Agreement that further enlargement of the interceptor is unnecessary based upon Southgate's flow projections and engineering analysis. Southgate will limit repair and refurbishment of the interceptor to improvements and measures needed to maintain existing capacity. The participants will be subject to proportionate billings for major repairs/improvements above the amounts contributed for routine maintenance.

**Southgate Sanitation District**

In conjunction with the Basin Interceptor Agreement, the District has entered into an agreement with the Southgate Sanitation District whereby Southgate assumes the liability for any further capital payments due under the Basin Interceptor Agreement until such time as 1,000 SFE taps have been authorized for service in South Arapahoe. The District estimates that 1,000 SFE taps are more than will be required by the District, and therefore, does not estimate that any payments will be required on the Basin Interceptor Agreement for enlargement of the facilities.

**Wastewater Connector and Transmission Agreement**

On April 24, 2017, the District entered into an agreement with Arapahoe County, the City of Englewood, and Waste Management of Colorado, Inc. The agreement permits Arapahoe County and Waste Management of Colorado, Inc. to connect a line to the District's sewer system to transmit effluent for the continued dewatering of a landfill site. The City of Englewood is a party to the agreement because it provides the wastewater treatment. The District charges an annual base service charge for the landfill tap in the amount of \$1,000, due in advance. The agreement is in effect through December 31, 2032.

**SOUTH ARAPAHOE SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 6 NET POSITION**

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

Net investment in 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 and 2022, the District had net investment in capital assets calculated as follows:

	2023	2022
Net Investment in Capital Assets:		
Capital Assets, Net	\$ 17,872,516	\$ 17,702,493
Less Depreciation	(10,200,152)	(9,857,629)
Net Investment in Capital Assets	\$ 7,672,364	\$ 7,844,864

The unrestricted component of net position is the net amount of the assets, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**NOTE 7 COMMITMENTS**

On July 23, 2023, the District entered into a contract with Insituform Technologies, Inc., for cured-in-place lining of 2 segments. The total amount of the contract was \$481,108. The amount remaining on the contract as of December 31, 2023, was retainage in the amount of \$4,651. Which was the total commitments outstanding as of December 31, 2023.

**NOTE 8 RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

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

**SOUTH ARAPAHOE SANITATION DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 9 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 its operations qualify 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. As an enterprise, the District is exempt from this requirement.

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. As an enterprise, the District is exempt from this requirement.

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.

## **SUPPLEMENTARY INFORMATION**

**SOUTH ARAPAHOE SANITATION DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND FUNDS AVAILABLE  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment Income	\$ 83,000	\$ 305,387	\$ 222,387
District Transmission Fee	1,585,000	1,642,481	57,481
Grease Trap Review Fee	15,000	12,300	(2,700)
Plan Review/Construction Observation Fees	5,000	3,100	(1,900)
Other Revenue	2,000	-	(2,000)
Sewer Tap Fees	1,500	1,500	-
Unrealized Gain	-	32	32
Total Revenues	<u>1,691,500</u>	<u>1,964,800</u>	<u>273,300</u>
<b>EXPENDITURES</b>			
Directors' fees	6,000	5,700	300
Conference/seminars	3,000	1,936	1,064
Customer communications	3,675	1,909	1,766
Payroll taxes	459	436	23
Plan review/construction observation	28,350	15,164	13,186
Locates	220,000	259,232	(39,232)
Website Maintenance	1,155	-	1,155
Contingency	7,811	-	7,811
Accounting	53,000	48,289	4,711
Auditing	5,000	5,000	-
Dues and licenses	1,500	1,650	(150)
Insurance and bonds	12,000	11,987	13
Legal services	40,000	21,189	18,811
Miscellaneous	2,000	51	1,949
Utilities	1,200	1,387	(187)
Engineering Management	206,850	162,993	43,857
Repairs and Maintenance	535,860	487,889	47,971
Capital Improvements	662,140	170,023	492,117
Total Expenditures	<u>1,790,000</u>	<u>1,194,835</u>	<u>595,165</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(98,500)	769,965	868,465
Fund Balance - Beginning of Year	<u>5,591,318</u>	<u>5,695,429</u>	<u>104,111</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,492,818</u>	<u>\$ 6,465,394</u>	<u>\$ 972,576</u>

**SOUTH ARAPAHOE SANITATION DISTRICT  
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2023**

	Actual
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER  FINANCING SOURCES OVER (UNDER) EXPENDITURES  AND OTHER FINANCING SOURCES (USES) (BUDGETARY BASIS)</b>	\$ 769,965
Add:	
Current Year Capital Outlay	170,023
Deduct:	
Depreciation	(342,523)
<b>CHANGE IN NET POSITION</b>	597,465
Total Net Position - Beginning of Year	13,540,293
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 14,137,758</b>