

# **Kittredge Sanitation and Water District**

**Annual Financial Statements**

**and**

**Report of Independent Certified**

**Public Accountants**

**December 31, 2024**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Kittredge Sanitation and Water District

### *Opinion*

We have audited the accompanying financial statements of the business-type activities of Kittredge Sanitation and Water District (the "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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 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 Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US 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 US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit,
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements,
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed,
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements,
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS, 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues, expenses and changes in funds available budget and actual (non-GAAP budgetary basis) and reconciliation of budgetary basis (actual) to schedule of revenues, expenses and changes in net position are presented for purposes of additional analysis and are 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 US GAAS. In our opinion, the schedule of revenues, expenses and changes in funds available budget and actual (non-GAAP budgetary basis) and reconciliation of budgetary basis (actual) to schedule of revenues, expenses and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Logan, Thomas & Johnson, LLC*

Castle Rock, Colorado

July 28, 2025

## **Kittredge Sanitation and Water District Management's Discussion and Analysis**

In general, the purpose of financial reporting is to provide external parties who read financial statements with information that will help them to make decisions or draw conclusions about an entity. The Kittredge Sanitation and Water District's discussion and analysis is designed to assist the various readers by providing an overview of the District's financial position and activities as of and for the year ended December 31, 2024. Since this discussion is designed to focus on the current year's activities, please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

- The District's total assets exceeded its liabilities at the end of the year by \$2,496,105 (net position).
- Net position increased by \$107,462 when compared to 2023.
- The District's operating and non-operating income increased by \$71,244 when compared to 2023.
- The District's operating expenses increased by \$35,050 when compared to 2023.

### **Overview of the Financial Statements**

These annual financial statements consist of four components: Management's Discussion and Analysis, the basic financial statements (Net Position, Revenues, Expenses and Changes in Net Position; and Cash Flows), the notes to the financial statements, and other supplementary information.

The Statements of Net Position present the current and long-term assets, deferred inflows and outflows of resources, and liabilities separately with the difference in total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, one may need to consider other non-financial factors to assess the overall health of the District.

The Statement of Revenues, Expenses, and Changes in Net Position presents the change in the District's net position as a result of the fiscal year's operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transaction occurs. Thus, revenues and expenses may be reported for items that may not affect cash until future fiscal periods.

The Statement of Cash Flows presents the operating cash inflows and outflows resulting in net cash flows from operations. This statement is prepared using the direct method as prescribed by the Governmental Accounting Standards Board (GASB) Statement 34.

The District is reported as a special-purpose government engaged in business-type activities using the full accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they have been reduced to a legal or contractual obligation to pay.

The Notes to the Financial Statements provide additional information that is essential for a better understanding of the data provided in the financial statements.

Other Supplementary Information is provided in addition to the basic financial statements and accompanying notes.

## Financial Position

As noted earlier, net position may serve over time as a useful indicator of the District's net financial position. In the case of the District, assets exceed liabilities by \$2,496,105 in 2024.

### Summary Statements of Net Position December 31, 2024 and 2023

|                                      | <u>2024</u>         | <u>2023</u>         |
|--------------------------------------|---------------------|---------------------|
| <b>Assets</b>                        |                     |                     |
| Current Assets                       | \$ 1,711,648        | \$ 1,557,000        |
| Capital Assets, net                  | <u>900,817</u>      | <u>946,868</u>      |
| Total Assets                         | 2,612,465           | 2,503,868           |
| <br>                                 |                     |                     |
| <b>Liabilities</b>                   |                     |                     |
| Current Liabilities                  | 21,549              | 20,225              |
| Noncurrent Liabilities               | <u>1,300</u>        | <u>1,300</u>        |
| Total Liabilities                    | 22,849              | 21,525              |
| <br>                                 |                     |                     |
| <b>Deferred Inflows of Resources</b> |                     |                     |
| Deferred Property Taxes              | <u>93,511</u>       | <u>93,701</u>       |
| Total Deferred Inflows of Resources  | 93,511              | 93,701              |
| <br>                                 |                     |                     |
| <b>Net Position</b>                  |                     |                     |
| Net Investment in Capital Assets     | 900,817             | 946,868             |
| Restricted                           |                     |                     |
| Capital Fees                         | 21,957              | -                   |
| Restricted for Emergencies           | 20,415              | 11,704              |
| Unrestricted                         | <u>1,552,916</u>    | <u>1,430,070</u>    |
| Total Net Position                   | <u>\$ 2,496,105</u> | <u>\$ 2,388,642</u> |

