

SPRING VALLEY SANITATION DISTRICT

BASIC FINANCIAL STATEMENTS

AND

AUDITOR'S REPORT

DECEMBER 31, 2023

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	
Independent Auditor's Report	1
Management Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenses and Change in Net Position	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Supplemental Information	
Budgetary Comparison Schedule	23

SPRING VALLEY SANITATION DISTRICT

FOR THE YEAR ENDED

December 31, 2023

BOARD OF DIRECTORS

Jesse Hill – President

Doreen Herriott – Treasurer

Thad Nieslanik – Secretary

Travis Schultz - Director

ADMINISTRATOR

Kelly Mullane



INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Spring Valley Sanitation District
Rifle, CO 81650

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the aggregate remaining fund information of the Spring Valley Sanitation District (District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the District, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, We:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, no such opinion is expressed. evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Auditor Reporting Requirements and Other Communication Considerations

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the district's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and 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 my opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Blair and Associates, P.C.

Cedaredge, Colorado
February 13, 2024

SPRING VALLEY SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023

The Spring Valley Sanitation District (the “District”) was formed on January 1, 1980, for the purpose of providing wastewater treatment services to the Spring Valley area. The District is located within Garfield County, Colorado, and serves the residential communities located in the Spring Valley area south of Glenwood Springs, Colorado.

The management's discussion and analysis of the Spring Valley Sanitation District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2023. The intent of the discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2023 are as follows:

- In total, the District's overall Net Position increased \$197,923 from the previous fiscal year, primarily due to higher revenues and lower costs.
- Non-operating revenues increased \$44,952 from the previous fiscal year, primarily because of an increase in investment income.
- Operating revenues increased \$19,726 from the previous fiscal year. This is a result of an increase due to new connections in service fees.
- The District's operating expenses decreased \$24,826 from the previous fiscal year. This was primarily a result of a decrease in repairs & maintenance costs.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and other supplemental information. The financial statements included in this annual report are those of a special-purpose government with only one fund that is engaged in a business-type activity. The following statements are included:

- Statement of Net Position – provides the District's long-term and short-term information about the District's overall financial status.
- Statement of Revenues, Expenses and Changes in Fund Net Position – reports the District's operating and non-operating revenues by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the District's cash flows from operating activities, investing activities, capital, and related financing activities.

SPRING VALLEY SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023

The financial statements also include notes that explain some of the information in the financial statements and provide data that are more detailed. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's Net Position for the fiscal year 2023 compared to 2022:

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current Assets	\$ 2,362,727	\$ 2,118,098
Non-Current Assets	<u>2,950,119</u>	<u>3,064,918</u>
Total Assets	<u>5,312,846</u>	<u>5,183,016</u>
<u>LIABILITIES</u>		
Current Liabilities	<u>51,574</u>	<u>151,166</u>
Deferred Outflow of Resources		
Property Taxes	<u>88,891</u>	<u>57,392</u>
<u>NET POSITION</u>		
Invested in Capital Assets	2,950,119	3,064,918
Unrestricted	<u>2,222,262</u>	<u>1,909,540</u>
Total Net Position	<u>\$ 5,172,381</u>	<u>\$ 4,974,458</u>

Total Net Position increased approximately \$197,923. This was primarily a result of an increase in investments.

Total liabilities decreased \$99,592. This was due to a decrease in accounts payable for capital outlays.

SPRING VALLEY SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023

Statement of Revenues, Expenses, and Changes in Fund Net Position

The perspective of the Statement of Revenues, Expenses, and Changes in Fund Net Position is of the District as a whole. This statement reflects general property taxes, service revenues, and the cost of providing services to the District. The following summary reflects the overall change in Net Position for the fiscal year 2023 compared to 2022.

