

WEST MONTROSE SANITATION DISTRICT

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2023 and 2022

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Fund Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	
1. Summary of significant accounting policies	11
2. Deposits with financial institutions and investments	14
3. Capital assets	17
4. Short-term debt	18
5. Spending and debt limitations	18
6. Risk management	18
7. Employees' retirement plan	19
8. Subsequent events	19
Supplementary Information - Revenues and Expenditures - Budget and Actual	20

INDEPENDENT AUDITOR'S REPORT

DONALD R. MORELAND & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
West Montrose Sanitation District
Montrose, Colorado 81403

Opinion

We have audited the accompanying financial statements of West Montrose Sanitation 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of West Montrose Sanitation District as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof 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 West Montrose Sanitation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 West Montrose Sanitation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Board of Directors
West Montrose Sanitation District
Page Two

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on these financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a text 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 West Montrose Sanitation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West Montrose Sanitation District's ability to continue as a going concern for a reasonable period of time.

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

Board of Directors
West Montrose Sanitation District
Page Three

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 West Montrose Sanitation District's basic financial statements. The supplementary information - revenues and expenditures - budget and actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate 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, based on our audit, the information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Donald R. Moreland & Associates, P.C.

Montrose, Colorado
May 20, 2024

MANAGEMENT' S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the West Montrose Sanitation District (the District), we offer readers of the West Montrose Sanitation District's financial statements this narrative overview and analysis of the financial activities of the West Montrose Sanitation District for the fiscal years ended December 31, 2023 and 2022.

Financial Highlights

- The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,758,418 (net position). Of this amount, \$2,914,107 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors. At the close of the prior fiscal year the District's net position and unrestricted net position were \$3,631,116 and \$2,615,684, respectively.
- The District's net position for the current fiscal year increased (decreased) by \$127,302, mainly the result of increased investment income, decreased repairs and maintenance and decreased sludge removal. The District's net position for the prior fiscal year increased (decreased) by \$(22,457) mainly the result of increased repairs and maintenance and sludge removal.
- District revenues and expenses were relatively consistent from 2022 to 2023 with the exception of increased investment income, decreased repair reimbursement, decreased septage fees, and decreased repairs and maintenance and decreased sludge removal. District revenues and expenses were relatively consistent from 2021 to 2022 with the exception of increased repair reimbursement, decreased septage fees and increased repairs and maintenance and sludge removal.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the West Montrose Sanitation District's basic financial statements. The West Montrose Sanitation District's basic financial statements are presented as a special purpose government engaged only in business type activities - providing sanitation services.

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

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

The *statement of cash flows* report the District's cash flows from operating, capital and investing activities. Also presented are beginning and end of year cash and cash equivalents.

The basic financial statements can be found on pages 8 through 10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 through 19 of the report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the West Montrose Sanitation District's budgetary comparisons for revenues and expenditures. Supplementary information can be found on page 20 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the West Montrose Sanitation District, assets exceeded liabilities and deferred inflows of resources by \$3,758,418 at the close of the most recent fiscal year.

A significant amount of the District's net position (approximately 21 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, treatment facilities and collection system). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

West Montrose Sanitation District Net Position

	<u>2023</u>	<u>2022</u>
Current assets	\$3,128,447	2,823,646
Capital assets	<u>844,311</u>	<u>1,015,432</u>
Total assets	<u>3,972,758</u>	<u>3,839,078</u>
Current liabilities	<u>131,526</u>	<u>132,364</u>
Total liabilities	<u>131,526</u>	<u>132,364</u>
Deferred inflows of resources	<u>82,814</u>	<u>75,598</u>
Total deferred inflows of resources	<u>82,814</u>	<u>75,598</u>
Net position:		
Net investment in capital assets	844,311	1,015,432
Unrestricted	<u>2,914,107</u>	<u>2,615,684</u>
Total net position	<u>\$3,758,418</u>	<u>3,631,116</u>

At the end of the current and prior fiscal year, the West Montrose Sanitation District is able to report positive balances in all categories of net position.

Under the GASB 34 reporting model the audit shows the District's net position increased (decreased) by \$127,302 and \$(22,457), respectively, during the years ended December 31, 2023 and 2022. The increase in net position for 2023 was due to decreased repairs and maintenance and decreased sludge removal. The decrease in net position for 2022 was due to decreased septage fees and increased repairs and maintenance and sludge removal.