## Results of Operations

During 2024, the District's net position increased by \$107,462. Key elements of this increase are as follows:

|  | For the Year Ended December 31, |                     |
|--|---------------------------------|---------------------|
|  | 2024                            | 2023                |
| <b>Revenues</b>                          |                                 |                     |
| Operating Revenue – Charges for Services | \$ 599,603                      | \$ 578,505          |
| Non-operating Revenue                    | <u>188,343</u>                  | <u>138,197</u>      |
| Total Revenue                            | 787,946                         | 716,702             |
| <b>Expenses</b>                          |                                 |                     |
| Operating Expenses                       |                                 |                     |
| Water & Sewer Operations                 | (520,282)                       | (482,133)           |
| Depreciation                             | (97,986)                        | (100,531)           |
| General & Administrative                 | (60,740)                        | (61,294)            |
| Non-Operating                            | <u>(1,476)</u>                  | <u>(1,181)</u>      |
| Total expenses                           | <u>(680,484)</u>                | <u>(645,139)</u>    |
| <b>Change in Net Position</b>            | 107,462                         | 71,563              |
| <b>Net Position - Beginning of Year</b>  | <u>2,388,643</u>                | <u>2,317,080</u>    |
| <b>Net Position - End of Year</b>        | <u>\$ 2,496,105</u>             | <u>\$ 2,388,643</u> |

Overall revenue increased by approximately \$71,244. Significant contributing factors included an annual rate increase approved during the budget process, in addition to a new Capital Fee beginning January 1, 2024. Property tax income was increased due to an increase in assessed property valuations and income earned from investments increased due to an increase in interest rates over the previous year.

Overall expenses increased by \$35,345. Significant contributing factors for the increase in expenses were due to plant operations, vendor costs and salary allocations.

## Capital Assets

**Capital Assets.** The District's investment in capital assets at December 31, 2024, amounts to \$900,817 (net of accumulated depreciation). This investment in capital assets includes buildings, water and sanitation lines, equipment, construction in progress and land. An analysis of changes in capital assets is as follows:

|                                   | <b>Balance</b><br><b>December 31,</b><br><b>2024</b> | <b>Balance</b><br><b>December 31,</b><br><b>2023</b> | <b>Percentage</b><br><b>Change</b> |
|-----------------------------------|--|--|------------------------------------|
| Land                              | \$ 19,836  | \$ 19,836  | 0.00%                              |
| Construction in Progress          | 67,223   | 63,803   | 5.36%                              |
| Collection System                 | 1,020,808  | 981,724  | 3.98%                              |
| Treatment Plant and Outflow Lines | 1,773,206  | 1,773,206  | 0.00%                              |
| Furniture, Fixtures & Equipment   | <u>354,546</u>                                       | <u>345,115</u>                                       | 2.73%                              |
| Total Capital Assets              | <u>3,235,619</u>                                     | <u>3,183,684</u>                                     | 1.63%                              |
| Less Accumulated Depreciation:    | <u>(2,334,802)</u>                                   | <u>(2,236,816)</u>                                   | 4.38%                              |
| Net Capital Assets                | <u>\$ 900,817</u>                                    | <u>\$ 946,868</u>                                    | 4.86%                              |

The District's significant capital addition that was completed during 2024 was the installation of an 8" air header pipe.

## Budgetary Highlights

The District's annual budgets are prepared according to Colorado law and they are based on accounting for certain transactions on a basis of cash receipts and disbursements. During the current fiscal year, the District made no revisions to the adopted budget. Comparisons between actual and budget are detailed in the supplementary information section of these statements and are briefly summarized as follows:

- The District received \$30,000 less in tap sales and inclusion fees during 2024 than budgeted.
- The District budgeted \$102,000 for capital outlay. The current capital outlay was only \$51,935.
- Total actual revenue was more than budgeted revenue by \$20,083.
- Total actual expenses were less than budgeted expenses by \$77,279.

## **Economic Factors and Next Year's Budget**

- The District budgeted tap sales of \$53,000 (sewer taps) for 2025.
- The District budgeted \$197,700 for capital expenditures for 2025.