	<u>2023</u>	<u>2022</u>
REVENUES:		
Operating Revenues:		
Services Fees & Charges	\$ 353,268	\$ 333,542
Non-Operating Revenue:		
Property & Specific Ownership Taxes	62,707	67,427
Payment in Lieu of Property Taxes	10,000	5,000
Interest & Investment Earnings	108,260	26,341
Loan Reimbursement Fees	23,880	23,880
Tap Fees & Subdivision Acceptance	836	38,083
Total Non-Operating Revenue	<u>205,683</u>	<u>160,731</u>
Total Revenues & Other Financing Sources	<u>558,951</u>	<u>494,273</u>
 EXPENSES:		
Operating Expenses:		
Insurance	20,420	21,837
Management & Professional Fees	64,690	65,785
Operations & Maintenance	108,682	134,015
Directors Fees	2,368	3,014
Administrative	8,615	11,634
Depreciation	156,253	149,569
Total Operating Expenses	<u>361,028</u>	<u>385,854</u>
 CHANGE IN NET POSITION	 <u>\$ 197,923</u>	 <u>\$ 108,419</u>

SPRING VALLEY SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023

Statement of Revenues, Expenses, and Changes in Fund Net Position, continued

Revenues increased \$64,678, primarily due to an increase in service fees and interest income.

System development fee expense increased from the prior year. System development fee expense is the reimbursement of expansion charges paid to the District by “funding landowners” for the construction of a new sewer plant. Payments due to the funding landowners are in accordance with an agreement discussed in Note 6 of the financial statements and are based on tap fee revenue.

As indicated above, the Statement of Revenues, Expenses, and Changes in Fund Net Position reflects the cost of program services and the charges for services and sales offsetting those services. The following table summarizes the information from the statement, reflecting the total cost of program services and the remaining net cost of program services, which are supported by taxes and other general revenues:

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	2023	2022	2023	2022
Operations, Maintenance & Depreciation	\$ 264,935	\$ 283,584	\$ (88,333)	\$ (49,958)
Management & Professional Fees	34,690	65,785	(170,157)	(51,863)
Insurance	20,420	21,837	20,420	21,837
Other Administrative Expenses	40,983	14,648	40,983	14,648
TOTAL / NET COST OF SERVICES	\$ 361,028	\$ 385,854	\$ (197,087)	\$ (65,336)

In 2023, the District’s service charges were sufficient in amount to cover operating costs other than depreciation expense by \$88,333.

THE DISTRICT’S FUNDS
Proprietary Fund - Enterprise Fund

The Spring Valley Sanitation District is a special-purpose district whose activities are considered a business-type activity. Service fees support operations and charges assessed to residents for operations, maintenance, and administration of the District, and from property taxes and other general revenues. These activities are reported as a Proprietary, or Enterprise Fund.

As discussed above, Proprietary Fund financial statements consist of a statement of Net Position, a statement of revenues, expenses and changes in fund Net Position, and a statement of cash flows, and are prepared on an accrual basis of accounting. For financial reporting purposes, the District’s enterprise fund is considered a proprietary fund, which represents the operations of the Spring Valley Sanitation District.

For a discussion of the District’s funds as compared to the prior year, see the section entitled “The District as a Whole.”

SPRING VALLEY SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023

BUDGET COMPARISONS

The District’s procedures in establishing budgetary data reflected in the financial statements are summarized in Note 1 (E) of the financial statements. The District’s budget is adopted on a budgetary basis, which is reconciled to generally accepted accounting principles (GAAP) in Note 1 (E) of the financial statements. The budgetary comparison schedule for the District is found in the section entitled “Other Supplemental Information” following the Notes to Financial Statements.

As discussed in Note 1(E), the District uses a line-item based budget, which is designed to control line-item expenditures, but provide flexibility for overall budgetary management.

Total actual revenues for 2023 were \$558,951, which was \$54,637 more than budgeted. This was primarily due to an increase in interest income.

Total actual expenses of \$246,229 were \$490,033 less than budgeted expenses. This is largely due to a decrease in capital outlays.

