

**KEN-CARYL RANCH WATER
AND SANITATION DISTRICT
JEFFERSON COUNTY, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2022



Crady, Puca & Associates

Certified Public Accountants & Consultants

**KEN-CARYL RANCH WATER AND SANITATION DISTRICT
JEFFERSON COUNTY, COLORADO**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Ken-Caryl Ranch Water and Sanitation District

Opinions

We have audited the accompanying financial statements of Ken-Caryl Ranch Water and Sanitation District as of and for the year ended December 31, 2022, and related notes to the financial statements, which collectively comprise Ken-Caryl Ranch Water and Sanitation 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 Ken-Caryl Ranch Water and Sanitation District as of December 31, 2022, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Ken-Caryl Ranch Water and Sanitation 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 Ken-Caryl Ranch Water and Sanitation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through vi 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 Ken-Caryl Ranch Water and Sanitation District's basic financial statements. The budgetary schedules on pages 17-18 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 auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Summarized Comparative Information

The prior year summarized comparative information has been derived from the District's 2021 financial statements, and in our report dated May 18, 2022, we expressed an unmodified opinion on those statements. The information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crady, Puca & Associates

Aurora, Colorado
June 21, 2023

KEN-CARYL RANCH WATER AND SANITATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Ken-Caryl Ranch Water and Sanitation District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2022. The Management's Discussion and Analysis should be read in conjunction with the District's financial statements.

The District is comprised of approximately 14 square miles and provides water and wastewater services to over 4,000 customers in Littleton and unincorporated Jefferson County. The District operates and maintains over 100 miles of water and wastewater lines within the District. The District has an agreement with the City and County of Denver to provide potable water to the District. This District also has agreements with the City of Littleton and Southwest Metropolitan Water and Sanitation District related to the treatment and transmission of sewage.

Financial Highlights

- Assets of the District exceeded its liabilities at the close of the fiscal year by \$32,245,492 (net position). Of this amount, \$15,007,567 represents unrestricted net position. The District's Board of Directors has reserved \$3,000,000 of this amount for operations and \$12,000,000 for capital improvements.
- The District's total net position decreased by \$136,772 over the prior fiscal year.
- Operating revenues from water and sewer operations increased \$417,598 compared to the prior year due to an increase in water consumption and an increase in both the water and sewer rates.
- Operating expenses increased \$588,058 from the prior year due to an increase in water consumption and contract maintenance.
- Non-Operating revenues decreased \$1,669,597 from the prior year.

Overview of the Financial Statements

The financial statements of the District are presented as a special purpose government engaged in business-type activities, providing water and sewer services.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the District is improving or deteriorating. This statement can be found on page 1 of this report.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information which reflects how the District's net position changes during the past year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statements for some items that will only result in cash flows in future fiscal periods. This statement can be found on page 2 of this report.

The *Statement of Cash Flows* reports the District's cash flows from operating, non-capital financing, capital and related financing, and investing activities. This statement can be found on page 3 of this report.

**KEN-CARYL RANCH WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Notes to the Financial Statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 4-16 of this report.

Supplementary Information provides information which includes a budgetary comparison schedule. The District adopts an annual appropriated budget, and the budgetary comparison statement has been provided to demonstrate compliance with this requirement. The supplementary information can be found on pages 17-18 of this report.

These district-wide financial statements include only the District itself.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$32,245,492 (net position) at the close of the most recent fiscal year.

Statement of Net Position

	<u>2022</u>	<u>2021</u>
Assets		
Current and other assets	\$ 15,586,027	\$ 16,936,662
Capital assets	<u>17,229,857</u>	<u>15,810,999</u>
Total Assets	<u>32,815,884</u>	<u>32,747,661</u>
Liabilities		
Long-term liabilities	-	-
Other liabilities	<u>570,392</u>	<u>365,397</u>
Total Liabilities	<u>570,392</u>	<u>365,397</u>
Net Position:		
Net investment in capital assets	17,229,857	15,810,999
Restricted	8,068	40,400
Unrestricted	<u>15,007,567</u>	<u>16,530,865</u>
Total Net Position	<u>\$ 32,245,492</u>	<u>\$ 32,382,264</u>

