

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2023 AND 2022

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
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Independent Auditors' Report

Board of Directors
South Englewood Sanitation District No. 1
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the business-type activities of the South Englewood Sanitation District No. 1 (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("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.

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Simmons & Wheeler P.C.

Englewood, CO
July 15, 2024

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

The management of South Englewood Sanitation District No. 1 (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 \$669,632 during 2023.
- The District had \$953,978 of operating revenue for sewer services as compared to revenue of \$932,760 in 2022, and \$169,976 of operating expenses for sewer as compared to expenses of \$139,629 in 2022.
- Operating revenues increased 2.27% in 2023.
- Sewer operating expenses and general and administrative expenses (exclusive of depreciation) increased 7.75% in 2023.
- Net investment income increased 204.5% over 2022 net investment income.
- Funds available (current assets less current liabilities) decreased \$187,663 from \$4,317,996 in 2022 to \$4,130,333 in 2023.
- The District constructed \$980,224 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 and liabilities, with the difference between the two 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 ENGLEWOOD SANITATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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

Statement of Net Position

| | December 31, | | |
|----------------------------------|----------------------|---------------------|---------------------|
| | 2023 | 2022 | 2021 |
| ASSETS | | | |
| Current Assets | \$ 4,557,455 | \$ 5,404,343 | \$ 4,957,015 |
| Capital Assets | 6,050,211 | 5,192,916 | 4,274,819 |
| Total Assets | <u>10,607,666</u> | <u>10,597,259</u> | <u>9,231,834</u> |
| LIABILITIES | | | |
| Current Liabilities | 427,122 | 1,086,347 | 520,576 |
| Total Liabilities | <u>427,122</u> | <u>1,086,347</u> | <u>520,576</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 6,050,211 | 5,192,916 | 4,274,819 |
| Unrestricted Net Position | 4,130,333 | 4,317,996 | 4,436,439 |
| Total Net Position | <u>\$ 10,180,544</u> | <u>\$ 9,510,912</u> | <u>\$ 8,711,258</u> |

The District increased its net position by \$669,632 during 2023 and \$799,654 during 2022. Current assets decreased \$846,888 from 2022 primarily due to a decrease of \$345,563 in cash and investments due to expenses exceeding revenues and a decrease of \$477,726 in accounts receivable mainly due to the service treatment fees recorded as revenue in 2024 instead of deferred revenue in 2023. The District's transmission fee revenue remained at 55% of Englewood's service treatment fees as determined in 2021. The "Funds Available" (current assets less current liabilities and deferred inflows of resources) totaled \$4,130,333 for 2023 and \$4,317,996 for 2022, which is available primarily for future operations and capital projects.

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

Review of Change in Net Position

| | December 31, | | |
|---|----------------------|---------------------|---------------------|
| | 2023 | 2022 | 2021 |
| REVENUES | | | |
| Operating Revenue: | | | |
| District Transmission Fees | \$ 953,978 | \$ 932,760 | \$ 1,062,330 |
| Total Operating Revenue | 953,978 | 932,760 | 1,062,330 |
| Nonoperating Revenue (Expenses): | | | |
| Investment Income | 225,380 | 74,026 | 2,726 |
| Plan Review/Construction Observation Fees | 2,700 | 10,900 | 7,000 |
| Other Income | 18,025 | 2,492 | 8,455 |
| Contributed Capital | - | 248,940 | - |
| Unrecognized Gain on Investments | 4,153 | - | - |
| Sewer Tap Fees | 15,500 | 29,500 | 29,725 |
| Total Nonoperating Revenue | 265,758 | 365,858 | 47,906 |
| Total Revenue | 1,219,736 | 1,298,618 | 1,110,236 |
| EXPENSES | | | |
| Operating Expenses: | | | |
| Sewer | 169,976 | 139,629 | 145,160 |
| Total Operating Expenses | 169,976 | 139,629 | 145,160 |
| General and Administrative | 257,199 | 256,817 | 221,893 |
| Depreciation | 122,929 | 102,518 | 90,754 |
| Total Expenses | 550,104 | 498,964 | 457,807 |
| CHANGE IN NET POSITION | 669,632 | 799,654 | 652,429 |
| Net Position - Beginning of Year | 9,510,912 | 8,711,258 | 8,058,829 |
| NET POSITION - END OF YEAR | <u>\$ 10,180,544</u> | <u>\$ 9,510,912</u> | <u>\$ 8,711,258</u> |