CAPITAL ASSETS

At the end of fiscal year 2023, the District had \$2,950,119 invested in capital assets. The following reflects fiscal year 2023 balances compared to fiscal year 2022 net of depreciation of \$3,062,695 for 2022 and \$2,916,258 for 2023:

	2023	2022
Collections, Transportation, & Treatment	\$ 2,909,349	\$ 3,021,532
Equipment and Furniture	40,770	41,163
Total	\$ 2,950,119	\$ 3,062,695

The decrease in net capital assets for the District is the result of a \$156,253 of depreciation expense.

MAJOR INITIATIVES

The District remains in a “holding” pattern until the Funding Landowners move forward with two major developments consisting of Spring Valley Ranch and Lake Springs Ranch. This continues to be a concern for the District as the plant ages, maintenance costs continue to increase, as well as the inflationary increases in operating costs. The Plant Operating Agreement only allows a fixed operational reserve fee to be charged on the unsold taps; therefore, as the costs continue to increase, the operational reserve fee income remains flat, making it difficult for the District to “balance” its budget each year. However, Colorado Mountain College is building an apartment building which will use their remaining operation reserve fees and put new service fees into place in Fall 2024. The District plant is currently operating at less than 13% of capacity.

ECONOMIC CONDITION AND OUTLOOK

The real estate market was explosive in 2023 but has started to level off in 2024. The real estate market has a direct impact on the number of taps sold, as well as new homes built. All lots have sold in Pinyon Mesa Subdivision and all but a handful of lots have sold in Elk Springs Subdivision. Construction of new single-family homes continues to be strong at the moment. Additionally, developers are in the preliminary planning stage for possible development of 32 condominiums and 16 single family dwellings on Lot 1, Re-Subdivision of Los Amigos Ranch, filing No. 1. Further, Spring Valley Ranch has some serious developers looking to purchase and develop the property with luxury homes and amenities. Moreover, the assessed valuation is expected to increase from the previous year, which will mean an increase in the property taxes collected. The District has a voter-approved mill levy of 4.000 mills to supplement operating costs.

SPRING VALLEY SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

Kelly Mullane, District Administrator
PO Box 1461
Rifle, CO 81650
(970) 618-5147
svsd1461@gmail.com

SPRING VALLEY SANITATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 30,928
Investment	2,215,985
Cash with County	272
Accounts Receivables-net of \$0 allowances	5,559
Property taxes receivable	88,891
Prepaid Expenses	<u>21,092</u>
Total Current Assets	<u><u>2,362,727</u></u>

Non-Current Assets:

Capital Assets-Net	<u>2,950,119</u>
Total Non-Current Assets	<u>2,950,119</u>
Total Assets	<u><u>\$ 5,312,846</u></u>

LIABILITIES, DEFERRED INFLOW, AND NET POSITION

Current Liabilities:

Accounts Payable	\$ 19,711
Prepaid Service Fees	<u>31,863</u>
Total Current Liabilities	<u>51,574</u>
TOTAL LIABILITIES	<u><u>51,574</u></u>

Deferred Inflow of Resources

Property taxes	<u>88,891</u>
----------------	---------------

Net Position:

Invested in Capital Assets	2,950,119
Unrestricted	<u>2,222,262</u>
Total Net Position	<u>5,172,381</u>
Total Liabilities, Deferred Inflows, and Net Position	<u><u>\$ 5,312,846</u></u>

The accompanying notes are an integral part of these financial statements.

