

Ralston Valley Water and Sanitation District

Jefferson County, Colorado

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2022 and 2021

Ralston Valley Water and Sanitation District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ralston Valley Water and Sanitation District
Jefferson County, Colorado

Opinions

We have audited the accompanying financial statements of Ralston Valley Water and Sanitation District (the District), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

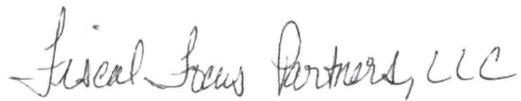
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages IV through VIII 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.

Supplemental Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as identified in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Fiscal Focus Partners, LLC".

Arvada, Colorado
April 6, 2023

**Ralston Valley Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022**

The discussion and analysis of Ralston Valley Water and Sanitation District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the basic financial statements and the notes to financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- Assets of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,464,031 (net position). Of this amount, \$1,456,966 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The District's total net position increased by \$196,672 from the prior fiscal year.
- The District collected \$1,034,387 in operating revenue, an increase of \$101,839 from the prior year, due primarily to an increase in demand and rates.
- Operating expenses increased \$79,819 or 8% from the prior year.

Overview of the Financial Statements

The Ralston Valley Water and Sanitation District basic financial statements included in this report are those of a special-purpose government engaged in a business-type activity, providing water and sewer services. The statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements. The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statements of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

**Ralston Valley Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022
(continued)**

the District's operating and nonoperating revenue by source along with operating and nonoperating expenses and capital contributions.

The *Statements of Cash Flows* reports the District's cash flows from operating activities, investing, capital and noncapital activities.

The *Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

A budgetary comparison schedule has been provided in the *supplemental information* to demonstrate compliance with the budget.

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 Ralston Valley Water and Sanitation District, assets exceeded liabilities and deferred inflows of resources by \$3,464,031 at the close of the most recent fiscal year.

Statement of Net Position

	December 31,		
	2022	2021	2020
Current assets	\$ 1,723,158	\$ 1,918,605	\$ 1,935,779
Capital assets	1,984,186	2,071,556	2,163,018
Total assets	3,707,344	3,990,161	4,098,797
Current liabilities	50,184	63,788	93,491
Long-term liabilities	170,239	414,751	671,927
Total liabilities	220,423	478,539	765,418
Deferred inflows of resources	22,890	244,263	267,640
Net Position			
Net investment in capital assets	1,950,204	1,743,914	1,546,332
Restricted	56,861	108,796	133,583
Unrestricted	1,456,966	1,414,649	1,385,824
Net position	\$ 3,464,031	\$ 3,267,359	\$ 3,065,739

- A portion of the District's net position (56%) reflects its investment in capital assets (e.g. infrastructure, plant, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending.

Ralston Valley Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022
(continued)

- Restricted net position consists of \$38,627 restricted for emergencies under TABOR and \$18,234 restricted for debt service; the remaining net position of \$1,456,966 is unrestricted and available for on-going obligations of the District.

Changes in Net Position

	For the Years Ended December 31,		
	2022	2021	2020
OPERATING REVENUES			
Charges for services	\$ 1,028,784	\$ 929,184	\$ 1,027,756
Miscellaneous	5,603	3,364	2,692
Total operating revenues	<u>1,034,387</u>	<u>932,548</u>	<u>1,030,448</u>
OPERATING EXPENSES			
Administrative and general	203,281	197,690	182,882
Water purchases	498,094	460,406	496,552
Sewer treatment charges	144,911	155,280	173,510
Repairs and maintenance	143,871	92,870	102,819
Depreciation	87,370	91,462	92,600
Total operating expenses	<u>1,077,527</u>	<u>997,708</u>	<u>1,048,363</u>
OPERATING INCOME (LOSS)	<u>(43,140)</u>	<u>(65,160)</u>	<u>(17,915)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	2,026	146	699
Property taxes	231,292	266,306	253,917
Specific ownership taxes	19,875	24,816	22,822
Treasurer fees	(3,461)	(3,996)	(3,809)
Interest expense	(9,920)	(20,492)	(28,442)
Arvada/Denver connection fees	-	-	(39)
Total nonoperating revenues (expenses)	<u>239,812</u>	<u>266,780</u>	<u>245,148</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	196,672	201,620	227,233
CAPITAL CONTRIBUTIONS			
Tap fees and capital improvement fees	-	-	30,145
Total capital contributions	<u>-</u>	<u>-</u>	<u>30,145</u>
CHANGE IN NET POSITION	196,672	201,620	257,378
NET POSITION - beginning of the year	<u>3,267,359</u>	<u>3,065,739</u>	<u>2,808,361</u>
NET POSITION - end of the year	<u>\$ 3,464,031</u>	<u>\$ 3,267,359</u>	<u>\$ 3,065,739</u>