Total revenue decreased \$78,882 in 2023. District transmission fees increased \$21,218 and net sewer tap fees decreased by \$14,000. Nonoperating revenue decreased \$100,100. The increase in net investment income was due mostly to a steady increase throughout the year in interest earnings on the District's local government investment pools. District transmission fees are a percentage of the City's service treatment fees, which were 55% in 2023, 2022, and 2021. Therefore, the increase in District transmission fees was due mainly to a increase in the City's service treatment fees. The decrease in nonoperating revenue was due mostly to the decrease in contributed capital of \$248,940. Operating and general and administrative expenses increased \$30,729 as compared to 2022 expenses.

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 ENGLEWOOD SANITATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

The District was required to amend the original 2023 budget mostly due to a negative variance for Capital Outlay – Sewer System.

Total revenue of the District was less than the budgeted revenue by \$12,617, due mainly to a positive variance for Investment Income offset by a negative variance for District transmission fees.

Actual expenditures of the District were less than the budgeted appropriation by \$17,601, due mainly to a positive variance for General and Administrative expenses.

Capital Assets Activity

The activity related to capital assets excluding Construction in Process (CIP) during 2023, 2022, and 2021 is as follows:

| | <u>December 31, 2022</u> | <u>Net Changes</u> | <u>December 31, 2023</u> |
|--------------------------|------------------------------|------------------------|------------------------------|
| Sewer System | \$ 5,572,156 | \$ 1,020,615 | \$ 6,592,771 |
| Computer Equipment | 40,280 | - | 40,280 |
| Total Capital Assets | <u>5,612,436</u> | <u>1,020,615</u> | <u>6,633,051</u> |
| Accumulated Depreciation | <u>(1,440,135)</u> | <u>(122,929)</u> | <u>(1,563,064)</u> |
| Net Capital Assets | <u>\$ 4,172,301</u> | <u>\$ 897,686</u> | <u>\$ 5,069,987</u> |

| | <u>December 31, 2021</u> | <u>Net Changes</u> | <u>December 31, 2022</u> |
|--------------------------|------------------------------|------------------------|------------------------------|
| Sewer System | \$ 5,572,156 | \$ - | \$ 5,572,156 |
| Computer Equipment | 40,280 | - | 40,280 |
| Total Capital Assets | <u>5,612,436</u> | <u>-</u> | <u>5,612,436</u> |
| Accumulated Depreciation | <u>(1,337,617)</u> | <u>(102,518)</u> | <u>(1,440,135)</u> |
| Net Capital Assets | <u>\$ 4,274,819</u> | <u>\$ (102,518)</u> | <u>\$ 4,172,301</u> |

| | <u>December 31, 2020</u> | <u>Net Changes</u> | <u>December 31, 2021</u> |
|--------------------------|------------------------------|------------------------|------------------------------|
| Sewer System | \$ 4,983,951 | \$ 588,205 | \$ 5,572,156 |
| Computer Equipment | 40,280 | - | 40,280 |
| Total Capital Assets | <u>5,024,231</u> | <u>588,205</u> | <u>5,612,436</u> |
| Accumulated Depreciation | <u>(1,246,863)</u> | <u>(90,754)</u> | <u>(1,337,617)</u> |
| Net Capital Assets | <u>\$ 3,777,368</u> | <u>\$ 497,451</u> | <u>\$ 4,274,819</u> |

The 2023 CIP capital asset activity of \$980,224 and the 2022 CIP capital asset activity of \$1,020,615 were spent for engineering, design, and construction of sewer pipe by cured-in-place rehabilitation and manhole rehabilitation.