West Montrose Sanitation District Changes in Net Position

	<u>2023</u>	<u>2022</u>
Revenues:		
Operating revenue	\$ 722,417	855,422
Non-operating revenue	<u>192,807</u>	<u>113,533</u>
Total revenues	<u>915,224</u>	<u>968,955</u>
Expenses:		
Operating expenses:		
Administrative and general	186,001	177,868
Sewage collection and treatment	489,503	999,472
Depreciation	194,363	224,273
Non-operating expenses:		
Treasurer's fees	<u>2,055</u>	<u>1,874</u>
Total expenses	<u>871,922</u>	<u>1,403,487</u>
Income (loss) before contributions	43,302	(434,532)
Capital contributions - tap fees	<u>84,000</u>	<u>412,075</u>
Change in net position	127,302	(22,457)
Net position - beginning of year	<u>3,631,116</u>	<u>3,653,573</u>
Net position - end of year	<u>\$3,758,418</u>	<u>3,631,116</u>

Total expenses approximated the prior fiscal year with the exception of decreased repairs and maintenance and decreased sludge removal. Total expenses for the prior year increased approximately 56 percent from the prior fiscal year mainly as a result of increased repairs and maintenance and sludge removal.

Budgetary highlights

Variiances between actual revenues and budgeted amounts were primarily due to increased capital contributions-tap fees and increased investment income.

Changes between actual expenses and budgeted amounts were primarily due to decreased capital outlay and decreased sewage collection and treatment supplies and expense.

Capital Asset and Debt Administration

Capital assets. The West Montrose Sanitation District's investment in capital assets as of December 31, 2023 and 2022 amounted to \$844,311 and \$1,015,432, respectively, (net of accumulated depreciation). This investment in capital assets includes land, land improvements, building, equipment, treatment facilities and collection system.

There were no major capital assets events during the current and prior year.

West Montrose Sanitation District Capital Assets
(net of depreciation)

	2023	2022
Land	\$ 184,496	184,496
Land improvements	7,555	8,509
Treatment facility	189,668	287,939
Collection system	378,640	433,399
Building	28,627	23,515
Furniture and equipment	55,325	77,574
	\$ 844,311	1,015,432

Additional information on the District's capital assets can be found in Note 3 of this report.

Debt Administration. The District had no debt at December 31 2023 and 2022.

Economic Factors and Next Year's Budgets and Rates

The economic condition and outlook for the District in the upcoming year appears stable. Sanitation fees increased by \$2 a month in 2015 which increased revenue by approximately \$50,000. The District's anticipated collection of property taxes in 2024 will increase approximately \$7,000 from the prior year. Tap fees are projected to decrease approximately \$30,000 due to anticipated reduction in construction of new homes. Legal fees, personnel costs, repairs and maintenance and capital outlay will be increased. These plus other factors were considered in preparing the District's budget for the 2024 fiscal year.

Request for information

This financial report is designed to provide a general overview of the West Montrose Sanitation District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to West Montrose Sanitation District, 239 Chipeta Drive, Montrose, Colorado, 81403.

FINANCIAL STATEMENTS

WEST MONTROSE SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 944,958	671,803
Investments	2,065,568	1,960,650
Due from other governments	1,021	844
Accounts receivable	19,156	102,250
Property taxes receivable	82,814	75,598
Prepaid expenses	14,930	12,501
TOTAL CURRENT ASSETS	<u>3,128,447</u>	<u>2,823,646</u>
CAPITAL ASSETS		
Land	184,496	184,496
Land improvements	26,544	26,544
Treatment facilities	3,024,657	3,022,366
Collection system	1,930,542	1,930,542
Building	76,399	68,249
Transportation equipment	49,144	49,144
Furniture and equipment	287,207	276,006
	<u>5,578,989</u>	<u>5,557,347</u>
Less accumulated depreciation	4,734,678	4,541,915
PROPERTY, PLANT AND EQUIPMENT - NET	<u>844,311</u>	<u>1,015,432</u>
TOTAL ASSETS \$	<u><u>3,972,758</u></u>	<u><u>3,839,078</u></u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 21,231	29,726
Customer advances	69,468	65,937
Accrued payroll	14,236	13,112
Payroll taxes withheld and accrued	4,649	4,370
Accrued compensated absences	21,942	19,219
TOTAL CURRENT LIABILITIES	<u>131,526</u>	<u>132,364</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred revenue - property taxes	82,814	75,598
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>82,814</u>	<u>75,598</u>
<u>NET POSITION</u>		
Net investment in capital assets	844,311	1,015,432
Unrestricted	2,914,107	2,615,684
TOTAL NET POSITION \$	<u><u>3,758,418</u></u>	<u><u>3,631,116</u></u>

See Notes to Financial Statements.

