

CLIFTON SANITATION DISTRICT

Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2024

CLIFTON SANITATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Clifton Sanitation District
Clifton, CO 81520

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the aggregate remaining fund information of the Clifton Sanitation District (District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the District, as of December 31, 2024, and the respective changes in financial position, and, where applicable, 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, and Government 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government 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 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 budgetary comparison information 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 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Blair and Associates, P.C.

Cedaredge, Colorado

February 21, 2025



MANAGEMENTS DISCUSSION AND ANALYSIS CLIFTON SANITATION DISTRICT FISCAL YEAR 2024

The Clifton Sanitation District (the “District”) offers the readers of the District’s financial statements this narrative overview and analysis of the District’s financial performance during the Fiscal Year ended December 31, 2024. Please read it in conjunction with the financial statements.

CONTENTS

In addition to this Management Discussion and Analysis, this annual report includes:

- * Independent Auditor’s Report
- * Financial Statements – the financial statements of the District report information about the District using accounting methods like those used by private sector companies. These statements offer short and long-term financial information about its activities. The audited financial statements of the district are:
 1. Statement of Net Position – The Statement of Net Position provides information about the nature and amounts of investments in resources (assets) and obligations to District’s creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.
 2. Statement of Activities – The statement that measures the results of the District’s operations over the past year and illustrates the way it has funded its operations. This section will determine profitability and credit worthiness. These results are also a reflection of the economic condition of our district. If the predicted moderate growth continues, we as a District will also continue that moderate growing trend.
 3. Statement of Cash Flows – The reason for this statement is to provide information about the District’s cash receipts and payments during this reporting period. This statement reports on cash receipts, cash payments and net changes in cash resulting from operations, investing, and financial activities.
- * Notes to the Financial Statements, which explain in more detail and provide support for the information in the financial statements.
- * Supplementary Information
Budget comparison Schedule –2024

DAY-TO-DAY OPERATIONAL CONTROL OF THE DISTRICT

For operational control, the District has classified all operations into two distinct categories: Operating and Non-operating. Operating Revenues and Operating Expenses are those items that are allocated to operations and are essential elements for day-to-day operation of the District. Non-operating Revenues are received and reserved for funding Non-operating Expenses that include infrastructure improvement, capacity development, and equipment purchases.

The District operates as a self-supporting enterprise, meaning that the revenue received from wastewater treatment and other Operating revenue sources must be adequate to cover expenses of day-to-day operation of the District. Capital projects, including infrastructure, capacity development, and equipment purchases are funded using Non-operating Revenues. Primarily, Non-operating Revenues are received from the sales of new sewer service connections called Plant Investment Fees. The Operating philosophy is critically dependent upon effective rates and user fees.

The District’s day-to-day operational control involves many levels of planning, forecasting, and budgeting. Revenues and expenses are allocated to specific functions of the District and staff are required to comply with the

monthly budget and budget variance parameters. The effectiveness of this system and the development of Cost of Service based fees and rates have been instrumental in operating the District in an efficient and economical manner.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District’s finances is “Is the District as a whole better off or worse off as a result of this year’s activities?” The Statement of Net Position and the following Statement of Activities are included to answer this question.

	2024	2023
CURRENT ASSETS	\$ 2,673,304	\$ 2,793,310
NON CURRENT ASSETS	38,064,429	37,906,013
TOTAL ASSETS	40,737,733	40,699,323
CURRENT LIABILITIES	1,036,463	1,120,619
NON CURRENT LIABILITIES	1,745,714	2,135,714
TOTAL LAIBILITIES	2,782,177	3,256,333
NET POSITION:		
Invested in Capital Assets	28,378,327	28,166,724
Unrestricted	9,577,229	9,276,266
NET POSITION	\$ 37,955,556	\$ 37,442,990

- The District funds its activities from interest earnings, new tap sales (Plant Investment Fees), and service fee charges.