These factors were considered in preparing the District's budget for the 2025 fiscal year.

During 2025, the District began evaluating the potential benefits and feasibility of consolidating with the Evergreen Metropolitan District. As of the date of this report, no formal action has been taken by either District's Board of Directors. Discussions have been preliminary in nature and focused on exploring potential operational, financial, and administrative efficiencies that could result from such a consolidation. Should the District proceed further with this process, Colorado law requires the adoption of resolutions by both Districts' Boards of Directors and approval by the voters in each District.

## **Requests for Information**

This financial report is designed to provide a general overview of the Kittredge Sanitation and Water 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 financial information should be addressed to Kittredge Sanitation and Water District, PO Box 7, Kittredge, CO 80457.

## **Basic Financial Statements**

**KITTREDGE SANITATION AND WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2024**

**ASSETS**

**CURRENT ASSETS**

|                                |                      |
|--------------------------------|----------------------|
| Cash and Cash Equivalents      | \$ 482,825           |
| Investments                    |                      |
| Unrestricted                   | 1,074,071            |
| Restricted                     |                      |
| Capital Fees                   | 21,957               |
| Property Taxes Receivable      | 93,511               |
| Accounts and Other Receivables | 38,026               |
| Prepaid Insurance              | <u>1,258</u>         |
| <br>Total Current Assets       | <br><u>1,711,648</u> |

**CAPITAL ASSETS**

|  |                      |
|--|----------------------|
| Land                                     | 19,836               |
| Construction in Progress                 | 67,223               |
| Sewage Treatment Plant and Outflow Lines | 1,773,206            |
| Collection System                        | 1,020,808            |
| Plant Equipment                          | 352,869              |
| Furniture & Fixtures                     | <u>1,677</u>         |
|  | 3,235,619            |
| Less, Accumulated Depreciation           | <u>(2,334,802)</u>   |
| <br>Total Capital Assets                 | <br><u>900,817</u>   |
| <br>Total Assets                         | <br><u>2,612,465</u> |

**LIABILITIES**

**CURRENT LIABILITIES**

|  |               |
|--|---------------|
| Accounts Payable and Payroll Liabilities | <u>21,549</u> |
|--|---------------|

**NONCURRENT LIABILITIES**

|                              |              |
|------------------------------|--------------|
| Cost Recovery Lots 388 & 389 | <u>1,300</u> |
|------------------------------|--------------|

**DEFERRED INFLOWS OF RESOURCES**

|                         |               |
|-------------------------|---------------|
| Deferred Property Taxes | <u>93,511</u> |
|-------------------------|---------------|

**NET POSITION**

|                                  |                                |
|----------------------------------|--------------------------------|
| Net Investment in Capital Assets | 900,817                        |
| Unrestricted                     | 1,552,916                      |
| Restricted                       |                                |
| Capital Fees                     | 21,957                         |
| Emergencies                      | <u>20,415</u>                  |
| <br>Total Net Position           | <br>\$ <u><u>2,496,105</u></u> |

The accompanying notes are an integral part of this statement.

**KITTREDGE SANITATION AND WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2024**

**SEWER OPERATIONS**

|                                   |            |
|-----------------------------------|------------|
| Service Fees                      | \$ 346,440 |
| Direct Sewer Expenses:            |            |
| Plant Operations                  | 171,317    |
| Utilities                         | 31,222     |
| Sludge Hauling and Processing     | 19,901     |
| Maintenance, Repairs and Supplies | 45,694     |
| Depreciation                      | 97,986     |
|                                   | 366,120    |
| Net Loss from Sewer Operations    | (19,680)   |

**WATER OPERATIONS**

|  |          |
|--|----------|
| Water Services and System Fees Revenue   | 253,163  |
| Water Services and System Fees Expenses  | 252,148  |
| Net Income from Water Operations         | 1,015    |
| Net Loss from Sewer and Water Operations | (18,665) |

**GENERAL AND ADMINISTRATIVE EXPENSES**

|   |          |
|---|----------|
| Accounting and Audit                      | 6,017    |
| Administrative and Billing Services       | 8,831    |
| Director's Fees & Payroll Taxes           | 6,674    |
| Dues, Subscription & Permits              | 11,890   |
| Insurance                                 | 8,404    |
| Legal                                     | 12,818   |
| Rent                                      | 3,600    |
| Offices Supplies, Telephone and Other     | 2,506    |
| Total General and Administrative Expenses | 60,740   |
| Loss from Operations                      | (79,405) |