**Ralston Valley Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022
(continued)**

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay and debt repayment in addition to operations and nonoperating revenue and expenses and contributions. Depreciation is not reflected in the budget since it does not affect funds available. Funds available (current assets, exclusive of property taxes receivable less current liabilities, exclusive of the current portion of long-term obligations) decreased \$9,618 during 2022.

Capital Assets

The District's net investment in capital assets as of December 31, 2022, 2021 and 2020 is as follows:

	Capital Assets		
	December 31,		
	2022	2021	2020
Capital assets not being depreciated			
Easements	\$ 24,263	\$ 24,263	\$ 24,263
Capital assets being depreciated			
Water system	\$ 2,106,446	\$ 2,106,446	\$ 2,106,446
Sewer system	1,896,336	1,896,336	1,896,336
Equipment	51,259	51,259	51,259
Total	<u>4,054,041</u>	<u>4,054,041</u>	<u>4,054,041</u>
Less accumulated depreciation	<u>(2,094,118)</u>	<u>(2,006,748)</u>	<u>(1,915,286)</u>
Total capital assets			
being depreciated, net	<u>\$ 1,959,923</u>	<u>\$ 2,047,293</u>	<u>\$ 2,138,755</u>
Capital assets, net	<u><u>\$ 1,984,186</u></u>	<u><u>\$ 2,071,556</u></u>	<u><u>\$ 2,163,018</u></u>

Additional information relating to the District's capital assets activity can be found in Note 4 of this report.

Debt Administration

As of December 31, 2022 the District had total debt obligations of \$33,982 from two loans with the Colorado Water Resources and Power Development Authority. During 2022, the District made payments totaling \$293,660 on these loans. The District paid the Drinking Water Loan in full during 2022 and made additional principal payments on the Water Pollution Control Loan of \$75,178 during 2022.

Additional detail on the District's debt is in Note 5 of this report.

**Ralston Valley Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022
(continued)**

Economic Factors and Next Year's Budget

- The District's Board moved to increase water and sewer rates as a result of increases from the City of Arvada.
- Property taxes are budgeted in the amount of \$30,000 to pay the District's debt service requirements.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Phil Wathier
District Manager
Ralston Valley Water and Sanitation District
P.O. Box 749
Arvada, Colorado, 80001
(303) 424-9526

BASIC FINANCIAL STATEMENTS

Ralston Valley Water and Sanitation District

STATEMENTS OF NET POSITION

December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,500,357	\$ 1,421,563
Cash and cash equivalents - restricted	38,627	36,714
Investments - restricted	18,446	74,130
Accounts receivable	133,407	133,724
Property taxes receivable	22,890	244,263
Prepaid expenses	9,431	8,211
Total current assets	1,723,158	1,918,605
Capital assets not being depreciated	24,263	24,263
Capital assets being depreciated, net	1,959,923	2,047,293
Total assets	\$ 3,707,344	\$ 3,990,161
 LIABILITIES		
Current liabilities		
Accounts payable	\$ 41,351	\$ 3,971
Accrued liabilities	231	231
Developer deposits	362	362
Accrued interest payable	212	2,048
Current portion of long-term obligations	8,028	57,176
Total current liabilities	50,184	63,788
 Long-term liabilities		
Arvada paralleling contract	106,265	106,265
Arvada cost recovery contract	38,020	38,020
Loans payable	25,954	270,466
Total long-term liabilities	170,239	414,751
Total liabilities	220,423	478,539
 DEFERRED INFLOWS OF RESOURCES		
Deferred property tax	22,890	244,263
Total deferred inflows of resources	22,890	244,263
 NET POSITION		
Net investment in capital assets	1,950,204	1,743,914
Restricted		
Emergencies	38,627	36,714
Debt service	18,234	72,082
Unrestricted	1,456,966	1,414,649
Total net position	\$ 3,464,031	\$ 3,267,359

The accompanying Notes to the Financial Statements are an integral part of these statements.