WEST MONTROSE SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUE</u>		
Sanitation fees	\$ 621,401	604,318
Septage fees	84,568	151,387
Repair reimbursement		81,552
Other income	16,448	18,165
TOTAL OPERATING REVENUES	<u>722,417</u>	<u>855,422</u>
<u>OPERATING EXPENSES</u>		
Salaries and wages	352,811	332,099
Payroll tax expense	27,635	25,844
Employee benefits	80,188	71,242
Licenses and permits	2,817	1,693
Insurance	19,663	18,929
Accounting and audit fees	14,078	14,994
Legal fees	5,804	14,151
Consultant fees	1,470	3,956
Collection system study	12,736	52,360
Election expenses	117	114
Bank fees	5,544	6,030
Miscellaneous	3,636	5,264
Office supplies	8,563	7,672
Postage	5,457	2,411
Supplies	7,956	9,041
Telephone	7,888	7,341
Utilities	83,391	83,440
Repairs and maintenance	24,734	206,839
Sudge removal		300,894
Training	7,995	8,286
Depreciation	194,363	224,273
Vehicle expense	3,021	4,740
TOTAL OPERATING EXPENSES	<u>869,867</u>	<u>1,401,613</u>
OPERATING INCOME (LOSS)	<u>(147,450)</u>	<u>(546,191)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>		
Investment income	105,126	33,377
Property and specific ownership tax	87,681	80,156
Treasurer's fees	(2,055)	(1,874)
NET NON-OPERATING REVENUE (EXPENSE)	<u>190,752</u>	<u>111,659</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	43,302	(434,532)
CAPITAL CONTRIBUTIONS - TAP FEES	<u>84,000</u>	<u>412,075</u>
CHANGE IN NET POSITION	127,302	(22,457)
NET POSITION, January 1	<u>3,631,116</u>	<u>3,653,573</u>
NET POSITION, December 31	<u>\$ 3,758,418</u>	<u>3,631,116</u>

See Notes to Financial Statements.

WEST MONTROSE SANITATION DISTRICT

STATEMENT OF CASH FLOWS

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from user charges	\$ 809,042	787,076
Payments to suppliers for goods and services	(225,794)	(752,644)
Payments to employees	(456,508)	(424,980)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>126,740</u>	<u>(390,548)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Property and specific ownership tax-net	85,449	78,171
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>85,449</u>	<u>78,171</u>
<u>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:</u>		
Acquisition and construction of capital assets	(23,242)	
Capital contributions - tap fees	84,000	412,075
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>60,758</u>	<u>412,075</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investment	(104,918)	(33,171)
Investment income received	105,126	33,377
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>208</u>	<u>206</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	273,155	99,904
CASH AND CASH EQUIVALENTS, January 1	671,803	571,899
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 944,958</u>	<u>671,803</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (147,450)	(546,191)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	194,363	224,273
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	83,094	(64,025)
(Increase) decrease in prepaid expenses	(2,429)	(2,744)
Increase (decrease) in accounts payable	(8,495)	(1,745)
Increase (decrease) in customer advances	3,531	(4,321)
Increase (decrease) in accrued payroll	1,124	1,592
Increase (decrease) in payroll taxes withheld and accrued	279	478
Increase (decrease) in accrued compensated absences	2,723	2,135
	<u>\$ 126,740</u>	<u>(390,548)</u>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

WEST MONTROSE SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The West Montrose Sanitation District is incorporated as a special district under the laws of the State of Colorado with an elected board of five directors. The District provides sewage collection services for the residences and businesses within the District's boundaries and septage services. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the District consist only of the enterprise fund of the District, a primary government. Based on criteria set forth by GASB, there are no component units for which the District is financially accountable.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

WEST MONTROSE SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023 and 2022

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION

Cash and cash equivalents. The District considers all cash on hand, demand deposits and short-term highly liquid investments with an original maturity of three months or less to be cash equivalents

Investments. It is the District's policy to invest in money market deposits with SEC registered broker-dealers, securities issued or guaranteed by the Federal government or its agencies and commercial paper. Investments, if any, are stated at fair value.