Current and other assets of the District decreased \$1,350,635 or 8% primarily due to significant capital expenditures as well as unrealized loss on investments in the current year. Capital assets of the District increased \$1,418,858 or 9% primarily due to significant amounts of construction in progress in the current year. Other liabilities increased by \$204,955 or 56% due to an increase in accounts payable and retainage related to yearend construction projects. The largest portion of the District's net position, \$17,229,857, reflects its investment in capital assets, net of accumulated depreciation.

**KEN-CARYL RANCH WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The District utilizes the capital assets to provide services to the citizens of the District. Accordingly, these assets are not available for future spending. The overall net position decreased \$136,772 from the prior fiscal year. The reasons for this overall decrease are discussed in the following section.

Statement of Revenue, Expenses and Changes in Net Position

	2022	2021
Operating revenues:		
Charges for water and sewer service	\$ 7,476,822	\$ 7,059,224
Other water income	104,322	100,511
Total operating revenues	7,581,144	7,159,735
Non-operating revenues (expenses):		
Net investment income (loss)	(431,350)	(34,741)
Loss on asset disposal	-	(15,481)
Tap fees	231,877	1,340,532
Tap fees paid to the City of Littleton	(175,336)	-
Other	37,024	41,502
Total non-operating revenues	(337,785)	1,331,812
Operating expenses:		
Purchased water and sewer treatment contract	4,958,468	4,608,656
Salaries, wages, employee benefits and taxes	668,648	655,268
Contract maintenance	391,030	238,320
Power	188,915	165,941
Operations maintenance supplies and vehicles	92,424	48,590
Telephone, postage office supplies	51,906	46,675
Contract maintenance- general and administrative	36,405	39,996
Insurance	39,979	31,537
Audit and legal fees	59,192	59,547
Utilities	14,387	14,778
Bank fees	44,545	40,971
Depreciation	824,191	834,074
Miscellaneous	10,041	7,720
Total operating expenses	7,380,131	6,792,073
Change in net position	(136,772)	1,699,474
Net position- beginning of the year	32,382,264	30,682,790
Net position - end of the year	\$ 32,245,492	\$ 32,382,264

KEN-CARYL RANCH WATER AND SANITATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall, the District experienced a decrease in current year net position of \$136,772. The decrease was partially due to the increase in the net investment loss in the current year. The District's net investment loss was due to the decline in fair values on certain assets due to the increase in interest rates in the current year. This increase resulted in current year unrealized losses on many of the District's investments. Additionally, in the prior year, the District received payment on several tap fees for a large development in the District which resulted in the significant decrease compared to prior year. The overall increase in operating expense was the result of an increase in contract maintenance expense due to an increase in large maintenance projects in the current year.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay. The District did not amend its budget in the current year. Overall, the District's revenue did not exceed its budget primarily due to investment operating losses in the current year exceeding budget. The District was under budget on expense as the District budgets for reserves and these amounts are not expenses to the District. The remaining expenses were under budget by \$1,499,872 primarily due to the savings on capital outlay. The District did not complete all of its budgeted capital projects in the current year.

Capital Assets

The District's total capital assets increased by \$1,418,858 which was primarily due to capital outlay exceeding depreciation expense. As noted above, the District did not complete all budgeted capital projects. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page 13 of this report.

Economic Factors and Next Year's Budget

The District has budgeted for an increase in water and sewer charges to customers as well as an increase in related contracted expenses. The District has also budgeted and increased in the 2023 salary amounts to allow for additional staffing and transition of the District Manager position. The District has budgeted for 2023 capital improvements in the amount of \$5,387,000.