	<u>2024</u>	<u>2023</u>
Operating Revenue:		
Service Fee Charges	\$ 3,558,902	\$ 3,471,425
Operating Expense	<u>(3,731,472)</u>	<u>(3,547,507)</u>
Net Income / (Loss) from Operations	(172,570)	(76,082)
Net Non-Operating Revenue/(Expense)	<u>286,303</u>	<u>254,163</u>
Income before Contributions	<u>113,733</u>	<u>178,081</u>
Capital Contributions:		
Plant Investment Fees	255,425	316,599
System Contribution	<u>143,408</u>	<u>217,888</u>
Total Contributed Capital	<u>398,833</u>	<u>534,487</u>
Net Position Beginning	37,442,990	36,730,422
Net Position Ending	<u>37,955,556</u>	<u>37,442,990</u>
Change in Net Position	<u>\$ 512,566</u>	<u>\$ 712,568</u>

Capital Assets

At the end of 2024, the District had invested \$30,514,0416 (net of \$23,984,256, in accumulated depreciation), in a broad range of infrastructure, collection lines, maintenance and treatment plant, vehicles and equipment as shown in the following table.

	Balance December 31, 2023	Additions	Deletions	Balance December 31, 2024
Land	\$ 3,028,297	\$ -	\$ -	\$ 3,028,297
Land Improvements	1,729,854	190,952	-	1,920,806
Building & Improvements	22,875,917	339,345	-	23,215,262
System Transmission Lines	20,034,661	143,408	-	20,178,069
Office Furniture & Equipment	128,978	-	(13,290)	115,688
Equipment	<u>5,885,752</u>	<u>165,235</u>	<u>(10,812)</u>	<u>6,040,175</u>
Total	53,683,459	838,940	(24,102)	54,498,297
Less Accumulated Depreciation	<u>(22,730,783)</u>	<u>(1,275,103)</u>	<u>21,630</u>	<u>(23,984,256)</u>
Net Capital Assets	<u>\$ 30,952,676</u>	<u>\$ (436,163)</u>	<u>\$ (2,472)</u>	<u>\$ 30,514,041</u>

The District's sewer system is a combination of the infrastructure contribution of developers, and the District's on-going capital projects.

BUDGETARY HIGHLIGHTS

As required by State Law, the District adopts a budget and appropriates funds for the following year by December 15th of each year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado. Budget to actual statements is included as Supplemental Information in the audited financial statements. There were no supplemental appropriations made to the 2023 or 2024 budgets.

	2024 <u>Budget</u>	2024 <u>Actual</u>	2023 <u>Budget</u>	2023 <u>Actual</u>
Service Charges	\$ 3,534,350	\$ 3,558,902	\$ 3,401,942	\$ 3,471,425
Misc. Income	31,805	45,700	84,664	64,965
Plant Investment Fees	214,700	255,425	229,200	316,599
Investment Income	60,000	316,142	60,000	300,046
Grant Income	-	-	-	-
Total Revenues	<u>\$ 3,840,855</u>	<u>\$ 4,176,169</u>	<u>\$ 3,775,806</u>	<u>\$ 4,153,035</u>
Admin. Expenses	\$ 718,117	\$ 654,752	\$ 783,060	\$ 566,872
Operating Expenses	1,977,997	1,801,617	1,865,055	1,723,804
Capital Outlay	4,995,000	838,940	964,953	616,249
Debt Service	728,638	725,776	732,626	728,730
Total Expenses	<u>\$ 8,419,752</u>	<u>\$ 4,021,085</u>	<u>\$ 4,345,694</u>	<u>\$ 3,635,655</u>

BUDGETARY HIGHLIGHTS

2024 Actual Expenses vs. Budget were a \$4,398,667 favorable variance, primarily caused by deferred capital projects.

2024 Actual Revenues vs. Budget were a \$335,314 favorable variance, primarily due to market value gain on investments and an increase in plant investment fees in 2024.

2023 Actual Expenses vs. Budget were a \$710,039 favorable variance.

2023 Actual Revenues vs. Budget were a \$377,229 favorable variance.

The actual Plant Investment fee revenue received in 2024 was more than budgeted due primarily to an improved building economy including increased commercial development.

Miscellaneous revenues include offsite wastewater hauling from oil and gas camps and gravel mining royalties. Both revenue sources are subject to economic conditions and may not be realized. Contingency plans are in place to defer or eliminate capital projects if not realized.