Allowance for doubtful accounts. The District considers all accounts receivable collectible and, accordingly, provides no allowance for doubtful accounts.

Property taxes receivable. Property taxes are levied on December 22 and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a receivable at December 31, net of an estimated uncollectible portion.

Capital assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Construction costs are increased by interest incurred on bonds during the construction period and reduced by earnings from the investment of the unexpended bond proceeds. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation is calculated using the straight-line method over the estimated useful lives. Capital assets acquired by capital lease are depreciated over the estimated useful lives and are included in depreciation expense. The estimated useful lives are as follows:

Treatment facilities	5 - 25 years
Collection system	40 years
Building	40 years
Furniture and equipment	5 - 20 years
Transportation equipment	4 years
Land improvements	10 years

Compensated absences. The liability for compensated absences consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

WEST MONTROSE SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS (continued)
 December 31, 2023 and 2022

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGET AND BUDGETARY ACCOUNTING.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budgets are required by state law for all governmental funds.
2. During September the proposed budget is submitted to the Board of Directors for the fiscal year commencing the following January 1.
3. Prior to December 31, the budget is adopted and appropriations are authorized by resolution at the fund level for all funds. The legal level of budgeting control is at the individual fund level for all funds.
4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that capital outlays are budgeted as expenditures, no provision is made for depreciation and advance refundings are not budgeted.
5. Expenditures may not legally exceed appropriations at the fund level. The Board of Directors may increase or decrease the budget and appropriations during the year within restrictions imposed by the District and laws of the State of Colorado. Budget amounts included in the financial statements are based on the final, legally amended budget.
6. Appropriations lapse at the end of the year, and the Board of Directors may adopt supplemental appropriations during the year. For 2023 and 2022, supplemental appropriations were not adopted.

Originally adopted budgeted expenditures, amendments and the final amended budgeted expenditures for the year ended December 31, 2023 and 2022 are as follows:

	ORIGINAL BUDGET	AMENDMENT	FINAL BUDGET
Enterprise Fund - 2023	\$ <u>1,220,105</u>	<u> </u>	<u>1,220,105</u>
Enterprise Fund - 2022	\$ <u>1,618,184</u>	<u> </u>	<u>1,618,184</u>

Reclassifications. Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

WEST MONTROSE SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS (continued)
 December 31, 2023 and 2022

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits

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 is to be maintained by another institution or held in trust for all the uninsured public depositories as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023 and 2022 none of the District's bank balances of \$952,614 and \$842,340, respectively, were exposed to custodial credit risk as \$500,000 and \$419,266, respectively, were insured and \$452,614 and \$423,081, respectively, were collateralized by securities pledged by financial institutions.

At December 31, 2023 and 2022 the carrying amount of the District's deposits were presented on the balance sheet as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ <u>944,958</u>	<u>671,803</u>

Investments

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

	<u>MATURITIES</u>	<u>FAIR VALUE</u>	
		<u>2023</u>	<u>2022</u>
CSAFE	N/A	\$2,065,568	1,960,650

As of December 31, 2023 and 2022, the District has invested \$2,065,568 and \$1,960,650, respectively, in CSAFE, an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. The value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool.

WEST MONTROSE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2023 and 2022

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

Investments (continued)

The District's investment in CSAFE is rated AAAM by S&P. CSAFE is routinely monitored by the Colorado Division of Securities with regard to operations and investments. Separately issued financial statements may be obtained at the following address:

CSAFE
1675 Broadway, Suite 500
Denver, CO 80202
www.csafe.org

Interest rate risk

The District has a formal investment policy that limits investment maturities to less than ten years from date of purchase as means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The District's general investment policy is to apply the prudent-person rule: Prudence and protection of District funds are the primary criteria. All investments and bid requests for investments are predicated on liquidity, yield, safety and interest of local economy. As of December 31, 2023 and 2022, the District's investment in CSAFE, a 2a7-like investment pool, was rated AAAM by Standard & Poors.

Concentration of credit risk

The District limits the amount that may be invested in commercial paper to no more than 50% of invested funds, effective August 9, 2013. More than 5 percent of the District's investments are in CSAFE. At December 31, 2023 and 2022, CSAFE represented 100% of the District's investments.