SPRING VALLEY SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

OPERATING REVENUES:	
Service Fees	\$ 347,191
Other Operating Revenue	<u>6,077</u>
Total Operating Revenues	<u><u>353,268</u></u>
COLLECTION AND TREATMENT EXPENSES:	
Depreciation	156,253
Inspection Fees	2,313
Electricity	29,345
Lab Fees & Expenses	12,492
Licenses & Permits	2,733
Plant Operator	31,200
Plant Supplies	142
Propane	5,175
Repairs & Maintenance	23,029
Trash Removal	<u>2,253</u>
Total Collection and Treatment Expenses	<u><u>264,935</u></u>
ADMINISTRATIVE EXPENSES:	
District Administrator	36,690
Directors Fees	2,368
Engineering	5,075
Insurance	20,420
Internet	1,170
Office Expense	2,422
Professional Expense	22,925
Membership and Dues	3,299
Telephone	<u>1,724</u>
Total Administrative Expenses	<u>96,093</u>
Total Operating Expenses	<u>361,028</u>
Operating Income (Loss)	<u><u>(7,760)</u></u>
NON-OPERATING REVENUES (EXPENSES):	
Payment in Lieu of Property Taxes	10,000
Interest Income	108,260
Loan Reimbursement Fees	23,880
Property and Specific Ownership Taxes	<u>62,707</u>
Total Non-Operating Revenues	<u>204,847</u>
Change in Net Position	197,087
Capital Contributions- Plant Investment Fee	<u>836</u>
Change in Net Position	197,923
Total Net Position , Beginning of Year	<u>4,974,458</u>
Total Net Position, End of Year	<u><u>\$ 5,172,381</u></u>

The accompanying notes are an integral part of these financial statements.

SPRING VALLEY SANITATION DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 352,837
Other Operating Cash Receipts	6,077
Cash Payments for Goods & Service	<u>(312,194)</u>
Net Cash Provided (Used) By Operating Activities	<u>46,720</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Property and Specific Ownership Taxes-Net	62,769
Payment in Lieu of Property Taxes	<u>10,000</u>
Net Cash Flows From Non-Capital Financing Activities	<u>72,769</u>
 CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:	
Debt Surcharge	23,880
Payment for Capital Acquisitions	<u>(41,454)</u>
Net Cash Flows From Capital & Related Financing Activities	<u>(17,574)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
(Increase) Decrease in Investments	(216,498)
Plant Investment Fees	836
Interest on Investment	<u>108,197</u>
Net Cash Flows Provided From Investing Activities	<u>(107,465)</u>
NET INCREASE (DECREASE) IN CASH	(5,550)
CASH AT BEGINNING OF YEAR	<u>36,478</u>
CASH AT END OF YEAR	<u><u>\$ 30,928</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (7,760)
Adjustments to reconcile Net Income to Cash Provided by Operations:	
Depreciation & Amortization	156,253
(Increase) Decrease in Accounts Receivable	(623)
(Increase) Decrease in Cash with County Treasurer	62
(Increase) Decrease in Prepaid Expenses	(1,621)
Increase (Decrease) in Accounts Payable	(105,860)
Increase (Decrease) in Prepaid Service Fees	<u>6,269</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 46,720</u></u>
 NONCASH ACTIVITY:	
Capital Outlays purchased with Accounts Payable	<u>\$ 104,005</u>
Market gain on investment	<u><u>\$ 2,285</u></u>

The accompanying notes are an integral part of these financial statements.

SPRING VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Spring Valley Sanitation District was formed on January 1, 1980, for the purpose of providing wastewater treatment services to the developing Spring Valley area south of Glenwood Springs, Colorado, in Garfield County.

A. FINANCIAL REPORTING ENTITY

The Spring Valley Sanitation District (the District) is organized pursuant to provisions set forth in the Colorado Special District Act. The governing body of the district consists of a four-member Board of Directors which is elected by the registered voters within the District. The purpose of the District is to provide wastewater treatment services to the Spring Valley area. The Board is responsible for setting policy, appointing administrative personnel, and adopting an annual budget in accordance with state statutes.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. The reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization governing body and is either able to impose its will on that organization or there is potential for the organization provide specific financial benefits to, or impose specific financial burden on, the district. Consideration is also given to other organizations that are fiscally dependent, i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity. Based on the criteria discussed above, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all the District's operations.