CAPITAL ASSETS AND DEBT ACTIVITIES

During 2024, the District expended \$838,940 on capital related expenses and to complete capital improvements for treatment and infrastructure projects. Notable treatment plant capital projects included upgrade of the northwest oxidation ditch mixing system and aeration blower local control systems. Some capital expenditures were made for the District's planned solar project; however the primary project work was deferred from 2024 to 2025. Due to premature equipment failure at the District's treatment facility, a small portion of the capital budget for the solar project was utilized to begin replacement of the District's influent pump station. This project will continue into 2025. Collection system infrastructure projects included installation of several new sanitary sewer access structures to allow for maintenance and rehabilitation of existing sanitary sewer mainlines. Equipment replacement for the year was comprised of a skid-steer loader attachment for biosolids mixing and aeration.

The District's wastewater systems are operated in accordance with a host of federal, state, and local public health and environmental regulations and standards. These mandates continue to evolve and become more stringent. Regulatory projects are typically mandated, and the consequences of non-compliance can be severe (i.e., administrative penalties, building moratoriums, etc.). Therefore, regulatory requirements are considered the highest priority projects for the District.

The 2025 Capital Improvement Plan (CIP) includes continued collection system rehabilitation through cured in place pipe installation, treatment plant equipment replacement/upgrade, and mobile equipment replacement. In addition, the District is pursuing a large capital project that was deferred from 2024 to install photovoltaic (PV) panels and a battery energy storage system (BESS) at the treatment facility to offset power costs and to provide added resiliency. Clifton Sanitation District plans to implement these projects in 2025 to continue to protect public health, water quality, and ensure sufficient wastewater capacity to meet future growth needs.

Debt Activities

Funding from revenues projected in 2025 will be sufficient to pay all scheduled debt service amounts. The District incurred new debt in 2024 strictly for the purpose of completing the above PV and BESS capital project. A portion of this project, along with all other capital projects, will not require incurring new debt. Note 9 in the Notes to the Financial Statements provides the details of the District's long-term indebtedness.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Clifton Sanitation District is located on the Western Slope of Colorado, between Grand Junction and Palisade and provides sanitary sewer service to an estimated 21,000 residents of Clifton and the Community of Whitewater.

The number of taps sold by the District is tightly correlated to the boom-and-bust cycle of western Colorado's economy. The cyclical nature of western Colorado's economy makes it difficult for the District to plan for future service needs. Boom years can result in growth too rapid for the District to keep pace while bust years prevent the District from collecting enough revenue to maintain existing infrastructure. Actual tap fee revenue in 2024 exceeded budget projections, however due to the trend of slowing tap sales later in the year the tap fee revenue budget was kept the same for 2025.

The monthly sewer service charges are based upon the cost to collect, treat, and dispose of wastewater from one single-family unit. The charges comprise the funds for operations, maintenance, and debt service.

In 2017, the District authorized Farnsworth Consulting Group to update the previous Master Plan completed in 2008, develop an asset management needs assessment, and update the last rate study completed in 2011. The Master Plan update evaluated the collection system and provided the District with an up-to-date capital improvement plan for future improvement recommendations based on dwelling unit increases and system capacity projections.

Asset management consists of systematic and coordinated activities and practices through which the District optimally manages its physical assets and the performance and expenditure over their lifecycle. The goal of asset management is to ensure that the District has sufficient information to make value-based decisions related to operating, maintaining, repairing, rehabilitating, and replacing assets.

A rate study was initiated in 2024 and completed in 2025 by Raftelis Financial Consultants, Inc. which included an update of the District's capital plan that was then utilized to develop fee changes necessary to keep the District in a strong financial position. The rate study included a comprehensive cash flow, financial, and cost of service analysis of the District.

The District has an Intergovernmental Agreement (IGA) with the Whitewater Public Improvement District (WWPID) to treat the sanitary sewer from the Whitewater community. The District has been treating wastewater from the WWPID since December 2012. In addition to the Whitewater Community, the District will be providing service to the properties adjacent to the sewer main between the WWPID and the District treatment facility. Only minor growth took place along this corridor in 2024; however, it is anticipated this will be a growth area for the District in upcoming years.

User fees, growth, and increasing water quality standards being implemented by the Colorado Department of Public Health & Environment (CDPHE) are contributing factors that will be evaluated before a final budget is adopted for the upcoming year.

Based upon the findings of the rate study that was underway in 2024, a 4% rate increase was completed in 2024. Prior to this rate increase the last increase took place in 2022. It is the District's intent to update the financial analysis annually to recognize changes in customer billing data, operating expenditures, and capital improvement needs. Future rate increases are expected to ensure that adequate reserves are in place to address any operating deficit as well as the necessary funds to address infrastructure rehabilitation and replacement.