These investments are presented on the balance sheet as follows:

Investments	<u>2023</u>	<u>2022</u>
	\$2,065,568	1,960,650
	<u>\$2,065,568</u>	<u>1,960,650</u>

WEST MONTROSE SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS (continued)
 December 31, 2023 and 2022

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

Fair value measurement

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

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

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

Level 1 - Quoted prices in active markets for identical securities.

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

Level 3 - Prices determined using significant unobservable inputs. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The following table reflects the fair value of the District's investments and derivative instruments as of December 31, 2023 and 2022:

2023

Assets

	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Investments				
CSAFE	\$2,065,568			
Total investments	<u>\$2,065,568</u>			

2022

Assets

	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Investments				
CSAFE	\$1,960,650			
Total investments	<u>\$1,960,650</u>			

WEST MONTROSE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2023 and 2022

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

Fair value measurement (continued)

(A) During the years ended December 31, 2023 and 2022, the District invested in CSAFE, a local government investment pool. The valuation is measured at net asset value and is designed to approximate the share value. The pool's Board of Trustees, elected by the participants, is responsible for overseeing the management of CSAFE, including establishing operating standards and policies. CSAFE is designed to provide local governments with a convenient method for investing in short-term investments carefully chosen to provide maximum safety and liquidity, while still maximizing interest earnings.

3 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2023 and 2022 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
2023				
Capital assets not being depreciated:				
Land and easements	\$ 184,496			184,496
Capital assets being depreciated:				
Land improvements	26,544			26,544
Treatment facilities	3,022,366	2,291		3,024,657
Collection system	1,930,542			1,930,542
Buildings	68,249	8,105		76,399
Transportation equipment	49,144			49,144
Furniture and equipment	276,006	12,801	1,600	287,207
Total capital assets being depreciated	<u>5,372,851</u>	<u>23,242</u>	<u>1,600</u>	<u>5,394,493</u>
depreciation for:				
Land improvements	18,035	954		18,989
Treatment facilities	2,734,427	100,562		2,834,989
Collection system	1,497,143	54,759		1,551,902
Buildings	44,734	3,038		47,772
Transportation equipment	49,144			39,144
Furniture and equipment	198,432	35,050	1,600	231,882
Total accumulated depreciation	<u>4,541,915</u>	<u>194,363</u>	<u>1,600</u>	<u>4,734,678</u>
Total capital assets, net	<u>\$1,015,432</u>	<u>(171,121)</u>		<u>844,311</u>

WEST MONTROSE SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS (continued)
 December 31, 2023 and 2022

3 - CAPITAL ASSETS (continued)

2022			
Capital assets not being depreciated:			
Land and easements	\$ 184,496		184,496
Capital assets being depreciated:			
Land improvements	26,544		26,544
Treatment facilities	3,022,366		3,022,366
Collection system	1,930,542		1,930,542
Building	68,249		68,249
Transportation equipment	49,144		49,144
Furniture and equipment	276,006		276,006
Total capital assets being depreciated	5,372,851		5,372,851
depreciation for:			
Land improvements	17,081	954	18,035
Treatment facilities	2,604,665	129,762	2,734,427
Collection system	1,442,382	54,761	1,497,143
Building	41,695	3,039	44,734
Transportation equipment	49,144		49,144
Furniture and equipment	162,675	35,757	198,432
Total accumulated depreciation	4,317,642	224,273	4,541,915
Total capital assets, net	\$1,239,705	(224,273)	1,015,432

4 - SHORT-TERM DEBT

The District had no short-term debt during the years ended December 31, 2023 and 2022.

5 - SPENDING AND DEBT LIMITATIONS

The State Constitution, Article X, Section 20, has several limitations regarding revenue raising, spending abilities, and other specific requirements of state and local governments. The Section is complex and subject to judicial interpretation. It is the opinion of management and the District's attorney that the District's sewage activity is an enterprise within the meaning of Article X, Section 20, and is not subject to the revenue limitations nor required to establish the emergency reserves but is subject to the property tax limitations contained therein.

6 - RISK MANAGEMENT

The District is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Such exposure, except for the collection system, is covered by purchase of commercial insurance, including worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WEST MONTROSE SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2023 and 2022

7 - EMPLOYEES' RETIREMENT PLAN

The District provides pension benefits for all of its full-time employees in two separate defined contribution plans through the Colorado Retirement Association (CRA), a multiple-employer public employee retirement system. Any Colorado county, special district or municipality may choose to adopt the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately. Association rules require that both the employee and the District contribute 8% of total compensation to the plan. Plan provisions and contribution requirements are established and may be amended by CCOERA and would have to be approved by the District.

