

**BLUE VALLEY METROPOLITAN DISTRICT
Grand County, CO**

**FINANCIAL STATEMENTS
December 31, 2023**

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Blue Valley Metropolitan District

Opinions

We have audited the accompanying financial statements of Blue Valley Metropolitan District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Blue Valley Metropolitan 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 Blue Valley Metropolitan District as of December 31, 2023, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Blue Valley Metropolitan District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Blue Valley Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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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 of 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 Blue Valley Metropolitan 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 Blue Valley Metropolitan 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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Blue Valley Metropolitan District's basic financial statements. The budgetary comparison schedule – Non-GAAP basis, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – Non-GAAP Basis is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Fort Collins, Colorado
September 30, 2024

Basic Financial Statements

Blue Valley Metropolitan District
Statement of Financial Position
December 31, 2023

Assets

Current Assets

Cash and cash equivalents	\$	388,615
Accounts receivable-service charges		29,914
Prepaid expenses		6,070
Property taxes receivable		97,979
Total Current Assets		522,578

Noncurrent Assets

Capital Assets		
Nondepreciable		
Land		23,320
Depreciable		
Water distribution system		1,442,377
Office equipment		3,649
Maintenance equipment		722
Total Capital Assets		1,470,068
Less: Accumulated depreciation		(730,814)
Net Capital Assets		739,254
Total Assets		1,261,832

Liabilities

Current Liabilities

Accounts payable		1,575
ARC deposits		18,441
Total Liabilities		20,016

Deferred Inflows of Resources

Deferred property taxes		97,979
Total Deferred Inflows of Resources		97,979

Net Position

Net Investment in capital assets		739,254
Restricted for emergencies		1,567
Unrestricted		403,016
Total Net Position		\$ 1,143,837

The accompanying notes are an integral part of these financial statements

Blue Valley Metropolitan District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023

Operating Revenues

Water sales and fees	\$ 124,515
Other charges and fees	4,070
Total Operating Revenues	128,585

Operating Expenses

General and administration	45,321
Water operations	114,957
Depreciation expense	33,783

Total Operating Expenses	194,061
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Operating Loss	(65,476)
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Nonoperating Revenues (Expenses)

Property taxes - operations	49,113
Specific ownership taxes	3,136
Interest income	10,119
County treasurer fees	(2,459)

Total Nonoperating Revenues (Expenses)	59,909
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Change in Net Position

(5,567)

Net Position, beginning of year	1,149,404
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Net Position, end of year	\$ 1,143,837
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The accompanying notes are an integral part of these financial statements

Blue Valley Metropolitan District
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash Flows From Operating Activities	
Cash received from customers	\$ 117,413
Cash paid to suppliers	(165,909)
Net cash provided (used) by operating activities	(48,496)
 Cash Flows From Non-Capital Financing Activities	
Property and ownership taxes received	52,249
Fee paid to county treasurer	(2,459)
Net cash provided (used) by non-capital financing activities	49,790
 Cash Flows From Investing Activities	
Investment income received	10,119
Net cash provided (used) by investing activities	10,119
Net increase (decrease) in cash and cash equivalents	11,413
Cash and cash equivalents, beginning of year	377,202
Cash and cash equivalents, end of year	\$ 388,615
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Loss	\$ (65,476)
Adjustments to reconcile operating loss to cash provided / (used) by operating activities	
Depreciation and amortization	33,783
Changes in assets and liabilities	
Accounts receivable	(5,909)
Prepaid insurance	(601)
Accounts payable	(5,030)
ARC deposits	(5,263)
Net Cash Provided (Used) by Operating Activities	\$ (48,496)

The accompanying notes are an integral part of these financial statements

Blue Valley Metropolitan District
Notes to Financial Statements
December 31, 2023

Note 1 Summary of Significant Accounting Policies

The Blue Valley Metropolitan District is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water services within its jurisdictional boundaries.

The financial statements of the Blue Valley Metropolitan District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District follows all pronouncement issued by the Governmental Accounting Standards Board (GASB) which is the authoritative body. The significant accounting policies are described below.

Financial Reporting Entity

In accordance with governmental accounting standards, the Blue Valley Metropolitan District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability.

The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales of water. Operating expenses include the cost of providing water, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establishes standards for external financial reporting for all state and local governmental entities which includes a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices and utility billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all General and Special Revenue funds. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or revised by the District Board.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

Allowance of Doubtful Accounts

No allowance is made for bad debts in the accompanying financial statements as substantially all receivables of the district originate from charges to the owners of the District, and the District has the ability to place liens on the property.

Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Assets and Liabilities

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets - assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation over the estimated useful lives of the assets is computed using the straight-line method. The estimated useful lives are 5-40 years for water distribution system, 20-40 years for building improvements, and 5 years for vehicles, machinery and equipment.

Deferred Inflows of Resources

Deferred revenues – deferred revenues include property taxes, which have been certified but not yet collected.

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted net position – all other net position that does not meet the definition of “restricted” or net investment in capital assets.” These net position are available for future operations or distributions.

Deferred Outflows / Inflows of Resources

The District implemented the provisions of GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB 63) and the provisions of GASB No. 65 Items Previously Reported as Assets and Liabilities (GASB 65). As a result in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The District considers certificates of deposit with maturities of more than three months at date of purchase as investments.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2023, the District's cash deposits had a carrying balance of \$195,991 and a corresponding bank balance of \$191,765, all of which was insured by the Federal Deposit Insurance Corporation, respectively.