Request for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Ken-Caryl Ranch Water & Sanitation District
10698 W. Centennial Road
Littleton, CO 80127

KEN-CARYL RANCH WATER AND SANITATION DISTRICT
Statement of Net Position
December 31, 2022
(With Summarized Financial Information as of December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 718,828	\$ 7,028,791
Investments and deposits	4,807,420	3,515,472
Accounts receivable	353,147	339,638
Total current assets	<u>5,879,395</u>	<u>10,883,901</u>
Noncurrent assets:		
Investments and deposits	9,706,632	6,052,761
Capital assets:		
Capital assets, not being depreciated	2,567,200	763,821
Capital assets, being depreciated, net	14,662,657	15,047,178
Total noncurrent assets	<u>26,936,489</u>	<u>21,863,760</u>
Total assets	<u>32,815,884</u>	<u>32,747,661</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	317,090	192,633
Retainage	76,157	7,365
Accrued compensated absences	96,524	84,778
Deposits held for future projects	73,647	73,647
Other liabilities	6,974	6,974
Total current liabilities	<u>570,392</u>	<u>365,397</u>
Total liabilities	<u>570,392</u>	<u>365,397</u>
NET POSITION		
Net investment in capital assets	17,229,857	15,810,999
Restricted	8,068	40,400
Unrestricted	15,007,567	16,530,865
Total net position	<u>\$ 32,245,492</u>	<u>\$ 32,382,264</u>

The accompanying notes are an integral part of these statements.

KEN-CARYL RANCH WATER AND SANITATION DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Charges for water service	\$ 5,117,102	\$ 4,807,629
Charges for sewer services	2,359,720	2,251,595
Other water income	104,322	100,511
Total operating revenues	<u>7,581,144</u>	<u>7,159,735</u>
Operating expenses:		
Water purchased	3,527,294	3,253,210
Sewer treatment contract	1,431,174	1,355,446
Salaries and wages	526,923	526,127
Employee benefits and taxes	141,725	129,141
Contract maintenance	391,030	238,320
Power	188,915	165,941
Operations and maintenance supplies	75,414	39,569
Operations and maintenance vehicles	17,010	9,021
Telephone	18,322	14,450
Postage	21,684	20,889
Office supplies	11,900	11,336
Contract maintenance - general and administrative	36,405	39,996
Insurance	39,979	31,537
Audit and legal fees	59,192	59,547
Utilities	14,387	14,778
Bank fees	44,545	40,971
Miscellaneous	10,041	7,720
Total operating expenses	<u>6,555,940</u>	<u>5,957,999</u>
Operating income before depreciation	1,025,204	1,201,736
Depreciation	824,191	834,074
Net income from operations	<u>201,013</u>	<u>367,662</u>
Non-operating revenues (expenses):		
Net investment income (loss)	(431,350)	(34,741)
Loss on asset disposal	-	(15,481)
Tap fees	231,877	1,340,532
Tap fees paid to the City of Littleton	(175,336)	-
Other	37,024	41,502
Net non-operating revenues (expenses)	<u>(337,785)</u>	<u>1,331,812</u>
Change in net position	<u>(136,772)</u>	<u>1,699,474</u>
Net position, beginning of year	<u>32,382,264</u>	<u>30,682,790</u>
Net position, end of year	<u>\$ 32,245,492</u>	<u>\$ 32,382,264</u>

The accompanying notes are an integral part of these statements.