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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

Economic and Other Factors

The District's wastewater collection system includes over 52 miles of sewer lines, ranging in size from 8" to 24" in diameter, plus over 1,750 manholes. Sewage from the District is conveyed to the South Platte Water Renewal Partners Wastewater Treatment Plant. The District serves approximately 4,612 customers located within the Cities of Englewood and Centennial. The District expects to maintain this customer base and continue with a planned maintenance schedule.

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 Englewood Sanitation District No. 1
8390 E. Crescent Parkway, Suite 300
Greenwood Village, CO 80111

BASIC FINANCIAL STATEMENTS

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Investments | \$ 4,398,203 | \$ 4,743,766 |
| Accounts Receivable | 159,252 | 636,978 |
| Other Receivable | - | 22,054 |
| Prepaid Expenses | - | 1,545 |
| Total Current Assets | 4,557,455 | 5,404,343 |
| CAPITAL ASSETS, Net | | |
| Capital Assets Not Being Depreciated | 980,224 | 1,020,615 |
| Capital Assets, Net of Accumulated Depreciation | 5,069,987 | 4,172,301 |
| Total Capital Assets, Net | 6,050,211 | 5,192,916 |
| Total Assets | \$ 10,607,666 | \$ 10,597,259 |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 397,214 | \$ 556,670 |
| Retainage Payable | 29,908 | 36,943 |
| Unearned Revenue | - | 492,734 |
| Total Current Liabilities | 427,122 | 1,086,347 |
| NET POSITION | | |
| Net Investment in Capital Assets | 6,050,211 | 5,192,916 |
| Unrestricted | 4,130,333 | 4,317,996 |
| Total Net Position | 10,180,544 | 9,510,912 |
| Total Liabilities and Net Position | \$ 10,607,666 | \$ 10,597,259 |

See accompanying Notes to Basic Financial Statements.

SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---------------|--------------|
| OPERATING REVENUES | | |
| District Transmission Fees | \$ 953,978 | \$ 932,760 |
| Total Operating Revenues | 953,978 | 932,760 |
| OPERATING EXPENSES | | |
| Accounting | 45,934 | 36,049 |
| Auditing | 5,500 | 5,200 |
| Customer Communications | 1,680 | 1,100 |
| Directors' Fees | 5,700 | 5,200 |
| Dues/Licenses | 1,260 | 635 |
| Engineering Management | 73,646 | 87,607 |
| Insurance and Bonds | 6,823 | 5,764 |
| Legal Fees | 23,793 | 28,036 |
| Locates | 73,307 | 65,149 |
| Miscellaneous | - | 429 |
| Payroll Taxes | 436 | 398 |
| Plan Review/Construction Observation | 19,120 | 15,294 |
| Repairs and Maintenance | 169,976 | 139,629 |
| Unrecognized Loss on Investments | - | 5,956 |
| Depreciation | 122,929 | 102,518 |
| Total Operating Expenses | 550,104 | 498,964 |
| INCOME FROM OPERATIONS | 403,874 | 433,796 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Contributed Capital | - | 248,940 |
| Investment Income | 225,380 | 74,026 |
| Plan Review/Construction Observation Fees | 2,700 | 10,900 |
| Sewer Tap Fees | 15,500 | 29,500 |
| Unrecognized Gain on Investments | 4,153 | - |
| Other Income | 18,025 | 2,492 |
| Total Nonoperating Revenues | 265,758 | 365,858 |
| CHANGE IN NET POSITION | 669,632 | 799,654 |
| Net Position - Beginning of Year | 9,510,912 | 8,711,258 |
| NET POSITION - END OF YEAR | \$ 10,180,544 | \$ 9,510,912 |

See accompanying Notes to Basic Financial Statements.

SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers | \$ 961,024 | \$ 994,322 |
| Payment for Operating Expenses | (592,121) | 133,072 |
| Net Cash Provided by Operating Activities | 368,903 | 1,127,394 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Sewer Tap Fees | 15,500 | 29,500 |
| Other Nonoperating Revenue | 24,878 | 13,392 |
| Net Cash Provided by Noncapital Financing Activities | 40,378 | 42,892 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of Capital Assets | (980,224) | (1,020,615) |
| Contributed Capital | - | 248,940 |
| Net Cash Used by Capital and Related Financing Activities | (980,224) | (771,675) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received | 225,380 | 74,026 |
| Net Cash Provided by Investing Activities | 225,380 | 74,026 |
| NET INCREASE (DECREASE) IN CASH AND INVESTMENTS | (345,563) | 472,637 |
| Cash and Investments - Beginning of Year | 4,743,766 | 4,271,129 |
| CASH AND INVESTMENTS - END OF YEAR | \$ 4,398,203 | \$ 4,743,766 |
| RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Income from Operations | \$ 403,874 | \$ 433,796 |
| Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities: | | |
| Depreciation/Amortization | 122,929 | 102,518 |
| Net (Increase) Decrease in Receivables | 499,780 | 19,990 |
| Net (Increase) Decrease in Prepaid Expenses | 1,545 | 5,319 |
| Net Increase (Decrease) in Accounts Payable | (166,491) | 546,253 |
| Net Increase (Decrease) in Unearned Revenue | (492,734) | 19,518 |
| Net Cash Provided by Operating Activities | \$ 368,903 | \$ 1,127,394 |

See accompanying Notes to Basic Financial Statements.

SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

South Englewood Sanitation District No. 1 (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 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 Arapahoe County, Colorado, Englewood, Colorado. The District was established to develop and provide sanitary sewer operations and maintenance services. The District's primary revenues are sewer user fees. Wastewater treatment is provided by the City of Englewood (City), and charges for these services are billed and collected directly from District customers by the City.

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 ENGLEWOOD SANITATION DISTRICT NO. 1
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.

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

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 computer equipment 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 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 |
| Computer Equipment/Software | 5 Years |

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The District did not have any unused lines of credit as of December 31, 2023.

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 and Investments | \$ 4,398,203 | \$ 4,743,766 |
| Total Cash and Investments | \$ 4,398,203 | \$ 4,743,766 |

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

| | 2023 | 2022 |
|--------------------------------------|--------------|--------------|
| Deposits with Financial Institutions | \$ 55,884 | \$ 44,351 |
| Investments | 4,342,319 | 4,699,415 |
| Total Cash and Investments | \$ 4,398,203 | \$ 4,743,766 |

SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 and 2022, the District's cash deposits had a bank balance of \$55,884 and \$66,404 and a carrying balance of \$55,884 and \$44,351, 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 ENGLEWOOD SANITATION DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> | |
|---|--------------------------------|---------------------|---------------------|
| | | <u>2023</u> | <u>2022</u> |
| Colorado Local Government Liquid Asset Trust (COLOTRUST): | | | |
| COLOTRUST PLUS+/PRIME | Weighted-Average Under 60 Days | \$ 4,285,483 | \$ 2,675,865 |
| COLOTRUST EDGE | Weighted-Average Over 190 Days | 56,836 | 2,023,550 |
| Total | | <u>\$ 4,342,319</u> | <u>\$ 4,699,415</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 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 AA Af/S1 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.

SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 CAPITAL ASSETS

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

| | Balance - December 31, 2022 | Increases | Decreases | Balance - December 31, 2023 |
|---|-----------------------------------|---------------------|-----------------------|-----------------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Construction in Process | \$ 1,020,615 | \$ 980,224 | \$ (1,020,615) | \$ 980,224 |
| Total Capital Assets, Not Being Depreciated | 1,020,615 | 980,224 | (1,020,615) | 980,224 |
| Capital Assets Being Depreciated: | | | | |
| GIS Program | 40,280 | - | - | 40,280 |
| Sewer System | 5,572,156 | 1,020,615 | - | 6,592,771 |
| Total Capital Assets Being Depreciated | 5,612,436 | 1,020,615 | - | 6,633,051 |
| Less: Accumulated Depreciation for: | | | | |
| GIS Program | (37,767) | (1,588) | - | (39,355) |
| Sewer System | (1,402,368) | (121,341) | - | (1,523,709) |
| Total Accumulated Depreciation | (1,440,135) | (122,929) | - | (1,563,064) |
| Total Capital Assets Being Depreciated | 4,172,301 | 897,686 | - | 5,069,987 |
| Capital Assets, Net | <u>\$ 5,192,916</u> | <u>\$ 1,877,910</u> | <u>\$ (1,020,615)</u> | <u>\$ 6,050,211</u> |
| | Balance - December 31, 2021 | Increases | Decreases | Balance - December 31, 2022 |
| Capital Assets Not Being Depreciated: | | | | |
| Construction in Process | \$ - | \$ 1,020,615 | \$ - | \$ 1,020,615 |
| Total Capital Assets, Not Being Depreciated | - | 1,020,615 | - | 1,020,615 |
| Capital Assets Being Depreciated: | | | | |
| GIS Program | 40,280 | - | - | 40,280 |
| Sewer System | 5,572,156 | - | - | 5,572,156 |
| Total Capital Assets Being Depreciated | 5,612,436 | - | - | 5,612,436 |
| Less: Accumulated Depreciation for: | | | | |
| GIS Program | (36,179) | (1,588) | - | (37,767) |
| Sewer System | (1,301,438) | (100,930) | - | (1,402,368) |
| Total Accumulated Depreciation | (1,337,617) | (102,518) | - | (1,440,135) |
| Total Capital Assets Being Depreciated | 4,274,819 | (102,518) | - | 4,172,301 |
| Capital Assets, Net | <u>\$ 4,274,819</u> | <u>\$ 918,097</u> | <u>\$ -</u> | <u>\$ 5,192,916</u> |

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

| | 2023 | 2022 |
|----------------------------|------------|------------|
| Sewer | \$ 122,929 | \$ 102,518 |
| Total Depreciation Expense | \$ 122,929 | \$ 102,518 |

NOTE 5 INTERGOVERNMENTAL AGREEMENTS

City of Englewood Sewage Treatment

The District has a service contract with the City. Under terms of the contract, the City treats all District sewage, bills District residents for this service, and retains all treatment service billing collections. The District charges for transmission fees which are added to the treatment fees billed by the City. Collection of these fees, net of uncollected transmission and treatment fees, are remitted periodically to the District by the City.

Wastewater System Service Agreement

The District owns and operates a sanitary sewer system consisting of easements, collector and transmission lines, cleanouts, and manholes. A portion of the District’s sanitary sewer system is located within the City. Under this Agreement, the City will perform locate services, clean and inspect District lines, and respond to emergency calls for the lines located within the City. The District reimbursed the City \$39,600 for these services in 2018. Effective in 2019, this agreement was renewed for 20 years at an annual cost of \$54,000, to be increased 2.5% per year during the term of the agreement. The annual cost in 2023 was \$59,606.

Basin Interceptor Agreement

The District has entered into the Basin Interceptor Agreement (BIA) with the City, Southgate Sanitation District (SGSD), and South Arapahoe Sanitation District (SASD) (the Participants) to provide for the orderly and timely enlargement of the Big Dry Creek Interceptor system (the Interceptor) and to properly allocate the Participants’ capacity rights in the Interceptor. Legal title to the Interceptor shall be held by the City and SGSD. The District shall have the capacity rights set forth in the BIA in the amount of 7,147 Single Family Equivalents. The BIA identified eight projects to enlarge the Interceptor and designated SGSD as the project manager. The City bills the residents in each Participant’s service area for the estimated maintenance costs of the Interceptor and retains all billing collections in trust.

In late 2005, SGSD advised the other Participants that further enlargement of the Interceptor is unnecessary based upon SGSD’s flow projections and engineering analysis. SGSD 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.