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Colorado Divisions of Banking 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 does not have a deposit policy for custodial credit risk. As of December 31, 2023, none of the District's bank deposits were exposed to custodial credit risk.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

- Obligations of the United States and certain United States government agency securities and the World Bank.
- Certain international agency securities.
- General obligation and revenue bonds of United States local government entities.
- Bankers' acceptances of certain banks.
- Commercial paper.

Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 2 Cash and Investments (Continued)

- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

At December 31, 2023, the District had \$192,624 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST EDGE, and COLOTRUST PLUS+. All portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under section 24-75-601, C.R.S., as amended. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust.

COLOTRUST measures its investments at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore a Participant's investment in COLOTRUST is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72. COLOTRUST PLUS+ and COLOTRUST PRIME are rated by S&P Global Ratings. The current rating is 'AAAm.' COLOTRUST EDGE is rated by Fitch Ratings. The current rating is 'AAAF/S1.

COLOTRUST PLUS+ and PRIME

PRIME is presently allowed by the Trust's investment policies to maintain a portion of its assets in U.S. Treasury securities or repurchase agreements collateralized by U.S. Treasury securities. It may also invest assets in securities of a Federal Farm Credit Bank, a Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, and other federal instrumentality or agency security permitted by the Legal Investments Act, repurchase agreements collateralized by those securities, collateralized bank deposits, and 'AAAm' rated government money market funds. The PRIME portfolio may be invested in securities with a maximum maturity of 397 days for fixed rate debt and 762 days for sovereign government floating-rate debt. The PRIME portfolio is limited to an average weighted maturity not to exceed 60 days to reset and 120 days to final. PRIME seeks to maintain a stable Net Asset Value (NAV) of \$1.00 per share.

Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 2 Cash and Investments (Continued)

COLOTRUST EDGE

COLOTRUST EDGE is a variable net asset value (NAV) local government investment pool that offers weekly liquidity to participants. EDGE is suitable for a local government's strategic reserves / non-operating funds and has a NAV that is managed to approximate a \$10.00 transactional share price.

The District does not have a formal investment policy.

A summary of cash and investments at December 31, 2023, is as follows:

Cash deposits	\$ 195,991
COLOTRUST	192,624
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Total cash and cash equivalents	<u>\$ 388,615</u>

Note 3 Accounts Receivable

Accounts receivable balance at December 31, 2023, was comprised of the following:

Water charges	\$ 29,914
Less allowance for doubtful accounts	-
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Net Accounts Receivable	<u>\$ 29,914</u>

Note 4 Capital Assets

A summary of changes to capital assets for 2023 is as follows:

	Balance at 12/31/2022	Additions	Deletions	Balance at 12/31/2023
Nondepreciable				
Land easements and water rights	\$ 23,320	\$ -	\$ -	\$ 23,320
Total Nondepreciable	<u>23,320</u>	<u>-</u>	<u>-</u>	<u>23,320</u>
Depreciable				
Water distribution system	1,442,377	-	-	1,442,377
Vehicles, machinery and equip	4,371	-	-	4,371
Total Depreciable	<u>1,446,748</u>	<u>-</u>	<u>-</u>	<u>1,446,748</u>
TOTAL	<u>1,470,068</u>	<u>-</u>	<u>-</u>	<u>1,470,068</u>
Less Accumulated Depreciation				
Water distribution system	(692,660)	(33,783)	-	(726,443)
Vehicles, machinery and equip	(4,371)	-	-	(4,371)
Total Accumulated Depreciation	<u>(697,031)</u>	<u>(33,783)</u>	<u>-</u>	<u>(730,814)</u>
Net Capital Assets	<u>\$ 773,037</u>	<u>\$ (33,783)</u>	<u>\$ -</u>	<u>\$ 739,254</u>

Depreciation expense for the year ended December 31, 2023 was \$33,783.

Blue Valley Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 5 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. The District has created a Water statutory enterprise operation in compliance with Colorado law, which exempts certain business-like operations from Article X, Section 20 of the Colorado Constitution. In 2023 the District's voters approved a ballot issue that exempts the District from Revenue limitations. The District has established an emergency reserve of \$1,567 as of December 31, 2023 to comply with Article X, Section 20 of the Colorado Constitution.

Note 6 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District carries commercial insurance for these risks of loss. The District's settled claims have not exceeded its insurance coverage in any of the last three years.

Other Supplementary Information

Blue Valley Metropolitan District
Budgetary vs. Actual Comparison - Non GAAP Basis
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Over (Under)
Revenues			
Service charges	\$ 99,200	\$ 124,515	\$ 25,315
Other charges and fees	1,050	4,070	3,020
Property taxes	45,076	49,113	4,037
Specific ownership taxes	3,500	3,136	(364)
Interest income	380	10,119	9,739
Total Revenues	<u>149,206</u>	<u>190,953</u>	<u>41,747</u>
Expenses			
Water purchases	2,914	445	2,469
Administrative expenses	35,276	45,321	(10,045)
Utilities	5,720	7,070	(1,350)
Water meter expense	3,700	735	2,965
Water operator costs	18,900	18,900	-
Repairs and maintenance	25,000	41,321	(16,321)
Road expenses	42,187	39,035	3,152
Other expenses	82,150	7,451	74,699
County treasurer fees	3,800	2,459	1,341
Total Expenses	<u>219,647</u>	<u>162,737</u>	<u>56,910</u>
Revenues over (under) Expenditures	<u>\$ (70,441)</u>	28,216	<u>\$ 98,657</u>
Reconciliation to Net Income			
Less Depreciation Expense		(33,783)	
Net Income		<u>\$ (5,567)</u>	

See the Independent Auditor's Report