B. BASIS OF PRESENTATIONS/BASIC FINANCIAL STATEMENTS

The basic financial statements include fund financial statements for a Proprietary Fund. The District is a special-purpose government engaged only in business-type activities. For these governments, only enterprise fund financial statements are presented.

The accounts of the District are organized and operated on a fund basis. The operations are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, net position, revenues, and expenses.

The focus of proprietary fund measurement is determination of operating income, changes in the net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector, the District's Enterprise Fund is a proprietary fund type. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) are financed with debt that is solely secured by a pledge of the net revenues, (b) has third-party requirements that cost of providing services including capital costs, be recovered with fees and charges, or (c) has a pricing policy designed for the fees and charges of record similar costs.

SPRING VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

B. BASIS OF PRESENTATIONS/BASIC FINANCIAL STATEMENTS

Proprietary Fund *operating revenue and expenses* are related to providing management and operational services within the District. Revenues and expenses arising from capital and non-capital financing activities and from investment activities are presented as non-operating revenues and expenses.

C. BASIS OF ACCOUNTING

The Proprietary Fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property and specific ownership taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

D. CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date of donation. Repairs and maintenance are recorded as expenditures, renewals and betterments are capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

The District capitalizes assets with an original cost more than \$3,000, and estimates useful lives as follows:

Furniture and Equipment	5-10 years
Plant and Lines	40 years

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

E. BUDGETS AND BUDGETARY ACCOUNTING

The District uses the following procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to October 15, the District's Secretary, or other qualified person appointed by the Board, submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A "Notice of Budget" is published when the budget is received.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to December 15, the Board shall adopt by resolution, the budget for the ensuing fiscal year and shall certify the tax levy to the County Commissioners.

SPRING VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

E. BUDGETS AND BUDGETARY ACCOUNTING-continued

4. On or before December 31, the Board shall pass an annual appropriating ordinance in which such sums of money shall be appropriated, as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.
5. The budget for the fund is adopted on a basis consistent with state statutes for governmental units, which provides that debt principal payments and capital outlay be treated as expenditures.
6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues more than the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.
7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget.
8. Budget appropriations lapse at the end of each year.

The District legally adopted its annual budget for 2023.

The budget for the Enterprise Fund is adopted on a Non-GAAP basis and is reconciled from GAAP basis as follows:

	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
GAAP Operating Revenue	\$ 342,150	\$ 353,268	\$ 11,118
GAAP Non-Operating Revenue	162,164	205,683	43,519
Total Budgetary Based Revenue	<u>\$ 504,314</u>	<u>\$ 558,951</u>	<u>\$ 54,637</u>
<u>Expenses</u>			
GAAP Operating Expense	\$ 171,300	\$ 108,682	\$ 62,618
GAAP Non-Operating Expense	121,962	96,093	25,869
Total Budgetary Based Expenses	<u>\$ 293,262</u>	<u>\$ 204,775</u>	<u>\$ 88,487</u>

F. CONTRIBUTED CAPITAL

Grants and contributions, which may be used for either operations or capital expenditures at the discretion of the District, Are recognized as non-operating revenues. If expenditure of the fund is the prime factor for determining eligibility of the contributed funds, revenue is recognized at the time of making the expenditure.

G. COMPENSATED ABSENCES

The District has no employees; therefore, there are no provisions for compensated absences.

SPRING VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

H. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In general, payables and accrued liabilities are paid in a timely manner and in full of current financial resources and are reported as current obligations for the fund.

I. PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUE

Property taxes are levied on December 15 and attached as an enforceable lien on property on January 1st of the following year. They may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without penalty or interest. Taxes which are not paid within the prescribed time bear interest at a rate of 1% per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th. Property taxes are levied and collected on behalf of the District by Garfield County and are reported as revenue when received by the County Treasurer. Property taxes levied in the current year and payable in the following year are reported as receivable on December 31st. However, since the taxes are not available to pay current liabilities, the receivable is recorded as deferred inflow of resources.

J. CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows for the proprietary fund, all short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Additional cash disclosures are found in Note 2 of the Notes to Financial Statements.

K. CUSTOMER ACCOUNTS RECEIVABLE

The District considers customer accounts receivable to be fully collectible. The District is empowered to place a lien on real property in the case of nonpayment. Accordingly, no allowance for doubtful accounts is required.

L. USE OF ESTIMATES

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

M. RESTRICTED ASSETS/RESERVATIONS OF FUND BALANCES

Assets are reported as restricted when limitation on their use changes the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. *Reservations* of fund balance arise from certain Board designations of fund balance, as well as the aforementioned constraints. It is the District's policy to use restricted funds for expenditures for which both restricted and unrestricted funds are available. There are no restrictions or reservations of fund balances for 2023.

SPRING VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

N. FAIR VALUES OF FINANCIAL INSTRUMENTS

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires disclosures of fair value information about financial instruments. The District has a number of financial instruments, including cash and equivalents, receivables, and accounts payable, and notes payable, none of which are held for trading purposes. The District estimates that the fair value of its financial instruments on December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position.

O. SUBSEQUENT EVENTS

Management has reviewed subsequent events as of the date of the availability of the audit report.

NOTE 2- CASH AND CASH EQUIVALENTS

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. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102% of the uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations secured by first lien mortgages on real property located in the state. PDPA allows the institutions 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 uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA.

At December 31, 2023, the District's bank deposits (Checking and Money Market) were covered by federal depository insurance (FDIC) or collateralized under PDPA in accordance with state statutes and had bank balances in the amount of \$30,928 of which all was covered by FDIC.

The District also has invested \$1,444,223 in the Colorado Government Liquid Asset Trust Plus (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool Surplus funds. COLOTRUST is valued using the net asset value per share (or its equivalent) of the investment, which approximates fair value. COLOTRUST investments do not have any unfunded commitments, redemption restrictions or redemptions notice periods.

COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. Both portfolios may invest in U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies. The State Securities Commissioner administers and enforces all state statutes governing COLOTRUST. COLOTRUST financial statements may be obtained at www.colotruster.com.

SPRING VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 2- CASH AND CASH EQUIVALENTS-continued

COLOTRUST-EDGE. EDGE is a weekly liquidity investment option designed for COLOTRUST participants that are seeking to generate a higher yield while complementing the daily liquidity offered by the PRIME and PLUS+ funds for Colorado governmental entities. EDGE is suited for medium-term investment and strategic reserves. EDGE has a rating from Fitch of AAAF/S1. EDGE is a variable NAV fund managed to approximate a \$10.00 transactional share price, calculating, and publishing a fair value NAV on a daily basis. On December 31, 2023, the District's cash balance in COLOTRUST -EDGE was \$771,762. The unrealized gain on December 31, 2023 was \$2,285.

It is the policy of the District to invest public funds in a manner, which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the District, and conform to all federal, state, and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. government agency securities, including securities issued by FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), FHLMC (Federal Home Loan Mortgage Corporation), the Federal Farm Credit Bank, the Federal Land
- Bank, the Export-Import Bank, and by the Tennessee Valley Authority, and certain international agency securities, including the World Bank.
- General obligation and revenue bonds of U.S. local government entities, the District of Columbia, the territorial possessions of the U.S. rated in the highest two rating categories by two or more of the nationally recognized rating agencies.
- Bankers' acceptances of certain banks
- Certain securities lending agreements
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds
- Guaranteed investment contracts.
- Local government investment pools
- The investing local government's own securities including certificates of participation and lease obligations.

Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, *Deposits, and Investment Risk Disclosures*, Are included in the notes below.

The concentration of credit risk, or risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. The District's policy places no limit on the amount the District may invest in any one issuer; however, the district maintains general guidelines for investments to ensure proper diversification by security type and institution. All investments are issued or explicitly guaranteed by securities of the U.S. government or insured by the Public Depository Protection Act and therefore are not subject to concentration of credit risk.

