

# **South Platte Renew**



**SOUTH PLATTE**  
**RENEW**  
OWNED BY LITTLETON/ENGLEWOOD

**ANNUAL FINANCIAL REPORT**  
**Year Ended December 31, 2023**

# **ANNUAL FINANCIAL REPORT**

## **South Platte Renew Joint Venture**

**Year Ended December 31, 2023**

### **Supervisory Committee**

#### **City of Littleton**

Jim Becklenberg, City Manager  
Public Works & Utilities Director

#### **City of Englewood**

Shawn Lewis, City Manager  
Victor Rachael, Public Works Director

# Annual Financial Report

Year Ended December 31, 2023

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**HINKLE &  
COMPANY**  
Strategic <sup>PC</sup>  
Business Advisors

## Independent Auditor's Report

To the Members  
South Platte Renew  
Englewood, Colorado

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the South Platte Renew (the Joint Venture) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Joint Venture'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 financial position of the Joint Venture as of December 31, 2023, and the changes in financial position and cash flows 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 Joint Venture 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 Joint Venture'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.

#### Office Locations:

Colorado Springs, CO  
Denver, CO  
Frisco, CO  
Tulsa, OK

#### Denver Office:

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Colorado 80110  
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### ***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 Joint Venture'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 Joint Venture's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Joint Venture's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.



The supplementary information listed in the table of contents 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 listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Hick & Company, PC*

Englewood, Colorado  
June 5, 2024



**South Platte Renew Joint Venture**

**Statement of Net Position  
As of December 31, 2023**

	<u>2023</u>
<b>Assets</b>	
Current assets	
Cash and investments	\$ 1,182,214
Receivable from City of Littleton	1,857,109
Receivable from City of Englewood	1,804,449
Interest receivable	13,985
Other receivables	188,702
Total current assets	<u>5,046,459</u>
Noncurrent assets	
Capital assets not being depreciated	14,925,026
Capital assets, net of accumulated depreciation	89,198,992
Total noncurrent assets	<u>104,124,018</u>
Total assets	<u><u>109,170,477</u></u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	3,587,399
Retainage payable	316,917
Accrued liabilities	599,389
Total current liabilities	<u>4,503,705</u>
Noncurrent liabilities	
Accrued liabilities	196,447
Total noncurrent liabilities	<u>196,447</u>
Total liabilities	<u>4,700,152</u>
<b>Net position</b>	
Invested in capital assets	104,124,018
Unrestricted	346,307
Total net position	<u><u>\$ 104,470,325</u></u>

The notes to the financial statements are an integral part of this statement.

**South Platte Renew Joint Venture**

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

	<b>2023</b>
<b>Operating revenues</b>	
Reimbursement of operating expenses	
City of Littleton	\$ 9,377,933
City of Englewood	7,966,079
Total operating revenues	17,344,012
<b>Operating expenses</b>	
Sewage treatment	
Pretreatment	823,351
Engineering	5,661,967
Environmental programs	2,054,337
Operations and maintenance	11,311,778
Total sewage treatment	19,851,433
Administration	
Business solutions	2,421,043
Total administration	2,421,043
Depreciation	7,026,441
Total operating expenses	29,298,917
<b>Operating loss</b>	(11,954,905)
<b>Nonoperating revenues</b>	
Septic hauling	318,773
Farm income from crop sales	98,258
Resource recovery	2,068,888
Net investment income	105,122
Other	165,406
Total nonoperating revenues	2,756,447
<b>Loss before contributions</b>	(9,198,458)
Capital contributions	
City of Littleton	6,166,453
City of Englewood	6,166,453
Total capital contributions	12,332,906
<b>Change in net position</b>	3,134,447
<b>Total net position - beginning</b>	101,335,878
<b>Total net position - ending</b>	\$ 104,470,325

The notes to the financial statements are an integral part of this statement.