CONTACTING THE DISTRICT MANAGER

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have any questions concerning this report or need additional information, please contact the Manager of Clifton Sanitation District 3217 D Road, Clifton, Colorado 81520.

Eli Jennings
District Manager
June 2, 2025

CLIFTON SANITATION DISTRICT
STATEMENT OF NET POSITION
As of December 31, 2024

ASSETS

CURRENT ASSETS

Cash on hand and in banks	\$ 703,442
Accounts receivable-service fees-less \$0 allowance	615,163
Investments COLOTRUST	1,145,263
Other receivables	12,255
Inventory (Cost)	63,444
Prepaid expenses	90,170
Accrued interest receivable	43,567
Total Current Assets	2,673,304

NONCURRENT ASSETS:

Cash -HRA	2,542
Investments	7,272,608
Lease receivable	275,238
Capital assets	30,514,041
Total Noncurrent Assets	38,064,429

TOTAL ASSETS	\$ 40,737,733
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 143,376
Other current liabilities	15,057
Unearned revenue	100,000
Accrued payroll	32,174
Accrued interest payable	29,482
Accrued compensated absences	51,136
Current loans payable	665,238
Total Current Liabilities	1,036,463

LONG-TERM LIABILITIES

Loans payable less current portion	1,470,476
Total Long-term Liabilities	1,470,476
TOTAL LIABILITIES	2,506,939

DEFERRED INFLOWS

Lease revenue	275,238
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NET POSITION

Invested in capital assets net of related debt	28,378,327
Unrestricted	9,577,229
NET POSITION	37,955,556

TOTAL LIABILITIES AND NET POSITION	\$ 40,737,733
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The accompanying notes are an integral part of this statement

CLIFTON SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2024

OPERATING REVENUE	
Charges for services	\$ 3,558,902
OPERATING EXPENSES	
Treatment	1,428,280
Collection	373,337
Depreciation	1,275,103
General operating expenses	654,752
Total Operating Expense	<u>3,731,472</u>
Net (Loss) From Operations	<u>(172,570)</u>
NON-OPERATING REVENUE (EXPENSES)	
Miscellaneous income	45,700
Investment income	316,142
Interest expense	(75,538)
Total Non-Operating Revenue	<u>286,304</u>
NET (LOSS) INCOME BEFORE CONTRIBUTIONS	<u>113,733</u>
CAPITAL CONTRIBUTIONS:	
Plant investment fees	255,425
System contribution (non cash)	143,408
Total Capital Contribution	<u>398,833</u>
Change in Net Position	512,566
Total Net Position - Beginning	<u>37,442,990</u>
Total Net Position - Ending	<u><u>\$ 37,955,556</u></u>

The accompanying notes are an integral part of this statement

CLIFTON SANITATION DISTRICT
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2024

INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$ 3,468,091
Other cash receipts	45,700
Cash payments to and on behalf of employees	(1,237,900)
Cash payments to suppliers	(1,335,066)

NET CASH PROVIDED BY OPERATING ACTIVITIES

940,825

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition & construction of capital assets	(695,532)
(Increase) Decrease in restricted cash	999
Payment of loans	(650,238)
Plant investment fees	255,425

NET CASH PROVIDED (USED) BY CAPITAL AND RELATED

FINANCING ACTIVITIES

(1,089,346)

CASH FLOWS FROM INVESTING ACTIVITIES

Net Investment income	240,681
Net sale (purchase) of investments	(1,419,981)

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES

(1,179,301)

NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS

(1,327,821)

CASH - Beginning of year

2,031,263

CASH - End of year

\$ 703,442

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (172,570)
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Adjustment to reconcile operating income (loss) to net cash provided by operating activities

Depreciation	1,275,103
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Change in assets and liabilities

(Increase) decrease in accounts receivable	(90,811)
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(Increase) decrease in inventory	47,080
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(Increase) decrease in prepaid expenses	(5,007)
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(Increase) decrease in interest receivable	(13,814)
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Increase (decrease) in accounts payable	(89,937)
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Increase (decrease) in compensated absences payable	230
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Increase (decrease) in unearned revenue	-
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Increase (decrease) in accrued payroll	(246)
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Increase (decrease) in accrued interest	(8,325)
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Increase (decrease) in other current payables	(878)
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Total adjustments	<u>1,113,395</u>
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NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 940,825