**NON-OPERATING REVENUES (EXPENSES)**

|   |              |
|---|--------------|
| Property Taxes                          | 98,144       |
| Specific Ownership Taxes                | 6,541        |
| Investment Income                       | 55,943       |
| Other Income                            | 1,250        |
| Capital Fees                            | 26,465       |
| County Treasurer's Fees                 | (1,476)      |
| Total Non-Operating Revenues (Expenses) | 186,867      |
| Change in Net Position                  | 107,462      |
| Total Net Position - January 1          | 2,388,643    |
| Total Net Position - December 31        | \$ 2,496,105 |

The accompanying notes are an integral part of this statement.

**KITTREDGE SANITATION AND WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2024**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |            |        |
|---|------------|--------|
| Cash received from customers                      | \$ 585,622 |        |
| Cash payments to suppliers for goods and services | (573,384)  |        |
| Net cash provided by operating activities         |            | 12,238 |

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

|   |          |          |
|---|----------|----------|
| Capital Fees Received                         | 26,465   |          |
| Acquisition of property, plant and equipment  | (51,935) |          |
| Net cash used in capital financing activities |          | (25,470) |

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

|   |         |         |
|---|---------|---------|
| Property taxes received                               | 98,144  |         |
| Specific ownership taxes received                     | 6,106   |         |
| Miscellaneous non-operating income received           | 1,250   |         |
| Treasurer's fees paid                                 | (1,476) |         |
| Net cash provided by non-capital financing activities |         | 104,024 |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|                                       |          |          |
|---------------------------------------|----------|----------|
| Purchase of investments               | (77,258) |          |
| Investment earnings                   | 55,943   |          |
| Net cash used in investing activities |          | (21,315) |

|  |        |         |
|--|--------|---------|
| Net Change in Cash and Cash Equivalents      | 69,477 |         |
| Cash and cash equivalents, beginning of year |        | 413,348 |
| Cash and cash equivalents, end of year       | \$     | 482,825 |

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES:**

|   |             |        |
|---|-------------|--------|
| Operating Loss  | \$ (79,405) |        |
| Adjustments to reconcile operating loss to net cash provided by operating activities: |             |        |
| Depreciation  | 97,986      |        |
| Effects of changes in operating assets and liabilities:                               |             |        |
| Receivables and unearned revenue  | (13,981)    |        |
| Prepaid expenses  | 6,314       |        |
| Accounts payable  | 1,324       |        |
| Net cash provided by operating activities   | \$          | 12,238 |

The accompanying notes are an integral part of this statement.

# Kittredge Sanitation and Water District

## Notes to Financial Statements

### December 31, 2024

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#### 1. Definition of Reporting Entity

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Kittredge Sanitation and Water District (District) is a quasi-municipal corporation and political subdivision of the State of Colorado. It was organized on January 1, 1964, to provide water and sewer services to the citizens of the District. The District derives its revenue principally from water and sewer sales and property taxes, and the service area is located in Jefferson County, Colorado. The District is governed pursuant to provisions of the Colorado Special District Act, and by an elected Board of Directors.

The District is considered to be a special-purpose government engaged in business-type activities.

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#### 2. Significant Accounting Policies

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

##### **Basis of Accounting**

Enterprise fund accounting is utilized in accordance with generally accepted accounting principles. The financial statements are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Revenues received in advance are recorded as a liability for unearned revenue and the liability is removed when earned.

##### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents, both restricted and unrestricted, are highly liquid investments with an original maturity three months or less.

**Kittredge Sanitation and Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2024**

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**2. Significant Accounting Policies (continued)**

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**Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, investments are reported at fair value or amortized cost. Fair market values are based on published market rates.

**Restricted Investments**

Restricted assets are investments whose use is limited by legal requirements. Restricted investments represent amounts collected as a Capital Fee to fund capital projects.

**Receivables**

Receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2024. Property taxes levied on December 31, 2024 are identified as property taxes receivable and deferred inflows of resources.

**Capital Assets**

It is the District's policy to capitalize acquisitions in excess of \$2,500 that have an estimated useful life in excess of one year. All purchased assets are reported at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at their fair value on the date received. Sewer lines contributed to the District are recorded at the developer's cost.