**South Platte Renew Joint Venture**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**

	<b>2023</b>
<b>Cash flows from operating activities</b>	
Cash received from joint venturers	\$ 15,752,952
Cash payments to suppliers for goods and services	(19,739,782)
Other revenue	2,458,539
Net cash provided (required) by operating activities	(1,528,291)
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(10,079,388)
Capital contributions from joint venturers	10,160,888
Net cash provided by capital and related financing activities	81,500
<b>Cash flows from investing activities</b>	
Net investment income	101,607
Net cash provided by investing activities	101,607
<b>Net increase in cash and cash equivalents</b>	(1,345,184)
<b>Cash and cash equivalents - January 1,</b>	2,527,398
<b>Cash and cash equivalents - December 31,</b>	\$ 1,182,214
<b>Reconciliation of operating loss to net cash provided (required) by operating activities</b>	
Loss from operations	\$ (11,954,905)
Adjustments to reconcile operating loss to net cash provided (required) by operating activities:	
Depreciation	7,026,441
Other nonoperating revenue	2,458,539
Effect of changes in operating assets and liabilities	
Receivable from joint venturers	(1,591,060)
Accounts payable	2,455,358
Accrued liabilities	77,336
Total adjustments	10,426,614
Net cash provided (required) by operating activities	\$ (1,528,291)

The notes to the financial statements are an integral part of this statement.

## **South Platte Renew Joint Venture Notes to the Financial Statements December 31, 2023**

The financial statements of the South Platte Water Renewal Partners Joint Venture have been prepared in conformity with generally accepted accounting principles as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The following notes to the financial statements are an integral part of this report.

### **Note 1 – Summary of Significant Accounting Policies**

#### **Definition of Reporting Entity**

The Cities of Littleton, Colorado (Littleton) and Englewood, Colorado (Englewood), participate in the South Platte Water Renewal Partners Joint Venture (the Joint Venture) for the operation of a wastewater treatment facility. Control of the Joint Venture rests in a four-member committee, with two members appointed by each city. Littleton and Englewood each own a 50 percent interest in the Joint Venture. The Joint Venture has its own workforce for operating purposes. For payroll and pension participation, the joint venture's workforce is considered to be City of Englewood employees. Englewood provides the Joint Venture with administrative services on a cost reimbursement basis. In 2020, the name of the joint venture was changed from South Platte Water Renewal Partners to South Platte Renew.

The accounting policies of the Joint Venture conform to generally accepted accounting principles (GAAP) as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the Joint Venture'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 Joint Venture uses the economic resources measurement focus and 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 notes, if any, would be recorded as a reduction in liabilities.

#### **Operating Revenues and Expenses**

The Joint Venture distinguishes between operating revenues and expenses and non-operating items in the Statements of Revenues, Expenses and Changes in Fund Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Joint Venture's purpose of providing services to the joint venturers. Operating revenues consist of charges to venturers 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 non-operating revenues and expenses or capital contributions.

#### **Budgets**

The Joint Venture does not have nor is it anticipated to ever have the power to assess an ad valorem tax on the property of the participating cities. Accordingly, it is management's contention that this would remove it from the scope of the State of Colorado Budget Law. However, budgets are prepared as a management control device, and budget and actual comparisons are presented as supplementary information in the financial statements.

#### **Cash Equivalents**

For purposes of the statement of cash flows, the Joint Venture considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. Cash and investments held as part of the City of Englewood's pooled cash and investments are considered cash equivalents.

#### **Accounts Receivable**

Accounts receivable includes amounts due from the Joint Venturers related to ongoing operating costs as well as other related ancillary charges. Based on a review of outstanding receivables at year end no allowance was deemed necessary.

### **Capital Assets**

Capital assets are stated at cost. Maintenance and repairs are charged to current period operating expenses and improvements are capitalized. The Joint Venture currently capitalizes infrastructure projects that cost more than \$25,000 and have a life of one year or more and equipment that costs \$25,000 or more and has a life of more than one year. Upon retirement or other disposition of property, plant and equipment, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in non-operating income (expenses).