Ralston Valley Water and Sanitation District
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
December 31, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Charges for services	\$ 1,028,784	\$ 929,184
Miscellaneous	5,603	3,364
Total operating revenues	1,034,387	932,548
OPERATING EXPENSES		
Administrative and general	203,281	197,690
Water purchases	498,094	460,406
Sewer treatment charges	144,911	155,280
Repairs and maintenance	143,871	92,870
Depreciation	87,370	91,462
Total operating expenses	1,077,527	997,708
OPERATING INCOME (LOSS)	(43,140)	(65,160)
NONOPERATING REVENUES (EXPENSES)		
Interest income	2,026	146
Property taxes	231,292	266,306
Specific ownership taxes	19,875	24,816
Treasurer fees	(3,461)	(3,996)
Interest expense	(9,920)	(20,492)
Total nonoperating revenues (expenses)	239,812	266,780
CHANGE IN NET POSITION	196,672	201,620
NET POSITION - beginning of the year	3,267,359	3,065,739
NET POSITION - end of the year	\$ 3,464,031	\$ 3,267,359

The accompanying Notes to the Financial Statements are an integral part of these statements.

Ralston Valley Water and Sanitation District
STATEMENTS OF CASH FLOWS
December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,034,704	\$ 917,741
Payments to suppliers for goods and services	(811,691)	(771,193)
Payments to employees for services	(142,306)	(131,246)
Net cash provided (used) by operating activities	80,707	15,302
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	231,292	266,306
Specific ownership taxes	19,875	24,816
County Treasurer's fees	(3,461)	(3,996)
Net cash provided (used) by noncapital financing activities	247,706	287,126
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Loan principal payments	(293,660)	(289,044)
Loan interest payments	(11,756)	(22,298)
Net cash provided (used) by capital and related financing activities	(305,416)	(311,342)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings received	2,026	146
Net cash provided (used) by investing activities	2,026	146
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,023	(8,768)
CASH AND CASH EQUIVALENTS - beginning of year	1,532,407	1,541,175
CASH AND CASH EQUIVALENTS - end of year	\$ 1,557,430	\$ 1,532,407
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (43,140)	\$ (65,160)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	87,370	91,462
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	317	(14,807)
Prepaid expenses	(1,220)	(164)
Increase (decrease) in:		
Accounts payable	37,380	3,971
Total adjustments	123,847	80,462
Net cash provided (used) by operating activities	\$ 80,707	\$ 15,302

The accompanying Notes to the Financial Statements are an integral part of these statements.

Ralston Valley Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

Note 1 – Definition of reporting entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Jefferson County, Colorado. The District was organized to provide water and sanitation services within the District's boundaries.

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 financial 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.

Note 2 – Summary of significant accounting policies

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

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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

Basis of Accounting

The District's financial statements are reported using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and payments on loans are recorded as reductions in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received or collectible.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

Operating revenues and expenses

The District distinguishes between operating revenues and expenses from nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sewer services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Cash equivalents

For purposes of the Statement of Cash Flows, the District considers cash deposits and highly liquid investments with original maturities of three months or less from the date of acquisition, to be cash equivalents.

Accounts receivable, allowance for doubtful accounts

User fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Property Taxes

Property taxes are levied based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November and December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measureable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

Capital assets

Capital assets include land, water and sewer systems, equipment and vehicles. Capital assets are defined by the District as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation or at the developer's cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Water distribution and sewer collection systems	40 years
Equipment	5 to 20 years

Compensated absences

Certain District employees are allowed to accrue paid time off (PTO). Accrued but unpaid PTO is not paid at separation of employment, and therefore, no liability is reported in the financial statements.

Capital contributions

Tap fees are generally recorded as capital contributions when received. Water and sewer lines contributed to the District by developers are recorded as capital contributions and additions to the water and sewer system when received.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

The District has amended its annual budget for the year ended December 31, 2022.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 3 – Cash and investments

Cash and investments are reflected on the December 31, 2022 and 2021 Statements of Net Position as follows:

	2022	2021
Cash and cash equivalents	\$ 1,500,357	\$ 1,421,563
Cash and cash equivalents - restricted	38,627	36,714
Investments - restricted	18,446	74,130
Total cash and investments	<u>\$ 1,557,430</u>	<u>\$ 1,532,407</u>

Cash and investments as of December 31, 2022 and 2021 consist of the following:

Deposits with financial institutions	\$ 1,538,984	\$ 1,458,277
Investments	18,446	74,130
Total cash and investments	<u>\$ 1,557,430</u>	<u>\$ 1,532,407</u>

At December 31, 2022 and 2021, the District's cash deposits had bank balances of \$1,556,468 and \$1,521,256 with carrying balances of \$1,538,984 and \$1,458,277 respectively.