Repairs are expensed and replacements are capitalized at the time the expenditure is incurred or the acquisition is placed in service. Depreciation is charged as an expense against operations. Depreciation of capital assets is imputed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 40 years.

**Deferred Outflows/Inflows of Resource**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, *deferred property taxes*. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

# Kittredge Sanitation and Water District

## Notes to Financial Statements (continued)

### December 31, 2024

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## 2. Significant Accounting Policies (continued)

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### Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted – This component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed through constitutional provisions or enabling legislation.
- Unrestricted – The component of net position that does not meet the definition above.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

### Operating Revenues and Expenses

The District distinguishes between *operating* revenues and expenses and *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing business of providing water and sewer services. The primary operating revenues are for charges to customers and sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### Revenue Recognition- Property Taxes

Property taxes attach to the property as of January 1. The county certifies the assessed valuation of the District in October of the preceding year and the District is obligated to certify the mill levies to the county by December 15 of the preceding year. Taxes are levied in December and are payable in the following year. Property taxes unpaid by October 1 are subject to lien.

Property taxes are payable in full by April 30, or in two equal installments due February 28, and June 15. The County Treasurer bills and collects property taxes for all taxing entities within the County.

**Kittredge Sanitation and Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2024**

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**2. Summary of Significant Accounting Policies (continued)**

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**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Actual results could vary from the estimates that were assumed in preparing the financial statements.

**Subsequent Events**

The District has evaluated subsequent events through July 28, 2025, the date which the financial statements were available to be issued. During this period, the District was not aware of any material recognizable subsequent events.

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**3. Stewardship, Compliance and Accountability**

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**Budget and Budgetary Accounting**

Annually, the Board of Directors prepares proposed operating budgets for the fiscal year commencing the following January 1.

The operating budgets include proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to December 31, the budget is legally adopted by the Board of Directors. The District appropriates by total expenditures. All appropriations lapse at year-end per State statutes.

An annual budget resolution, appropriation resolution and mill levy resolution are adopted by the Board of Directors in accordance with the Colorado State Statutes. All funds are budgeted on a modified accrual basis of accounting. The appropriation is at the total fund expenditure level and lapses at year-end for operating and debt service expenditures. Appropriations for capital projects are continuing appropriations on a project-by-project basis until the District's Board rescinds any unexpended appropriation. Expenditures may not legally exceed appropriations as described above using a non-GAAP basis by recognizing equipment and building acquisition and debt service payments as expenditures. Non-cash expenses such as depreciation are not budgeted.

**Kittredge Sanitation and Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2024**

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**3. Stewardship, Compliance and Accountability (continued)**

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**Tax, Spending and Debt Limitations**

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution.

TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all local governments.

TABOR was established in 1992 as the initial base for spending and revenue limits. Thereafter spending and revenue limits can only be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending for 1995 and thereafter. The District has reserved \$20,415 as of December 31, 2024, for this purpose.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing taxes or spending above the limits prescribed above, increasing a mill levy, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government. Multiple-fiscal-year debt requires voter approval except for bond refinancing at lower interest rates or adding employees to existing pension plans.

In May 2002, the voters of the District approved a referendum that authorized the District to collect, retain or expend all revenues and other funds received from any source regardless of the limitations imposed by TABOR. The referendum applies only to excess revenues and leaves all other provisions of TABOR unchanged. At that election the voters also approved exempting the District from the provisions of the statute that limits property tax revenue to the amount collected in the prior year plus 5.5%. Both provisions were effective tax year 2002 and thereafter.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions will require judicial interpretation.

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**4. Deposits and Investments**

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At December 31, 2024, the District had the following cash and investments:

|                               |                     |
|-------------------------------|---------------------|
| Deposits – insured            | \$ 482,825          |
| Investments - investment pool | <u>1,096,028</u>    |
| Total                         | <u>\$ 1,578,853</u> |

**Kittredge Sanitation and Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2024**

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**4. Deposits and Investments (continued)**

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Cash deposits and investments are reflected on the December 31, 2024 Statement of Net Position as follows:

|   |                     |
|---|---------------------|
| Cash and Cash Equivalents               | \$ 482,825          |
| Investments - Unrestricted              | 1,074,071           |
| Investments – Restricted – Capital Fees | <u>21,957</u>       |
| Total                                   | <u>\$ 1,578,853</u> |

At December 31, 2024, the District’s cash deposits had a bank balance of \$483,623 and a carrying balance of \$482,825.