KEN-CARYL RANCH WATER AND SANITATION DISTRICT

Statement of Cash Flows

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from customers	\$ 7,567,635	\$ 7,241,337
Cash paid to suppliers of goods and services	(5,873,478)	(5,339,716)
Cash paid to employees for services	(656,902)	(619,856)
Net cash provided by operating activities	<u>1,037,255</u>	<u>1,281,765</u>
Cash flows from non-capital financing activities:		
Other revenue	37,024	41,502
Net cash provided by non-capital financing activities	<u>37,024</u>	<u>41,502</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,063,614)	(553,314)
Tap fees received	231,877	1,340,532
Tap fees paid	(175,336)	-
Net cash provided by (used in) capital and related financing activities	<u>(2,007,073)</u>	<u>787,218</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	8,050,956	6,393,029
Purchases of investments	(13,587,440)	(3,922,467)
Interest on cash and investments	159,315	120,721
Net cash provided by (used in) investing activities	<u>(5,377,169)</u>	<u>2,591,283</u>
Net increase (decrease) in cash and cash equivalents	(6,309,963)	4,701,768
Cash and cash equivalents, beginning of year	7,028,791	2,327,023
Cash and cash equivalents, end of year	<u>\$ 718,828</u>	<u>\$ 7,028,791</u>
Reconciliation of operating income to net cash provided by operations		
Operating income	\$ 201,013	\$ 367,662
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	824,191	834,074
(Increase) decrease in:		
Receivables	(13,509)	7,955
(Decrease) increase in:		
Accounts payable	13,814	(36,985)
Accrued compensated absences	11,746	35,412
Deposits held for future projects	-	73,647
Total adjustments	<u>836,242</u>	<u>914,103</u>
Net cash provided by operating activities	<u>\$ 1,037,255</u>	<u>\$ 1,281,765</u>
Noncash capital activities:		
Capital assets acquired with accounts and retainage payable	\$ 179,435	\$ 3,047
Loss on asset disposal	-	15,481
Fair value decrease in investments	590,665	159,315

The accompanying notes are an integral part of these statements.

KEN-CARYL RANCH WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the Ken-Caryl Ranch Water and Sanitation District, Jefferson County, Colorado, (the District), conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of the accompanying financial statements.

Reporting Entity

The District is a statutory, single-purpose, Special District governed by a five-member Board of Directors pursuant to provisions of the Colorado Special District Act, C.R.S. Title 32. Qualified electors in the District elect the members of the Board. As required by US GAAP, these financial statements present the activities of the District which is legally separate and financially independent of other state and local governments. The District provides water and sanitation services for its service area, which is located in Jefferson County, Colorado.

The District complies with GASB accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. It defines component units as legally separate entities for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

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

The District's Board passed a resolution recognizing the District as a "water activity enterprise" under Article X, Section 20 of the Colorado Constitution.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. Enterprise funds are used by governments to report any activity for which a fee is charged to external users for goods or services.

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The District distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations, the delivery of water and wastewater treatment services and related service charges. Operating expenses for the District include costs of sales and services, operations and maintenance, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Investment income, tap fees and contributed assets from developers are recorded as non-operating revenues.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Investments

Certain investments are reported at fair value and are classified as current or non-current based on their maturity date. Investments held in the local government investment pools are reported at net asset value or amortized cost, as applicable, as allowed under US GAAP.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its investments within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Revenues/Receivables

Revenues are generated from water service and wastewater collection. The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and place liens on property. The District has determined that no allowance is necessary at December 31, 2022, based on historical collection experience.

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(continued)**

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets include land, construction in progress, water system, wastewater system, buildings and grounds, office furniture and equipment, and vehicles. Capital assets are defined by the District as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Capital expenditures for projects are capitalized as constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water system	3-40
Wastewater system	3-40
Buildings and grounds	20-40
Office furniture and equipment	3-10
Vehicles	5-7

Compensated absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits and sick leave, subject to certain limits in amounts. Accumulated, unused vacation benefits and sick leave are accrued when incurred.

Deferred Outflows/Inflows of Resources

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 has no items that qualify for reporting in this category.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time frame. The District has no items that qualify for reporting in this category.

Net Position

The District classifies net position into three components:

- Net position invested in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position - consists of assets that are restricted by the District's creditors, by state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted net position – all remaining items of net position are reported in this category.

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

Estimates

The preparation of financial statements in conformity with US GAAP requires District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and such differences could be material.

Comparative Data

The financial statements contain certain prior year summarized comparative information. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications made in prior year have no impact on total net position or change in net position.

2. Stewardship, Compliance and Accountability

Budgetary Information

The District's budget is adopted and presented to the state on a basis consistent with US GAAP with the following exceptions: depreciation expense is not budgeted and capital outlays are treated as expenses for budget purposes; budget excludes gain/loss on asset disposals and capital contributions. State law requires the District to adopt annual appropriated budgets for all funds.