Depreciation of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset Type</u>	<u>Years</u>
Buildings	25-50
Infrastructure	20-50
Other Improvements	2-20
Machinery and Equipment	2-15

### **Reimbursement of Operating Expenses**

Variable operating expenses are shared by the venturers based on actual usage of the facility and fixed operating expenses, excluding depreciation, are shared equally. Additionally, in accordance with the Joint Venture Agreement, Littleton pays an administration fee to Englewood equal to 3% of operating expenses. Littleton paid \$603,0014 during the year ended December 31, 2023.

### **Capital Contributions**

The joint venturers share capital expenditures equally. The amount reported as capital contributions on the Statement of Revenues, Expenses and Changes in Fund Net Position represents the amount paid by the joint venturers for capital improvements.

### **Compensated Absences, Pension and Other Post-Employment Benefits**

The Joint Venture is charged for Compensated Absences, Pension and Other Post-Employment benefit costs related to the workforce. Please refer to the City of Englewood's Annual Comprehensive Financial Report for complete descriptions of the City's benefits. This report may be obtained by calling the City of Englewood's Finance Department at 303-762-2300 or by visiting Englewood's website at [www.englewoodco.gov](http://www.englewoodco.gov)

### **Net Position**

The Joint Venture utilizes a net position presentation. Net Position is categorized as investments in capital assets (net of related debt) and is either restricted or unrestricted. Net position is restricted when constraints placed on the use of resources are externally imposed. In order to calculate the amounts to report as restricted-net position or unrestricted-net position, a flow assumption must be made about the order in which the resources are to be applied. It is this Joint Venture's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

### **Use of estimates**

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

### **Note 2 – Cash and Investments**

The Joint Venture's cash and investments are combined with Englewood's pooled cash and investment funds. Englewood allocates interest earnings from the combined investments on a pro-rata basis. See the City of Englewood's Annual Comprehensive Financial Report at [www.englewoodco.gov](http://www.englewoodco.gov) for additional details.

At December 31, 2023, the Joint Venture had cash and investments as follows:

**Unrestricted**

Deposits and investments with the City of Englewood internal investment pool	<u>\$ 1,182,214</u>
---------------------------------------------------------------------------------	---------------------

Under the terms of the joint venture agreement, the venturers agreed to restrict \$1,000,000 of their individual City's sewer fund cash to finance major capital repairs and replacements of the joint venture. Each City is also required to deposit an amount equal to two months of budgeted operating expenditures. For the year ended December 31, 2023 the deposit balances were \$1,600,000 and \$1,850,000 for the Cities of Littleton and Englewood respectively.

**Note 3 – Capital Assets**

Certain beginning balances have been reclassified to conform to the current year presentation. Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 5,422,996	\$ -	\$ -	\$ 5,422,996
Construction in process	<u>18,783,878</u>	-	<u>(9,281,848)</u>	<u>9,502,030</u>
Total capital assets not being depreciated	<u>24,206,874</u>	-	<u>(9,281,848)</u>	<u>14,925,026</u>
Capital assets being depreciated				
Buildings	133,494,955	17,736,054	-	151,231,009
Infrastructure	6,889,328	-	-	6,889,328
Other improvements	4,762,935	-	-	4,762,935
Machinery and Equipment	<u>81,116,988</u>	<u>1,706,682</u>	<u>(503,880)</u>	<u>82,319,790</u>
Total capital assets being depreciated	<u>226,264,206</u>	<u>19,442,736</u>	<u>(503,880)</u>	<u>245,203,062</u>
Less accumulated depreciation for:				
Buildings	83,695,111	3,251,887	-	86,946,998
Infrastructure	1,933,566	144,241	-	2,077,807
Other improvements	2,166,129	192,058	-	2,358,187
Machinery and Equipment	<u>61,686,702</u>	<u>3,438,255</u>	<u>(503,880)</u>	<u>64,621,077</u>
Total accumulated depreciation	<u>149,481,508</u>	<u>7,026,441</u>	<u>(503,880)</u>	<u>156,004,069</u>
Total capital assets being depreciated, net	<u>76,782,698</u>	<u>12,416,295</u>	-	<u>89,198,992</u>
Total capital assets, net	<u>\$ 100,989,572</u>	<u>\$ 12,416,295</u>	<u>\$ (9,281,848)</u>	<u>\$ 104,124,018</u>

**Note 4 – Risk Management**

The Joint Venture is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors or omissions and natural disasters.