NON-CASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES:

Market value change	\$ 61,647
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Acceptance of Subdivisions	<u>\$ 143,408</u>
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Interest expense	<u>\$ 75,538</u>
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Capital assets purchased by accounts payable	<u><u>\$ 37,709</u></u>
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The accompanying notes are an integral part of this statement

CLIFTON SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

HISTORY AND ACTIVITY

The Clifton Sanitation District operates as a Special District formed by an election in 1967. The District was organized under the provisions of the Colorado Revised Statutes, 1963 Chapter 89, Article 5, as amended. The purpose of the District is to operate and maintain the sanitary sewer system of the District.

A Revenue Bond Resolution accomplished initial financing for the construction of the sewer facilities in 1968, whereby the District authorized the issuance of general obligation bonds in the principal amount of \$471,190. In addition to the financing arranged through the Farmers Home Administration of the United States Department of Agriculture, an initial development grant was made to the District in the amount of \$222,200 that helped defray development costs. In consideration for the grant from the Farmers Home Administration, the District has agreed to comply with certain terms and conditions as set forth in the Association Sewer System Grant Agreement dated February 21, 1968.

The accounting policies of the Clifton Sanitation District conform to generally accepted accounting principles. The following is a summary of such significant policies.

REPORTING ENTITY

Clifton Sanitation District is the primary government operating as a sanitation enterprise fund. The District has no component units.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The operations of the District are accounted for as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The District uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services in connection with the District’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

It requires the classification of net position into three components; invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This consists of constraints placed on net position use through external restrictions imposed by creditors (such as through debt covenants,), grantors, contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

CLIFTON SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

BUDGET BASIS OF ACCOUNTING

The annual budget is prepared and approved by the board of directors in accordance with the State of Colorado Financial Management Manual. The budget is submitted to Mesa County and the District adopts an appropriation resolution for the next fiscal year before December 31. The Board of Directors may amend the appropriation resolution at any time during the year if warranted by circumstances.

The budget basis of accounting differs from the generally accepted accounting principles (GAAP) basis in the contributed capital is included in revenue, outlays for acquisition of fixed assets are included as expenses.

INVESTMENTS

Investments are measured at fair value in accordance with GASB Statement 72, Fair Value Measurement and Application.

CAPITAL ASSETS

The fund of the District is accounted for on a cost of service or “capital maintenance” measurement focus. This means that all assets and all liabilities associated with the activity of the District are included on the balance sheet. Equipment and property are recorded at cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation is provided over estimated useful lives of 5-50 years, using the straight-line method. Maintenance and repairs are charged to expenses as incurred, while significant betterments and replacements are recorded as increases to equipment. As assets are retired or disposed of, the cost and associated accumulated depreciation are removed from the accounts, and gains or losses on these sales or disposals are included in the income. It is the District’s policy to capitalize assets that cost \$5,000 or more and have a two-year life or longer.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

All taxes and service fees become a lien on property if not paid. However, due to the cost of filing liens and the time involved, the District elects to write off small balances from time to time. All service fees were considered collectible on December 31, 2024.

USE OF ESTIMATES

The presentation 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

AVAILABILITY OF SERVICE CHARGES

As required by Colorado statute, the use of availability of services charges is restricted to meeting current debt service requirements.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In general, payables and accrued liabilities are paid in a timely manner and in full, from current financial resources and are reported as current obligations for the fund. Long-term bond obligations are accrued as a long-term liability on the financial statements.

CLIFTON SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

RESTRICTED ASSETS/RESERVATIONS OF NET POSITION

Assets are reported as restricted when limitation on their use changes the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Reservations of net position arise from certain Board designations of net position, as well as the aforementioned constraints. It is the District’s policy to use restricted funds first, for expenditures which both restricted and unrestricted funds are available.

NOTE 2 – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it complies with the requirements of the law because it does not collect any taxes or other public funds and is, therefore, exempt from the provisions of the law. However, the District has made certain interpretations of the law’s language in order to determine its compliance.

NOTE 3 – COMPENSATED ABSENCES

Eligible employees may accrue sick leave but are not paid upon leaving employment. All eligible employees are entitled to vacation based upon their years of service, but in no case may they accrue more than 42 days of vacation time. Total accrued compensated absences for 2024 were \$51,136.