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

Prior to October 15 of each year, the District Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing the following January 1 to the Board of Directors (elected officials). The operating budget, for the fund, includes proposed expenses and the means of financing them.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

Tax, Spending and Debt Limitations

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains, tax, spending, and revenue and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's "fiscal year spending" adjusted for allowable increases based upon inflation and local growth. "Fiscal year spending" is generally defined as expenditures plus reserve increase with certain exceptions. Revenue in excess of the "fiscal year spending" limit must be refunded unless the voters approve retention of such revenue.

2. Stewardship, Compliance and Accountability (continued)

Tax, Spending and Debt Limitations (continued)

The Board of Directors established a Water Activity Enterprise (“Enterprise”) in accordance with the provisions of Article 45.1, Title 37, C.R.S., in order to exclude the Enterprise from the provisions of TABOR. The Enterprise is operated and maintained as a government-owned business, and manages, operates, uses, maintains, and conducts all water activities, services, and facilities of the District. The Enterprise has authority to use, operate, improve, extend, enlarge, repair, replace, acquire, dispose of, encumber, contract with respect to, and otherwise control and supervise all water activity facilities and property of the District, and is wholly owned by the District. The Board of Directors of the District is the Governing Board of the Enterprise.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The Enterprise does not have the power to levy or assess any tax which is subject to TABOR or direct the District to exercise its taxing power on behalf of the Enterprise. Rates for water activity services and facilities provided by the Enterprise are established by the Governing Board, approved by the Board of Directors, and collected and enforced in accordance with state law. The Enterprise is established to separately account for all revenue and expenditures of the Enterprise. The Enterprise prepares an annual budget and accounts for its activities.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of “fiscal year spending” (excluding bonded debt service). Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved a portion of its December 31, 2022 year-end net position for emergencies as required under TABOR in the amount of \$8,068.

The District’s management believes it is in compliance with the provisions of TABOR, based upon its interpretation of the Amendment’s language, however, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate “fiscal year spending” limits may not become fully understood without judicial review.

KEN-CARYL RANCH WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2022

3. Detailed Notes Concerning the Fund

Cash and Investments

Deposits and investments are classified in the accompanying financial statements as follows at December 31, 2022:

Cash and cash equivalents:

Bank deposits and cash on hand	\$ 259,906
Government investment pools	458,922
Total cash and cash equivalents	<u>718,828</u>

Current assets:

Certificates of deposit – negotiable	3,583,109
Government-sponsored enterprises	1,224,311
Total current	<u>4,807,420</u>

Non-current assets:

Certificates of deposit – negotiable	7,016,787
U.S. Treasuries	673,070
Government-sponsored enterprises	2,016,775
Total non-current	<u>9,706,632</u>

Total cash and investments	\$ <u>15,232,880</u>
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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 in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Investments

The District has adopted a formal investment policy, which is more restrictive than the Colorado Revised Statutes (CRS), that specifies investment instruments meeting defined rating and risk criteria in which the District may invest.

KEN-CARYL RANCH WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2022

3. Detailed Notes Concerning the Fund (continued)

Investments (continued)

The allowed investment instruments may include but are not limited to:

- Certain money market funds
- Certificates of deposit
- Negotiable certificates of deposits
- Certain local government investment pools
- U.S. Treasuries
- U.S. Government Agencies
- Certain Municipal General Obligations

At December 31, 2022, the District held the following investments and concentrations:

Investment Type	Maturities			Total Fair Value	% of Portfolio Total
	Less than 1 year	1-3 years	3-5 years		
Government investment pools	\$ 458,922	\$ -	\$ -	\$ 458,922	3.1%
Negotiable certificates of deposit	3,583,109	7,016,787	-	10,599,896	70.8%
U.S. Treasuries	-	673,070	-	673,070	4.5%
Government-sponsored enterprise:					
Federal Home Loan Bank	397,252	1,417,281	-	1,814,533	12.1%
Federal Farm Credit Bank	342,104	329,416	-	671,520	4.5%
Federal Home Loan Mortgage Corp	484,955	270,078	-	755,033	5.0%
Totals	\$ 5,266,342	\$ 9,706,632	\$ -	\$ 14,972,974	100.0%

Government investment pools: The District invests in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established by state statute for local governmental entities to pool surplus assets. As an investment pool, CSAFE operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. CSAFE offers two accounts, CSAFE Cash and CSAFE Colorado Core (Colorado Core). At December 31, 2022, the District invested \$178,371 in CSAFE Cash. There are no unfunded commitments and no redemption notice period for either investment.