In order to reduce insurance costs, the Joint Venture participates in the City of Englewood's Risk Management and Health Insurance Programs. Amounts payable to the City are based on historical claims experience. Please refer to the City's Annual Comprehensive Financial Report for complete descriptions of the City's risk management activities. Settled claims have not exceeded insurance coverage in any of the past three years.

**Note 5 – 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.

The cities of Englewood and Littleton account for the operations of the Joint Venture within their respective sewer utility funds. Any TABOR implications or considerations related to the Joint Venture have been considered individually by each of the cities as part of their annual financial reporting process.

**Note 6 – Other Contingencies**

The City of Englewood was identified as a responsible party at the Superfund site known as the Lowry Landfill by the United States Environmental Protection Agency. The City has entered into an agreement with the primary party responsible for the Lowry Landfill. The primary party will be responsible for the actual cleanup of the site and will respond, on the City’s behalf, to all inquiries or notifications received by the EPA. Based on estimates provided during the settlement process, City management does not believe additional cleanup costs will be necessary.

**South Platte Water Renewal Partners  
Schedule of Changes in Joint Venturers' Equity  
For The Year Ended December 31, 2023**

	<u>City of Littleton</u>	<u>City of Englewood</u>	<u>Total</u>
Balance at December 31, 2021	\$ 48,233,377	\$ 48,233,377	\$ 96,466,754
Change in net position	2,434,562	2,434,562	4,869,124
Balance at December 31, 2022	50,667,939	50,667,939	\$ 101,335,878
Change in net position	1,567,224	1,567,224	3,134,447
Balance at December 31, 2023	<u>\$ 52,235,163</u>	<u>\$ 52,235,163</u>	<u>\$ 104,470,325</u>

See Independent Auditors' Report

**South Platte Water Renewal Partners Joint Venture**

**Schedule of Revenues, Expenditures and Changes in Net Position -  
Budget and Actual (Budgetary Basis)**

**For the Year Ended December 31, 2023**

**With Comparative Totals for the Year Ended December 31, 2022**

	<b>Budgeted Amount</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>	<b>2022 Actual</b>
<b>Revenues</b>				
Reimbursement of operating expenses				
City of Littleton	\$ 8,344,819	\$ 7,966,079	\$ (378,740)	\$ 6,800,607
City of Englewood	9,848,231	9,377,933	(470,298)	8,039,628
Capital contributions				
City of Littleton	7,257,743	6,166,453	(1,091,290)	6,435,636
City of Englewood	7,257,743	6,166,453	(1,091,290)	6,435,635
Resource recovery	1,800,000	2,068,888	268,888	2,686,203
Septic hauling	180,000	318,773	138,773	163,754
Farm income from crop sales	114,772	98,258	(16,514)	101,514
Net investment income	-	105,122	105,122	(24,178)
Other	37,300	165,406	128,106	104,928
Total revenues	<u>34,840,608</u>	<u>32,433,365</u>	<u>(2,407,243)</u>	<u>30,743,727</u>
<b>Expenditures</b>				
Environmental Programs	2,078,259	2,054,337	23,922	1,766,932
Pretreatment/Engineering/Maintenance	16,527,469	17,797,096	(1,269,627)	15,036,211
Business Solutions	1,719,395	2,421,043	(701,648)	2,139,398
Capital outlay	14,515,485	10,160,889	4,354,596	11,791,204
Total expenditures	<u>34,840,608</u>	<u>32,433,365</u>	<u>2,407,243</u>	<u>30,733,745</u>
<b>Change in Net Position, Budgetary Basis</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,982</u>
Adjustments to GAAP Basis				
Depreciation		(7,026,441)		
Capital Outlay		10,160,889		
<b>Change in Net Position, GAAP Basis</b>		<u>\$ 3,134,447</u>		

See Independent Auditors' Report