Deposits with financial institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2022 and 2021, the federal insurance limits were \$250,000. The eligible collateral is 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 102% of the aggregate uninsured deposits.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

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.

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not adopted a deposit policy for custodial credit risk. As of December 31, 2022 and 2021, the District's bank balances and carrying balances were insured or collateralized as follows:

	<u>2022</u>	<u>2021</u>
Bank balances:		
Federally insured	\$ 250,000	\$ 250,000
Collateralized	1,306,468	1,271,256
Total bank balances	<u>\$ 1,556,468</u>	<u>\$ 1,521,256</u>
Carrying balances:		
Federally insured	\$ 250,000	\$ 250,000
Collateralized	1,288,984	1,208,277
Total carrying balances	<u>\$ 1,538,984</u>	<u>\$ 1,458,277</u>

Investments

The District has adopted a formal investment policy which follows state statutes regarding investments.

The District primarily limits its investments to certain U.S. government agency securities, money market funds and local government investments pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest including the following:

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

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

As of December 31, 2022 and 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2022</u>	<u>2021</u>
Colorado Surplus Asset Fund (CSAFE)	Weighted average under 60 days	<u>\$ 18,446</u>	<u>\$ 74,130</u>

CSAFE

During 2022 and 2021, the District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAmmf by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net value using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Restricted cash and investments

The District had restricted cash of \$38,627 and \$36,714 for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 7), as of December 31, 2022 and 2021. The District had restricted investments of \$18,446 and \$74,130 restricted by election for debt service, as of December 31, 2022 and 2021.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

Note 4 – Capital assets

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

	Balance at December 31, 2021	Increases	Decreases	Balance at December 31, 2022
Capital assets, not being depreciated				
Easements	\$ 24,263	\$ -	\$ -	\$ 24,263
Total capital assets, not being depreciated	<u>24,263</u>	<u>-</u>	<u>-</u>	<u>24,263</u>
Capital assets being depreciated				
Water system	2,106,446	-	-	2,106,446
Sewer system	1,896,336	-	-	1,896,336
Equipment	51,259	-	-	51,259
Total capital assets being depreciated	<u>4,054,041</u>	<u>-</u>	<u>-</u>	<u>4,054,041</u>
Less accumulated depreciation for				
Water system	(1,023,998)	(46,889)	-	(1,070,887)
Sewer system	(943,056)	(38,168)	-	(981,224)
Equipment	(39,694)	(2,313)	-	(42,007)
Total accumulated depreciation	<u>(2,006,748)</u>	<u>(87,370)</u>	<u>-</u>	<u>(2,094,118)</u>
Total capital assets being depreciated, net	<u>2,047,293</u>	<u>(87,370)</u>	<u>-</u>	<u>1,959,923</u>
Capital assets, net	<u>\$ 2,071,556</u>	<u>\$ (87,370)</u>	<u>\$ -</u>	<u>\$ 1,984,186</u>

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance at December 31, 2020	Increases	Decreases	Balance at December 31, 2021
Capital assets, not being depreciated				
Easements	\$ 24,263	\$ -	\$ -	\$ 24,263
Total capital assets, not being depreciated	<u>24,263</u>	<u>-</u>	<u>-</u>	<u>24,263</u>
Capital assets being depreciated				
Water system	2,106,446	-	-	2,106,446
Sewer system	1,896,336	-	-	1,896,336
Equipment	51,259	-	-	51,259
Total capital assets being depreciated	<u>4,054,041</u>	<u>-</u>	<u>-</u>	<u>4,054,041</u>
Less accumulated depreciation for				
Water system	(973,018)	(50,980)	-	(1,023,998)
Sewer system	(904,888)	(38,168)	-	(943,056)
Equipment	(37,380)	(2,314)	-	(39,694)
Total accumulated depreciation	<u>(1,915,286)</u>	<u>(91,462)</u>	<u>-</u>	<u>(2,006,748)</u>
Total capital assets being depreciated, net	<u>2,138,755</u>	<u>(91,462)</u>	<u>-</u>	<u>2,047,293</u>
Capital assets, net	<u>\$ 2,163,018</u>	<u>\$(91,462)</u>	<u>\$ -</u>	<u>\$ 2,071,556</u>

Depreciation expense of \$87,370 and \$91,462 for the years ended December 31, 2022 and 2021, respectively, was charged to water and sewer operations.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