SPRING VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 2- CASH AND CASH EQUIVALENTS-continued

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board. As of December 31, 2023, the District had no investments that were subject to interest rate risk as described above.

The District was not subject to foreign currency risk on December 31, 2023.

Fair Value

The District categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs for an asset or liability.

NOTE 3- CAPITAL ASSETS

A summary of property, plant, and equipment on December 31, 2023, follows:

	January 1, 2023	Additions	Deletions	December 31, 2023
Collection and Treatment	\$ 5,780,656	\$ 33,740	\$ -	\$ 5,814,396
Office Furniture	2,315	-	-	2,315
Equipment	198,205	7,714	-	205,919
Total	5,981,176	41,454	-	6,022,630
Less Accumulated Depreciation	(2,916,257)	(156,253)	-	(3,072,510)
	<u>\$ 3,064,919</u>	<u>\$ (114,799)</u>	<u>\$ -</u>	<u>\$ 2,950,120</u>

Depreciation is calculated using the straight-line method. Depreciation expense in the amount \$156,253 was recorded for the year ended December 31, 2023.

SPRING VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 4- 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.

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 (SDA) of Colorado. The Pool provides property and general liability, automobile physical damage and liability, public official's liability, and machinery coverage to its members. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in the last three years.

The District pays annual premiums to the Pool for liability, property, and public official's liability 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. The pool made no distributions to the District in the year ended December 31, 2023.

NOTE 5- CONTINGENCIES

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements on December 31, 2023.

NOTE 6- COMMITMENTS

System Development Agreements

Under an agreement dated December 15, 1999, the District received funds for the construction of the new tertiary wastewater treatment plant and associated collection and conveyance facilities from the funding landowners--Spring Valley Development, Inc., Berkeley Family Limited Partnership, Colorado Mountain College District, and Los Amigos Ranch Partnership. The District's cost recovery obligation to the funding landowners is solely from District revenues, and the District's cost recovery obligation is not deemed to be a debt repayment obligation. The District's cost recovery obligation shall not exceed the actual cost expended for construction of the plant plus 5% interest on the unrecovered sum compounded annually with a total recovery limited of 200% of actual costs. The District's cost recovery obligation terminates at the expiration of the twenty-fifth full year of plant operations and is to begin following completion of plant construction. Plant operation began October 1, 2002.

NOTE 7- TABOR Amendment – Revenue and Spending Limitations Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

The Amendment provides that governmental entities that qualify as an "Enterprise" are not subject to the Amendment. An enterprise is defined as a government-owned business authorized to issue its own revenue bonds and receives less than 10% of its total annual revenue from state and local government grants. Management believes that the District qualifies as an "Enterprise" and, therefore, is not subject to the Amendment. The Amendment is complex and subject to judicial interpretation; however, the District believes it is in compliance with the requirements of the Amendments.

SPRING VALLEY SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 8- INTERGOVERNMENTAL AGREEMENT

Beginning in 2015, Spring Valley Sanitation District entered into an agreement whereby they would share the cost of the District's administrative services with another sanitation district. The agreement calls for Spring Valley Sanitation District to pay to the other sanitation district one-third of the salary and benefit package of the District Administrator of West Glenwood Springs Sanitation District. For 2023 that amounted to \$36,690.

NOTE 9- NOVEL CORONAVIRUS PANDEMIC AND IMPACT ON THE DISTRICT

The District is considered a critical government service as defined in the Governor's Public Health Order 20-24, so the services of the District were not interrupted in 2023. However, the District was not allowed to charge and collect late fees, nor was the District allowed to shut services off for nonpayment.

For 2023, the District will continue providing services to its customers, and continue to monitor state and local standards and adjust operation accordingly.

NOTE 10- ASSET RETIREMENT OBLIGATION

The District began evaluating what effect GASB 83, "Certain Asset Retirement Obligations", (ARO), may have on its assets. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset, at some time in the future. The District had not had an event that would trigger recording a liability, but is evaluating their assets, if such an event would occur.