**Deposits**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and collateralized with securities held by the pledging financial institution where the fair value of the collateral pool equals or exceeds all uninsured public deposits. The Colorado Public Deposit Protection Act (PDPA) requires deposits of all units of local government to be made in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. Of the bank balances, \$250,000 were covered by federal deposit insurance and \$233,623 were uninsured but collateralized in accordance with the PDPA as of December 31, 2024.

**Investments**

Colorado statutes specify investment instruments meeting defined rating, maturity, custodial and concentration risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- Local government investment pools

**Kittredge Sanitation and Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2024**

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**4. Deposits and Investments (continued)**

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The investment policy adopted by the Board of Directors of the District establishes additional restrictions to the requirements specified by state statutes.

At December 31, 2024, the District had the following investments:

| <b>Investment</b> | <b>Rating</b> | <b>Investment Maturities<br/>(in Years)</b> |               |              |
|-------------------|---------------|---|---------------|--------------|
|                   |               | <b>Less than 1</b>                          | <b>1 to 5</b> | <b>Total</b> |
| Investment Pools  | AAAm          | \$ 1,096,028                                | \$ -          | \$ 1,096,028 |
|                   |               | \$ 1,096,028                                | \$ -          | \$ 1,096,028 |

*Interest Rate Risk* — In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting investments in U.S. Treasuries and Certificates of Deposit to an original maturity of five years or less.

*Credit Risk* — The District's investment policy limits investments to U.S. Treasury obligations, Certificates of Deposit, corporate bonds, other investment instruments and local government investment pools approved by the Board of Directors.

*Concentration of Credit Risk* — It is the policy of the District to diversify its investment portfolio to eliminate risk of loss resulting from over concentration of assets in a specific maturity, a specific class, and specific issuer of securities.

*Local Government Investment Pools* — As of December 31, 2024, the District had \$1,096,028, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAm by Standard and Poor's. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in three portfolios, Colotrust Prime, Colotrust Plus+ and Colotrust EDGE. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colotrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice paid.

**Kittredge Sanitation and Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2024**

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**5. Capital Assets**

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Capital asset activity for the year ended December 31, 2024 was as follows:

|                                    | <u>Balance at<br/>December 31,<br/>2023</u> | <u>Additions</u>   | <u>Retirements</u> | <u>Balance at<br/>December 31,<br/>2024</u> |
|------------------------------------|---|--------------------|--------------------|---|
| Assets not being depreciated:      |   |                    |                    |   |
| Land                               | \$ 19,836                                   | \$ -               | \$ -               | \$ 19,836                                   |
| Projects in Process                | 63,803                                      | 3,420              | -                  | 67,223                                      |
| Total assets not being depreciated | <u>83,639</u>                               | <u>3,420</u>       | <u>-</u>           | <u>87,059</u>                               |
| Assets being depreciated:          |   |                    |                    |   |
| Treatment Plant and Outflow Lines  | 1,773,206                                   | -                  | -                  | 1,773,206                                   |
| Collection System                  | 981,724                                     | 39,084             | -                  | 1,020,808                                   |
| Plant Equipment                    | 343,438                                     | 9,431              | -                  | 352,869                                     |
| Furniture & Fixtures               | 1,677                                       | -                  | -                  | 1,677                                       |
| Total assets being depreciated     | <u>3,100,045</u>                            | <u>48,515</u>      | <u>-</u>           | <u>3,148,560</u>                            |
| Less: accumulated depreciation     | <u>(2,236,816)</u>                          | <u>(97,986)</u>    | <u>-</u>           | <u>(2,334,802)</u>                          |
| Capital assets being depreciated   | <u>863,229</u>                              | <u>(49,471)</u>    | <u>-</u>           | <u>813,758</u>                              |
| Total capital assets               | <u>\$ 946,868</u>                           | <u>\$ (46,051)</u> | <u>\$ -</u>        | <u>\$ 900,817</u>                           |

During 2024 the District recorded depreciation expense of \$97,986.

**Kittredge Sanitation and Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2024**

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**6. Risk Management**

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The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; error or omissions; injuries to employees, or acts of God (including water shortages due to drought). The District maintains commercial insurance for all risks of loss which are insurable.