NOTE 4 – CAPITAL ASSETS

	Balance December 31, 2023	Additions	Deletions	Balance December 31, 2024
Land	\$ 3,028,297	\$ -	\$ -	\$ 3,028,297
Land Improvements	1,729,854	190,952	-	1,920,806
Building & Improvements	22,875,917	339,345	-	23,215,262
System Transmission Lines	20,034,661	143,408	-	20,178,069
Office Furniture & Equipment	128,978	-	(13,290)	115,688
Equipment	5,885,752	165,235	(10,812)	6,040,175
Total	53,683,459	838,940	(24,102)	54,498,297
Less Accumulated Depreciation	(22,730,783)	(1,275,103)	21,630	(23,984,256)
Net Capital Assets	<u>\$ 30,952,676</u>	<u>\$ (436,163)</u>	<u>\$ (2,472)</u>	<u>\$ 30,514,041</u>

NOTE 5 – CASH AND DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determine eligibility. Amounts on deposit more than 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 deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

CLIFTON SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

NOTE 5 – CASH AND DEPOSITS-CONTINUED

Cash and Investments consisted of the following:

Uninsured	\$ 1,093
Deposits: Insured	
Checking, Money markets, CD's	363,876
Deposits: Collateralized	<u>341,015</u>
Total Deposits	<u>705,984</u>
Investments	
ColoTrust	1,145,263
U.S. Treasury NT. (Level 2)	5,818,664
Federal Home Loan	479,577
Federal National Mortgage (Level 2)	<u>974,367</u>
(Rated by Moody's Aaa and S&P AAA)	
Total Investments	<u>8,417,871</u>
Totals	<u>\$ 9,123,855</u>

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligation of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of the U.S. local government entities; bankers' acceptance of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds, and guaranteed contracts.

The District's investments on December 31, 2024, are registered in the District's name and are categorized above to give an indication of the level of risk assumed by the District at year-end.

Of the total deposit shown above \$113,876 is insured and collateralized through a private insurance carrier retained by Charles Schwab on behalf of Clifton Sanitation District. and \$250,000 is insured by a bank and \$341,015 is collateralized under P.D.P.A.

The District considers cash in the bank, cash on hand, and investment with original maturities of three months or less as cash and cash equivalents.

NOTE 6 – PENSION PLAN

The District provides pension benefits for all its full-time employees through a defined contribution plan that was adopted by resolution April 4, 1994. The plan adopted is part of the Colorado Retirement Association. The contribution rate is equal to 6% of eligible employees' compensation from the District and 6% rate for the employee. The District's total payroll subject to pension withholding for the year ending December 31, 2024, was \$823,990. The contribution for 2024 was \$49,439 for the employer and \$49,439 by the employee. The Employer could authorize benefit terms as well as amend those terms.

The District also offers its employees the ability to contribute to a Deferred Compensation Plan (457) if they choose. On December 31, 2024, two employees are contributing to the plan. The District does not match the contributions to this plan.

CLIFTON SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

NOTE 7 – CHANGE IN CAPITAL CONTRIBUTIONS (UNRESTRICTED NET POSITION)

A summary of the changes in the contributed capital accounts for the years ended December 31, 2024 is as follows:

Tap fees	\$ 255,425
Donated sewer lines by developers	<u>143,408</u>
	<u>\$ 534,487</u>

NOTE 8 – MEDICAL REIMBURSEMENT PLAN (HRA)

In 2011, the District established an HRA plan to cover employees' deductibles. For 2024, the Board has approved \$1,040 per month for participant, spouse, and/or qualified dependents. The aggregate maximum qualified benefit amount to be available for all plan years combined is \$12,480. The HRA dollars must first be applied to the District's group health insurance premiums for spousal or dependent coverage. Any remaining dollars can be used for IRS Code 213 (d) expenses except for individual insurance premiums. The funds remain the District's when employees leave or are terminated, and the annual funding is to be determined by the Board and is not an automatic event.