The District's contribution for each employee (and earnings, losses and changes in fair market value of plan assets) are vested at a rate of 50% per year. Employee contributions and their earnings are 100% vested immediately. Nonvested contributions are forfeited upon termination of employment and such forfeitures may be used to pay plan expenses or the employer's contribution to the plan. For the years ended December 31, 2023 and 2022, there were no forfeitures.

The District's total payroll for 2023 and 2022 was \$352,811 and \$332,099, respectively. The District's contributions were calculated using the covered payroll of \$308,413 and \$271,813 for 2023 and 2022, respectively. Both the District and the covered employees made the 8% contribution, amounting to \$24,673 for 2023 and \$21,745 for 2022 from each source, or \$49,346 and \$43,490 in total for 2023 and 2022, respectively. The plan had four plan members for 2023 and 2022.

The District had no liability to the plan at December 31, 2023 and 2022.

8 - SUBSEQUENT EVENTS

Subsequent events were evaluated through May 20, 2024 which is the date the financial statements were available to be issued.

In 2022, domestic and international economies still faced uncertainty related to the COVID-19 pandemic. The District could have been adversely affected through a delay in collection of charges and negative impacts on operations. However, the related financial impact cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

WEST MONROSE SANITATION DISTRICT
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For the years ended December 31, 2023 and 2022

	2023		2022		VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL AND FINAL BUDGET	ACTUAL	ORIGINAL AND FINAL BUDGET	ACTUAL	
PROPRIETARY REVENUE					
Sanitation fees	\$ 617,920	621,401	594,918	604,318	9,400
Septage fees	154,480	84,568	169,912	151,387	(46,919)
Tap fees	52,500	84,000	31,500	412,075	385,825
Investment income	10,000	105,126	95,126	33,377	31,877
Repair reimbursement				81,552	81,552
Other income	7,380	16,448	9,068	18,165	13,165
	<u>842,280</u>	<u>911,543</u>	<u>825,974</u>	<u>1,300,874</u>	<u>474,900</u>
PROPRIETARY EXPENDITURES					
Administration:					
Personnel costs	149,310	107,282	146,380	109,085	37,295
Supplies and expense	110,594	59,056	114,094	49,854	64,240
Insurance	20,000	19,663	15,000	18,929	(3,929)
Sewage Collection and Treatment:					
Personnel costs	342,701	353,352	331,310	320,100	11,210
Supplies and expense	293,800	136,151	292,300	679,372	(387,072)
Capital outlay	102,000	23,242	516,600	516,600	516,600
Contingency	200,000	200,000	200,000	200,000	200,000
	<u>1,218,405</u>	<u>698,746</u>	<u>1,615,684</u>	<u>1,177,340</u>	<u>438,344</u>
TOTAL PROPRIETARY EXPENDITURES					
	<u>(376,125)</u>	<u>212,797</u>	<u>(789,710)</u>	<u>123,534</u>	<u>913,244</u>
EXCESS OF PROPRIETARY REVENUES OVER (UNDER) EXPENDITURES					
GOVERNMENTAL REVENUE					
Property and specific ownership taxes	86,942	87,681	70,000	80,156	10,156
GOVERNMENTAL EXPENDITURES					
Treasurer's fees	2,500	2,055	2,500	1,874	626
EXCESS OF GOVERNMENT REVENUES OVER (UNDER) EXPENDITURES					
TOTAL DISTRICT REVENUES	<u>84,442</u>	<u>85,626</u>	<u>67,500</u>	<u>78,282</u>	<u>10,782</u>
TOTAL DISTRICT EXPENDITURES	<u>929,222</u>	<u>999,224</u>	<u>855,974</u>	<u>1,381,030</u>	<u>485,056</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES \$	<u>1,220,905</u>	<u>700,801</u>	<u>1,618,184</u>	<u>1,179,214</u>	<u>438,970</u>
RECONCILIATION OF EXCESS OF REVENUES OVER (UNDER) EXPENDITURES TO CHANGE IN NET POSITION					
CAPITALIZED EXPENDITURES DEPRECIATION	(291,663)	298,423	(722,210)	201,816	924,026
CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION \$		<u>23,242</u>		<u>(224,273)</u>	<u>(22,457)</u>
		<u>(194,363)</u>			
		<u>127,302</u>			