The District pays annual premiums to the Colorado Special Districts Property and Liability Pool (the Pool) for Workers' Compensation coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on a basis proportionate to other members.

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**7. Contracts**

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**Sewer Service Contract**

The District has an agreement with Evergreen Metropolitan District for sewer operations, maintenance and billing services. Evergreen Metropolitan District operates and maintains the District's sewer plant, bills the District's users, collects tap fees and other charges and remits the collected funds to the District on a monthly basis.

**Rental Agreement**

The District rents office space for its administrative activities on a month-to-month basis. Office rent amounted to \$3,600 for the year ended December 31, 2024.

## **Supplementary Information**

**KITTREDGE SANITATION AND WATER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUNDS AVAILABLE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**For the Year Ended December 31, 2024**

|  | <b>Original<br/>Budgeted<br/>Amounts</b> | <b>Actual</b>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|--|-------------------|---|
| <b>REVENUES</b>                            |  |                   |   |
| Sewer Service Fees                         | \$ 348,805                               | \$ 346,440        | \$ (2,365)  |
| Water Service Fees                         | 250,977                                  | 253,163           | 2,186   |
| Capital Fees                               | 29,280                                   | 26,465            | (2,815)   |
| Wastewater Taps                            | 25,000                                   | -                 | (25,000)  |
| Property Taxes                             | 93,801                                   | 98,144            | 4,343   |
| Specific Ownership Taxes                   | 5,000                                    | 6,541             | 1,541   |
| Investment Income                          | 10,000                                   | 55,943            | 45,943  |
| Inclusion Income                           | 5,000                                    | -                 | (5,000)   |
| Other Income                               | -  | 1,250             | 1,250   |
|  | <u>767,863</u>                           | <u>787,946</u>    | <u>20,083</u>   |
| <b>OPERATIONS AND MAINTENANCE EXPENSES</b> |  |                   |   |
| Sewer Plant Operations                     | \$ 125,470                               | \$ 171,317        | \$ (45,847)   |
| Sewer Utilities                            | 36,850                                   | 31,222            | 5,628   |
| Sludge Hauling and Processing              | 28,600                                   | 19,901            | 8,699   |
| Sewer Maintenance, Repairs & Supplies      | 89,100                                   | 45,694            | 43,406  |
| Water Services                             | 256,477                                  | 252,148           | 4,329   |
| Accounting & Audit                         | 8,800                                    | 6,017             | 2,783   |
| Administrative and Billing Services        | 7,150                                    | 8,831             | (1,681)   |
| Director's Fees and Payroll Taxes          | 7,145                                    | 6,674             | 471   |
| Dues, Subscriptions and Permits            | 7,779                                    | 11,890            | (4,111)   |
| Insurance                                  | 9,785                                    | 8,404             | 1,381   |
| Legal                                      | 20,000                                   | 12,818            | 7,182   |
| Rent                                       | 3,600                                    | 3,600             | -   |
| Office Supplies, Telephone and Other       | 5,550                                    | 2,506             | 3,044   |
| County Treasurer's Fees                    | 1,406                                    | 1,476             | (70)  |
| Capital Outlay                             | 102,000                                  | 51,935            | 50,065  |
| Miscellaneous                              | 2,000                                    | -                 | 2,000   |
|  | <u>711,712</u>                           | <u>634,433</u>    | <u>77,279</u>   |
| Total Expenditures                         |  |                   |   |
| Excess of Revenues Over Expenditures       | <u>\$ 56,151</u>                         | <u>\$ 153,513</u> | <u>\$ 97,362</u>  |

**KITTREDGE SANITATION AND WATER DISTRICT  
RECONCILIATION TO BUDGETARY BASIS (ACTUAL)  
TO SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended December 31, 2024**

|  |    | <u><b>Total</b></u>   |
|--|----|-----------------------|
| Excess of Revenues over Expenditures (Budgetary Basis) | \$ | 153,513               |
| (Deduct) items which are not expenditures:             |    |                       |
| Depreciation   |    | (97,986)              |
| Add items which are not GAAP expenditures:             |    |                       |
| Capital projects                                       |    | 51,935                |
|  |    | <hr/>                 |
| CHANGE IN NET POSITION (GAAP BASIS)                    | \$ | <u><u>107,462</u></u> |