Note 5 – Long term obligations

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2022:

	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
Direct Placement Borrowings:					
CWRPDA Drinking Water Revolving Loan	\$ 193,634	\$ -	\$ 193,634	\$ -	\$ -
CWRPDA Water Pollution Control Revolving Loan	134,008	-	100,026	33,982	8,028
Total long-term obligations	<u>\$ 327,642</u>	<u>\$ -</u>	<u>\$ 293,660</u>	<u>\$ 33,982</u>	<u>\$ 8,028</u>

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2021:

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
Direct Placement Borrowings:					
CWRPDA Drinking Water Revolving Loan	\$ 340,870	\$ -	\$ 147,236	\$ 193,634	\$ 32,328
CWRPDA Water Pollution Control Revolving Loan	275,816	-	141,808	134,008	24,848
Total long-term obligations	<u>\$ 616,686</u>	<u>\$ -</u>	<u>\$ 289,044</u>	<u>\$ 327,642</u>	<u>\$ 57,176</u>

August 9, 2006 Drinking Water Revolving Loan Agreement, \$1,300,000 – Colorado Water Resources and Power Development Authority

The loan agreement, for a total principal amount of \$1,300,000, between the District and Colorado Water Resources and Power Development Authority (CWRPDA) was entered into for the purpose of upgrades to the water system. Payments of principal and interest, in the amount of 3.75%, are due May 1 and November 1 each year through May 1, 2027. Prepayments of amounts owing is allowable, subject to certain conditions as set forth in the loan agreement. During the year ended December 31, 2021, the District made additional principal payments on the loan of \$100,000. During the year ended December 31, 2022 the District paid off the loan in full.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

**September 1, 2006 Water Pollution Control Revolving Loan Agreement, \$1,200,000
– Colorado Water Resources and Power Development Authority**

The loan agreement, for a total principal amount of \$1,200,000, between the District and Colorado Water Resources and Power Development Authority (CWRPDA) was entered into for the purpose of upgrades to the sewer system. Payments of principal and interest, in the amount of 3.75%, are due May 1 and November 1 each year through November 1, 2026. Prepayments of amounts owing is allowable, subject to certain conditions as set forth in the loan agreement. During the year ended December 31, 2022 and 2021, the District made additional principal payments on the loan of \$75,178 and \$100,000, respectively.

Operations and Maintenance Reserve Requirement – CWRPDA Loans

Pursuant to the loan agreement, the District is required to maintain an Operations and Maintenance Reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the District's water and sewer system as set forth in the annual budget for the current fiscal year. The reserve may be in the form of unobligated fund balances, or other unobligated cash or securities, or may be in a separate segregated fund. If the operations and maintenance reserve falls below this requirement, the shortfall shall be made up in twenty four substantially equal monthly installments beginning the second month after such shortfall. As of December 31, 2022 and 2021, the required operating reserve was \$268,060 and \$236,461, respectively.

Covenants and Remedies of Default – CWRPDA Loans

The District has committed to various covenants that must be maintained to avoid events of default. The most significant covenants are for the District to establish rates and fees and levy ad valorem taxes on all taxable property within its boundaries in amounts sufficient to pay loan and operating requirements. In the event of a default, the lender has the option to take any action pursuant to the loan agreement or to take legal action to require the District to cure such default, including the appointment of a receiver of the systems of the District.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

Debt maturities

Debt maturities for the next five years and to maturity are as follows:

Year Ended December 31,	Principal	Interest	Total
2023	\$ 8,028	\$ 1,200	\$ 9,228
2024	8,332	896	9,228
2025	8,647	581	9,228
2026	8,975	253	9,228
	<u>\$ 33,982</u>	<u>\$ 2,930</u>	<u>\$ 36,912</u>

Debt authorization

At December 31, 2022, the District had no authorized but unissued indebtedness.

Note 6 – Agreements

Arvada Paralleling Contract

In 1974, the District entered into an agreement with the City of Arvada to provide sewer collection services. The District collects a \$244 surcharge with every sewer tap fee sold to defray the costs of any additions or parallel lines that may be needed for the City's system. The City may request reimbursement for these surcharge fees at any time. The District's liability for any additional lines is limited to the surcharge fees collected. At December 31, 2022 and 2021, the District's liability under this agreement was \$106,265.