NOTE 9 – LOANS PAYABLE

Water Pollution Control Revolving Fund (WPCRF). This loan for \$2,000,000 is part of a total package that deals with the dissolution of Clifton Sanitation District # 1, (not related) the assumption of the District's # 1 area by Clifton Sanitation District. These funds were used for the plant investment portion of the District new plant, and the remaining \$500,000 was used for the closing down of the District's # 1 lagoons and final business. The \$2,000,000 carries no interest and is payable over twenty years. The first payment will be made May and November of each year beginning May 1, 2007. The payments will be \$47,619 for each loan payment date. Below is the amortization of the total \$2,000,000:

2025	\$ 95,238
2026	95,238
2027	<u>95,238</u>
	285,714
Less Current	<u>(95,238)</u>
Total	<u><u>\$ 190,476</u></u>

Beginning Balance 1/1/2024	\$ 380,952
Payment 2024	<u>95,238</u>
Ending Balance 12/31/2024	<u><u>\$ 285,714</u></u>

CLIFTON SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

NOTE 9 – LOANS PAYABLE-CONTINUED

In 2015, the District refinanced a loan from the Colorado Water Resources & Power Development Authority (CWRPDA). The total of the loan was \$9,800,000. At the time of refinancing, the loan balance was \$6,295,000. The remaining life of the note is 10 years, at an interest rate of 3.64%. Payments are made in February and August of each year. The funds were used for the construction of a new treatment plant. Following is the amortization of payment of these funds.

Beginning Balance 1/1/24	\$ 2,405,000
2024 payments	<u>555,000</u>
Ending Balance 12/31/24	<u>\$ 1,850,000</u>

Year	Principal	Interest	Total
2025	\$ 570,000	\$ 68,100	\$ 638,100
2026	615,000	20,462	635,462
2027	665,000	(26,184)	638,816
	1,850,000	62,378	1,912,378
Less Current	(570,000)	(68,100)	(638,100)
Long-term Portion	\$ 1,280,000	\$ (5,722)	\$ 1,274,278

	Balance January 1, 2024	Additions	Reductions	Balance December 31, 2024	Due within one year
Loans payable					
Loan payable-WPCRF	\$ 380,952	\$ -	\$ (95,238)	\$ 285,714	\$ 95,238
Loan payable-CWRPDA	2,405,000	-	(555,000)	1,850,000	570,000
Total	\$ 2,785,952	\$ -	\$ (650,238)	\$ 2,135,714	\$ 665,238

NOTE 10 – REQUIRED RESERVES

As required by the Colorado Water Resources & Power Development Authority, Clifton Sanitation District must have reserve cash that can meet the required O & M as stipulated in the 2006 Note agreement. For the 2024 budget, the District manages the reserve fund to include operating reserves utilizing six months of operating expenses, (\$1,139,160), Emergency Capital Reserves of approximately 1% of the value of the system \$500,000; debt service reserves are one year of debt service, (\$665,238). The District believes that it meets this requirement.

CLIFTON SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

NOTE 11 – SUMMARY OF FAIR VALUE EXPOSURE

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 input are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The inputs and methodology used for valuing the Organization’s financial assets and liabilities are not indicators of the risk associated with those instruments.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2024:

<u>Description</u>	<u>Investment in Securities</u>
Level 1: Quoted prices:	\$ -
Level 2: Other significant observable inputs:	7,272,608
Level 3: Significant unobservable inputs	<u>-</u>
Total fair value	<u>\$7,272,608</u>

NOTE 12 - LEASES

The District has entered into agreements with CommNet for the use of land to for a cell tower. The terms of this agreement include a monthly payment of \$692. This lease has a term of 14 years, with a 20-year renewal. The lease agreement provides for a 3% increase beginning with the June payment each year.

The District implemented GASBS No. 87 for the year ended December 31, 2024. In addition, the lease receivable was discounted to a net present value on December 31, 2024, using a 3.0% interest rate.

For the year ending December 31, 2024, the District received \$17,158 in lease revenue, \$8,566 in lease interest revenues.