CSAFE Cash records its investments at amortized cost and the District records its investment in CSAFE at net asset value (NAV) using the amortized cost method. Purchases and redemptions are available daily at a NAV of \$1.00 per share. CSAFE Cash limits its investments to those allowed by state statute; the portfolio has a weighted average maturity of 60 days or less. A designated custodial bank provides safekeeping and depository services to CSAFE in connection with the direct investment and withdrawal function of CSAFE Cash. The custodian's internal records segregate investments owned by the participating governments. At December 31, 2022, CSAFE Cash had a credit rating of AAmmf by Fitch Ratings.

The District invests in the Colorado Local Governmental Liquid Asset Trust (COLOTRUST), a local government investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, one of which is COLOTRUST PLUS+. At December 31, 2022, the District invested \$280,551 in COLOTRUST PLUS+.

3. Detailed Notes Concerning the Fund (continued)

Investments (continued)

As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments.

COLOTRUST PLUS+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the net asset value. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less. At December 31, 2022, COLOTRUST PLUS+ had a credit rating of AAAM by Standard & Poor's.

- **Custodial Credit Risk:** As of December 31, 2022, all of the District's deposits and investments were insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA except for one negotiable certificate of deposit. At yearend the District was in violation of CRS as they held a negotiable certificate of deposit in excess of FDIC insurance in the amount of \$130,000. This was an oversight by the District's investment manager and was immediately corrected.

Interest Rate Risk: Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with CRS, the District's investment policy manages its exposure to declines in fair value by limiting the average maturity of its investments to five years or less.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank were rated Aaa by Moody's and AA+ by Standard & Poor's. The District's investments in U.S. Treasuries were rated Aaa by Moody's. The District's investments in negotiable certificates of deposits are unrated. The local government investment pools ratings are included above.

Concentration of Credit Risk: It is the policy of the District to diversify its investment portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Except as otherwise approved by a majority of the Board of Directors, the District may invest in the following maximum limits within each asset class:

KEN-CARYL RANCH WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2022

3. Detailed Notes Concerning the Fund (continued)

Investments (continued)

Asset Class:	Range
Cash and cash equivalents	0%-100%
Local government investment pools	0%- 50%
Certificates of deposit	0%- 75%
U.S. Treasuries	0%- 75%
U.S. Agencies	0%- 50%
Municipal obligations	0%- 25%
All other asset classes	0%- 25%

Fair Value: Certain District investments are required to be categorized within the fair value hierarchy. Government investment pools and money market funds are not required to be categorized. The District's investments in government-sponsored enterprises and negotiable certificates of deposit are categorized as level 2 investments. Negotiable certificates of deposit are valued using a market value pricing model and GSEs are priced by a computer pricing service, and for less traded issues, by utilizing a yield-based matrix pricing system.

Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 233,945	\$ -	\$ -	\$ 233,945
Construction in progress	529,876	2,243,049	(439,670)	2,333,255
Total capital assets, not being depreciated	<u>763,821</u>	<u>2,243,049</u>	<u>(439,670)</u>	<u>2,567,200</u>
Capital assets being depreciated:				
Water system	20,434,325	718,288	-	21,152,613
Wastewater system	18,646,187	-	(278,618)	18,367,569
Buildings and grounds	920,195	-	-	920,195
Office furniture and equipment	326,343	-	-	326,343
Vehicles	330,574	-	(62,422)	268,152
	<u>40,657,624</u>	<u>718,288</u>	<u>(341,040)</u>	<u>41,034,872</u>
Less accumulated depreciation for:				
Water system	(13,692,279)	(423,817)	-	(14,116,096)
Wastewater system	(10,757,986)	(357,469)	-	(11,115,455)
Buildings and grounds	(548,488)	(23,125)	-	(571,613)
Office furniture and equipment	(323,059)	(1,107)	-	(324,166)
Vehicles	(288,634)	(18,673)	62,422	(244,884)
	<u>(25,610,446)</u>	<u>(824,191)</u>	<u>62,422</u>	<u>(26,372,215)</u>
Total capital assets being depreciated, net	<u>15,047,178</u>	<u>(105,903)</u>	<u>(278,618)</u>	<u>14,662,657</u>
Total capital assets, net	\$ <u>15,810,999</u>	\$ <u>2,137,146</u>	\$ <u>(718,288)</u>	\$ <u>17,229,857</u>

3. Detailed Notes Concerning the Fund (continued)

Long Term Debt

As of December 31, 2022, the District has no authorized but unissued debt.

Net Position

The District's Board of Directors has designated \$3,000,000 for operating reserves and \$12,000,000 for capital improvement reserves.

4. Other Information

Retirement Plan

The District participates in the Colorado Retirement Association's (CRA), formerly the Colorado County Officials and Employees Retirement Association, two retirement plans. A 401a defined contribution plan (401a plan) and a 457 deferred compensation plan (457 plan). The plans cover full-time employees who are at least 18 years of age. An employee is considered full-time if they work 40 hours per week for 12 months of the year. Employees are eligible to participate upon date of hire.

401a plan

The 401a plan, is a defined contribution money purchase pension plan which requires each employee contribute 5% of employee compensation. Compensation does not include overtime or bonus earnings. The District is required to match the contribution. Employee contributions are 100% vested while the District's contributions for each employee are vested at 20% per year of service with employees being fully vested after five years of service. District contributions for, and earnings forfeited by, employees who leave employment prior to full vesting are used to reduce the District's subsequent contribution requirements. For the year ended December 31, 2022, the District contributed \$20,468.

457 plan

The 457 plan is an employer-sponsored retirement plan that allows employees to defer receiving a portion of their current compensation until retirement or separation from service. Participation in this plan is voluntary and all contributions from this plan are from employees.

Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; and natural disasters for which the District carries commercial insurance.

4. Other Information (continued)

Risk Management (continued)

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, general liability, public official's liability and workers' compensation coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula. No distributions were made during the year ended December 31, 2022.

5. Agreements

Denver Board of Water Commissioners

During 1993, the District renegotiated their distributor's contract with the City and County of Denver Board of Water Commissioners (DWB) for the specific "service area" served by the District. The agreement provides for the District a full requirements contract for a supply of potable water at rates established by DWB. Termination of the contract is subject to mutual agreement of the contracting parties.

As part of the renegotiations of the distributor's contract and ancillary agreement, the District agreed to: 1) terminate the previous distributor's contract and agreements, 2) terminate the agreement for temporary lease for potable water, 3) terminate the Platte and Colorado River water participation agreement, and 4) terminate the Metro Water Development Agreement. In addition, the District agreed to build additional facilities to serve the service area when the capacity of the current facilities is utilized fully.

City of Littleton

The District is party to a sewer service agreement with the City of Littleton for the specific "service area" served by the District. This agreement provides for treatment of all sewage transmitted by the District at rates established by the City of Littleton. Termination of the agreement is subject to mutual agreement of the contracting parties.

5. Agreements (continued)

Southwest Metropolitan Water and Sanitation District

The District is party to a sewer service agreement with the Southwest Metropolitan Water and Sanitation District (SMWSD) for the specific “service area” served by the District. This agreement provides for transmission of sewage from the District’s “service area” to the City of Littleton sewage treatment facilities by utilizing excess capacity of the District and SMWSD’s sewer lines.

TCD North, Inc.