Arvada Cost Recovery Contract

The City of Arvada allowed the District to use a water transmission main line, which saved the District substantial construction costs. In 1974, the District agreed to reimburse the City with an initial down payment plus future payments totaling \$60,000. The District collects a \$30 fee with each residential tap fee and remits the fees to the City in payment of this obligation. At December 31, 2022 and 2021, the District's liability under this agreement was \$38,020.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

Note 7 – Net position

The District has Net Position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, loans, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2022 and 2021, the District had invested in capital assets, net of related debt as follows:

	2022	2021
Capital assets, net	\$ 1,984,186	\$ 2,071,556
Current portion of long-term obligations	(8,028)	(57,176)
Long-term obligations	(25,954)	(270,466)
Net investment in capital assets	\$ 1,950,204	\$ 1,743,914

Restricted assets include Net Position that is restricted for use either externally imposed by creditors, net grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The purposes of the restrictions of Net Position are described in Note 3. As of December 31, 2022 and 2021, the District had restricted Net Position as follows:

	2022	2021
Emergency reserve	\$ 38,627	\$ 36,714
Debt service	18,234	72,082
	\$ 56,861	\$ 108,796

As of December 31, 2022 and 2021, the District has unrestricted Net Position of \$1,456,966 and \$1,414,649, respectively.

Note 8 – Commitments

As of December 31, 2022 and 2021, the District was under contract with the City of Arvada for its purchase of water and treatment of sewage.

Note 9 – 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; injuries to employees; or acts of God.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022 and 2021

The District is a member of the Colorado Special District Property and Liability Pool (the Pool) as of December 31, 2022. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' 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 liability, property, and public officials' liability and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. 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.

Note 10 – Tax, spending and debt limitations

Article X, Section 20 of the Colorado constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

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.

Spending and revenue limits are determined based on the prior year's fiscal year spending as adjusted for allowable increases for inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless retention of such revenue has been approved by the voters.

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 the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

SUPPLEMENTAL INFORMATION

Ralston Valley Water and Sanitation District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)

For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water service charges	\$ 699,600	\$ 848,629	\$ 829,044	\$ (19,585)
Sewer service charges	186,447	200,000	199,740	(260)
Property taxes	260,000	260,000	231,292	(28,708)
Specific ownership taxes	31,237	31,237	19,875	(11,362)
Net investment income	3,200	3,200	2,026	(1,174)
Tap fees	47,377	47,377	-	(47,377)
Miscellaneous income	5,400	5,400	5,603	203
Total revenues	<u>1,233,261</u>	<u>1,395,843</u>	<u>1,287,580</u>	<u>(108,263)</u>
EXPENDITURES				
Answering service	2,400	2,400	2,435	(35)
Automobile expense	5,400	5,400	7,286	(1,886)
Billing service	2,000	2,000	2,987	(987)
Directors fees	6,000	6,000	5,800	200
Engineering	1,920	1,920	-	1,920
Payroll taxes	10,962	10,962	10,769	193
Insurance	11,550	11,550	9,901	1,649
Licenses and permits	-	-	150	(150)
Location services	20,000	20,000	835	19,165
Professional services	16,500	16,500	15,905	595
Office supplies	6,400	6,400	6,434	(34)
Outside services	-	-	2,650	(2,650)
Rent	4,464	4,464	4,158	306
Repairs and maintenance	100,000	135,000	141,221	(6,221)
Salaries	131,040	131,040	131,537	(497)
Sewage treatment charge	183,000	183,000	144,911	38,089
Treasurer fees	3,200	3,200	3,461	(261)
Utilities	1,071	1,071	1,006	65
Water purchases	437,496	522,496	498,094	24,402
Water quality testing	2,440	2,440	4,078	(1,638)
Debt service	110,000	330,000	303,580	26,420
Total expenditures	<u>1,055,843</u>	<u>1,395,843</u>	<u>1,297,198</u>	<u>98,645</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>177,418</u>	<u>-</u>	<u>(9,618)</u>	<u>(9,618)</u>
FUNDS AVAILABLE - beginning of year			<u>1,667,760</u>	
FUNDS AVAILABLE - end of year			<u>\$ 1,658,142</u>	

Ralston Valley Water and Sanitation District

**RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Year Ended December 31, 2022

Revenues (budgetary basis)	\$ 1,287,580
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>1,287,580</u>
Expenditures (budgetary basis)	1,297,198
Depreciation and amortization	87,370
Debt service - principal	<u>(293,660)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>1,090,908</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 196,672</u></u>

The accompanying Notes to the Financial Statements are an integral part of these statements.