Below is the amortization of the future rental income:

CLIFTON SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024

NOTE 12 – LEASES-continued

Year ended December 31,	Principal	Interest	Total Payment
2025	\$ 216	\$ 8,255	\$ 8,471
2026	544	8,244	8,788
2027	852	8,224	9,076
2028	1,130	1,984	3,114
2029	1,424	8,156	9,580
2030-2034	12,672	39,849	52,521
2035-2039	23,717	37,170	60,887
2040-2044	37,911	32,604	70,515
2045-2049	56,230	25,616	81,846
2050-2054	79,337	15,545	94,882
2055-2057	61,124	2,913	64,037
Total	<u>\$ 275,157</u>	<u>\$ 188,560</u>	<u>\$ 463,717</u>

NOTE 13 –CORONAVIRUS PANDEMIC, RISK MANAGEMENT AND SUBSEQUENT EVENTS

CORONAVIRUS PANDEMIC

For 2024, the District’s operations will continue as normal. Management will continue to monitor the state and local standards and adjust operations accordingly.

RISK MANAGEMENT

Clifton Sanitation District is, as are most governmental entities, exposed to a variety of risks that result in losses. These risks include possible loss from acts of God, injury to employees, or breach of contract. Clifton Sanitation District has financed losses that may arise from these and other events by purchasing commercial insurance. There were no reductions in coverage from 2019 to 2024. Settlements have not exceeded coverage in any of the past four years.

SUBSEQUENT EVENTS

Management has reviewed subsequent events through the date of the audit report. There were no additional subsequent events that were identified that require disclosure.

SUPPLEMENTAL INFORMATION

CLIFTON SANITATION DISTRICT
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (NON-GAAP BASIS)
For the Years Ended December 31, 2024

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES			
Service Charges	\$ 3,558,902	\$ 3,534,350	\$ 24,552
Miscellaneous income	45,700	31,805	13,895
Plant investment fee	255,425	214,700	40,725
Investment income	316,142	60,000	256,142
Total Revenue	<u>4,176,169</u>	<u>3,840,855</u>	<u>335,314</u>
EXPENSES:			
Treatment:			
Salaries	618,741	607,470	(11,271)
Employee benefits	215,133	254,142	39,009
Chemicals	62,683	63,900	1,217
Utilities	165,365	188,560	23,195
Insurance-Treatment	29,551	31,200	1,649
Repairs & maintenance	239,653	254,597	14,944
Fuel	7,878	9,200	1,322
Lab and other tests	31,685	40,294	8,609
Vehicle expense	12,975	38,350	25,375
Other	44,616	68,926	24,310
Total Treatment Expenses	<u>1,428,280</u>	<u>1,556,640</u>	<u>128,360</u>
Collection:			
Salaries	96,616	82,948	(13,668)
Employee benefits	36,303	34,038	(2,265)
Insurance	14,776	15,600	824
Repairs & maintenance	52,906	112,838	59,932
Computer & Internet support	3,395	3,933	538
Line maintenance	138,164	140,000	1,836
Traffic control	31,177	32,000	823
Total Collection Expense	<u>373,337</u>	<u>421,357</u>	<u>48,020</u>
General & Administrative:			
Salaries	196,124	190,256	(5,868)
Employee benefits	74,091	69,457	(4,634)
Communication	14,144	16,964	2,820
Insurance and bonds	5,115	5,200	85
Professional fees	189,355	142,000	(47,355)
Directors' fees and expense	8,468	11,000	2,532
Miscellaneous	10,436	12,600	2,164
Vehicle expense	1,859	2,750	891
Permits and fees	19,223	21,800	2,577
Occasional labor	473	15,000	14,527
Safety expense	22,938	27,000	4,062
Advertising	9,202	15,000	5,798
Office supplies and postage	101,472	87,766	(13,706)
Mesa County Treasurer's Fees	1,790	1,325	(466)
Contingency	-	100,000	100,000
Services charges	62	-	(62)
Total General & Administrative Expense	<u>654,752</u>	<u>718,117</u>	<u>63,365</u>
Total Expenses	<u>2,456,369</u>	<u>2,696,114</u>	<u>239,745</u>
Capital outlays	838,940	4,995,000	4,156,060
Debt service:			
Principal	650,238	650,238	-
Interest	75,538	78,400	2,862
	<u>4,021,085</u>	<u>8,419,752</u>	<u>4,398,667</u>
EXCESS REVENUES OVER (UNDER) EXPENSES	<u>155,083</u>	<u>\$ (4,578,897)</u>	<u>\$ 4,733,980</u>
Adjustments to budgetary basis:			
Capital outlay	838,940		
System contribution	143,408		
Depreciation	(1,275,103)		
Debt service	650,238		
CHANGE IN NET POSITION	<u>\$ 512,566</u>		