The District and TCD North, Inc. are parties to a Restated Agreement for Inclusion (Restated Agreement) pursuant to which certain lands in Red Mesa were included in the District, the District agreed to install certain water mains and TCD North agreed to purchase certain water taps. The Restated Agreement further provided that up to 72 of the purchased taps would be assigned to certain lands in Deer Creek Mesa, with TCD North receiving credit for taps so paid for by Deer Creek Mesa owners. The District thereafter installed certain water distribution facilities in the Deer Creek Mesa lands, and parts of the Deer Creek Mesa lands have been included in the District. This inclusion of the Deer Creek Mesa lands was subject to the terms and provisions of the Restated Agreement. Pursuant to the Restated Agreement, the District provides water to Deer Creek Mesa, Red Mesa and White Deer Valley.

Trail Mark Metropolitan District

The District is party to an inter-governmental agreement with Trail Mark Metropolitan District (formerly known as Chatfield Green Metropolitan District) to provide sewer collection and transmission services for Trail Mark Metropolitan District.

6. Construction Commitments

As of December 31, 2022, the District had approximately \$350,000 remaining on its signed construction contract, relating to the PRV replacement and ranch house waterline project.

SUPPLEMENTARY INFORMATION

KEN-CARYL RANCH WATER AND SANITATION DISTRICT
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final
Revenues:			
Charges for water services	\$ 5,021,095	\$ 5,117,102	\$ 96,007
Charges for sewer services	2,364,156	2,359,720	(4,436)
Other water income	40,000	104,322	64,322
Tap fees	249,840	231,877	(17,963)
Investment income (loss)	95,000	(431,350)	(526,350)
Other non-operating revenue	40,000	(138,312)	(178,312)
Total Revenues	7,810,091	7,243,359	(566,732)
Expenditures:			
Water purchased	3,419,237	3,527,294	(108,057)
Sewer treatment contract	1,457,618	1,431,174	26,444
Salaries and wages	578,500	526,923	51,577
Employee benefits and taxes	158,000	141,725	16,275
Contract maintenance	650,000	391,030	258,970
Power	175,000	188,915	(13,915)
Operations and maintenance supplies	50,000	75,414	(25,414)
Operations and maintenance vehicles	25,000	17,010	7,990
Engineering	10,000	-	10,000
Telephone	19,000	18,322	678
Postage	25,000	21,684	3,316
Office supplies	13,000	11,900	1,100
Contract maintenance - general and administrative	32,000	36,405	(4,405)
Insurance	35,000	39,979	(4,979)
Audit and legal fees	57,500	59,192	(1,692)
Utilities	12,000	14,387	(2,387)
Bank fees	45,000	44,545	455
Miscellaneous	15,000	10,041	4,959
Capital outlay			
Water	3,096,656	2,190,019	906,637
Sewer	42,350	53,030	(10,680)
Equipment and vehicles	60,000	-	60,000
Office and grounds	48,000	-	48,000
Other	200,000	-	200,000
Contingency	75,000	-	75,000
Reserves	14,331,732	-	14,331,732
Total Expenditures	24,630,593	8,798,989	15,831,604
Excess (Deficiency) of Revenues over Expenditures	\$ (16,820,502)	\$ (1,555,630)	\$ 15,264,872
Beginning Funds Available	16,820,502	16,571,265	(249,237)
Ending Funds Available	<u>\$ -</u>	<u>\$ 15,015,635</u>	<u>\$ 15,015,635</u>
Funds available is computed as follows:			
Current assets		\$ 5,879,395	
Non-current assets, excluding capital assets		9,706,632	
Current liabilities		(570,392)	
		<u>\$ 15,015,635</u>	

The accompanying notes are an integral part of these statements.

KEN-CARYL RANCH WATER AND SANITATION DISTRICT
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes
in Net Position
For the Year Ended December 31, 2022

Revenue (budgetary basis)	<u>\$ 7,243,359</u>
Revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>7,243,359</u>
Expenditures (budgetary basis)	8,798,989
Depreciation	824,191
Capital outlay	<u>(2,243,049)</u>
Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>7,380,131</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ (136,772)</u></u>

The accompanying notes are an integral part of these statements.