SPRING VALLEY SANITATION DISTRICT
BUDGET AND ACTUAL COMPARISON
For the Year Ended December 31, 2023

	Original and Final <u>Budget</u>	Actual Budgetary <u>Basis</u>	Variance Favorable <u>(Unfavorable)</u>
BUDGETARY OPERATING REVENUES:			
Sewer Service Fees	\$ 228,000	\$ 242,769	\$ 14,769
Operational Reserve Fees	51,250	49,744	(1,506)
Standby Fees	35,500	32,448	(3,052)
Lift Station Surcharge	20,500	22,230	1,730
Inspection Fees	900	1,100	200
Miscellaneous Revenue	6,000	4,977	(1,023)
Total Budgetary Operating Revenue	<u>342,150</u>	<u>353,268</u>	<u>11,118</u>
BUDGETARY NON-OPERATING REVENUES			
Payment in Lieu of Property Taxes	5,000	10,000	5,000
Interest Income	45,100	108,260	63,160
Loan Reimbursement Surcharge	23,880	23,880	-
General Property Taxes	58,864	58,870	6
Specific Ownership Taxes	4,300	3,837	(463)
Tap Fees	25,020	836	(24,184)
Total Budgetary Non-Operating Revenues	<u>162,164</u>	<u>205,683</u>	<u>43,519</u>
Total Budgetary Revenues	<u><u>\$ 504,314</u></u>	<u><u>\$ 558,951</u></u>	<u><u>\$ 54,637</u></u>
BUDGETARY OPERATING EXPENSE:			
Collection & Treatment Expenses:			
Chemicals	\$ 1,500	\$ -	\$ 1,500
Electricity	35,000	29,345	5,655
Inspection Fees	1,200	2,313	(1,113)
Lab Fees & Expenses	5,250	12,492	(7,242)
Licenses & Permits	5,250	2,733	2,517
Plant Operator	35,000	31,200	3,800
Plant Supplies	1,500	142	1,358
Propane	8,500	5,175	3,325
Repairs & Maintenance			
Building & Grounds	6,000	4,462	1,538
Machinery	20,000	2,802	17,198
Sewer Lines	50,000	15,765	34,235
Trash Removal	2,100	2,253	(153)
Administrative Expenses:			
Bank Charges	120	50	70
Director Fees	3,000	2,368	632
Internet	1,200	1,170	30
Office Expense	8,692	2,372	6,320
Insurance	22,200	20,420	1,780
Accounting	6,000	5,900	100
Engineering	15,000	5,075	9,925
Telephone	1,800	1,724	76
Balance Carried Forward	<u>229,312</u>	<u>147,761</u>	<u>81,551</u>

SPRING VALLEY SANITATION DISTRICT
 BUDGET & ACTUAL COMPARISON
 For the Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Administrative Expense-Brought Forward:	\$ 229,312	\$ 147,761	\$ 81,551
Professional Fees			
District Administrator	37,500	36,690	810
Legal	24,000	17,025	6,975
Memberships & Dues	2,450	3,299	(849)
Total Budgetary Operating Expenses	<u>293,262</u>	<u>204,775</u>	<u>88,487</u>
BUDGETARY NON-OPERATING EXPENSES			
Capital Outlays	443,000	41,454	401,546
Total Budgetary Non-Operating Expense	<u>443,000</u>	<u>41,454</u>	<u>401,546</u>
TOTAL BUDGETARY APPROPRIATIONS	<u>736,262</u>	<u>246,229</u>	<u>490,033</u>
Net Surplus- Budgetary Basis	<u>\$ (231,948)</u>	312,722	<u>\$ 544,670</u>
Reconciling Items:			
Less:			
Depreciation		(156,253)	
Add:			
Capital Outlays		41,454	
Change in Net Position		<u>\$ 197,923</u>	