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
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 | \$ 7,613,275 | \$ 6,633,051 |
| Less: Depreciation | (1,563,064) | (1,440,135) |
| Net Investment in Capital Assets | \$ 6,050,211 | \$ 5,192,916 |

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 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 ENGLEWOOD SANITATION DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 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 ENGLEWOOD SANITATION DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND FUNDS AVAILABLE
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2023**

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|----------------------------|----------------------------|----------------------------|---|
| REVENUES | | | | |
| District Transmission Fees | \$ 1,002,471 | \$ 960,000 | \$ 953,978 | \$ (6,022) |
| Sewer Tap Fees | 1,500 | 15,500 | 15,500 | - |
| Plan Review/Construction Observation Fees | 15,000 | 2,700 | 2,700 | - |
| Investment Income | 60,000 | 230,000 | 225,380 | (4,620) |
| Other Income | 1,000 | 20,000 | 18,025 | (1,975) |
| Contributed Capital | 100,000 | - | - | - |
| Unrecognized Gain on Investments | - | 4,153 | 4,153 | - |
| Total Revenues | <u>1,179,971</u> | <u>1,232,353</u> | <u>1,219,736</u> | <u>(12,617)</u> |
| EXPENDITURES | | | | |
| Accounting | 40,000 | 46,000 | 45,934 | 66 |
| Auditing | 5,400 | 5,500 | 5,500 | - |
| Conferences/Seminars | 2,000 | - | - | - |
| Customer Communications | 1,100 | 1,680 | 1,680 | - |
| Directors' Fees | 6,000 | 5,700 | 5,700 | - |
| Dues/Licenses | 750 | 1,260 | 1,260 | - |
| Election | 5,000 | - | - | - |
| Engineering Management | 77,500 | 74,000 | 73,646 | 354 |
| Insurance and Bonds | 6,500 | 6,823 | 6,823 | - |
| Legal Fees | 30,000 | 24,000 | 23,793 | 207 |
| Locates | 86,000 | 74,000 | 73,307 | 693 |
| Miscellaneous | 500 | - | - | - |
| Payroll Taxes | 458 | 436 | 436 | - |
| Plan Review/Construction Observation | 20,000 | 20,000 | 19,120 | 880 |
| Repairs and Maintenance | 220,315 | 170,000 | 169,976 | 24 |
| Contingency | 23,477 | 29,601 | - | 29,601 |
| Total Expenditures | <u>525,000</u> | <u>459,000</u> | <u>427,175</u> | <u>31,825</u> |
| CAPITAL IMPROVEMENTS | | | | |
| Capital Outlay - Sewer System | <u>850,000</u> | <u>966,000</u> | <u>980,224</u> | <u>(14,224)</u> |
| Total Capital Improvements | <u>850,000</u> | <u>966,000</u> | <u>980,224</u> | <u>(14,224)</u> |
| Total Expenditures and Capital Improvements | <u>1,375,000</u> | <u>1,425,000</u> | <u>1,407,399</u> | <u>17,601</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | (195,029) | (192,647) | (187,663) | 4,984 |
| Funds Available - Beginning of Year | <u>4,144,573</u> | <u>4,317,996</u> | <u>4,317,996</u> | <u>-</u> |
| FUNDS AVAILABLE - END OF YEAR | <u><u>\$ 3,949,544</u></u> | <u><u>\$ 4,125,349</u></u> | <u><u>\$ 4,130,333</u></u> | <u><u>\$ 4,984</u></u> |

**SOUTH ENGLEWOOD SANITATION DISTRICT NO. 1
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023**

| | Actual |
|---|--------------|
| Funds Available Are Defined As Follows: | |
| Current Assets | \$ 4,557,455 |
| Less: Current Liabilities | (427,122) |
| Funds Available | \$ 4,130,333 |
| Reconciliation of Budgetary Basis (Actual) To Statement of Revenues, Expenses and Changes in Net Position: | |
| Revenues (Budgetary Basis) | \$ 1,219,736 |
| Total Revenue Per Statement of Revenues, Expenses And Changes in Net Position | 1,219,736 |
| Expenditures (Budgetary Basis) | 1,407,399 |
| Depreciation | 122,929 |
| Capital Outlay | (980,224) |
| Total Expenses Per Statement of Revenues, Expenses And Changes in Net Position | 550,104 |
| Change in Net Position Per Statement of Revenues, Expenses and Changes in Net Position | \$ 669,632 |