

**The Valley Water District  
Jefferson County, Colorado**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**December 31, 2023 and 2022**

**The Valley Water District**  
**TABLE OF CONTENTS**  
**December 31, 2023 and 2022**

<b>Independent Auditor’s Report</b> .....	I
<b>Management’s Discussion and Analysis</b> .....	i
<b>Basic financial statements:</b>	
Statements of Net Position .....	1
Statements of Revenues, Expenses and Changes in Net Position .....	2
Statements of Cash Flows .....	3
Notes to Financial Statements .....	5
<b>Supplemental information:</b>	
Statement of Revenues, Expenditures, and Changes in Funds Available – Budget and Actual (Budgetary Basis) – Water Fund .....	16
Statement of Revenues, Expenditures, and Changes in Funds Available – Budget and Actual (Budgetary Basis) – General Fund .....	18
Reconciliation of Actual (Budgetary Basis) to Statement of Revenues, Expenses, and Changes in Net Position .....	18

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Valley Water District  
Jefferson County, Colorado

### ***Opinions***

We have audited the accompanying financial statements of The Valley Water District (the District), as of and for the years ended December 31, 2023 and 2022, 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 District as of December 31, 2023 and 2022, 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 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 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 (MDA) on pages i through vi be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to MDA 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 MDA because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplemental 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 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.

*Fiscal Focus Partners, LLC*

Arvada, Colorado  
March 29, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of The Valley Water District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2023. 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.

The Valley Water District operates as a quasi-municipal corporation and political subdivision of the State of Colorado operating as a water service provider serving parts of Wheat Ridge, Arvada and unincorporated Jefferson County.

The District purchases its water through a distributor's contract with the Denver Water Department.

The District derives its revenues from the sales of taps and water. The District prioritizes customer service and budgets funds annually for capital water system improvements.

The District remains dedicated to providing a safe, reliable water supply and adequate reserves for emergencies. The District has upheld its commitment to its customers through its proven track record of minimal service interruptions and no bonded indebtedness.

### Financial Highlights

- Assets of the District exceeded its liabilities at the close of the fiscal year by \$35,671,022 (net position). Of this amount, \$21,675,079 (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 \$788,197 over the prior fiscal year, due largely to tap fees received in the current year as a result of development.
- Operating revenues from water operations decreased \$214,049 from the prior year, primarily due to a decrease in demand.
- Operating expenses increased \$454,637 from the prior year, primarily due to a reimbursement made to the City of Wheat Ridge (the City) for relocation of the District's water lines under an intergovernmental agreement with the City (see Note 9).
- Tap fees decreased \$1,174,980 from the prior year, due to decreased development in the District.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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

The Valley Water District basic financial statements included in this report are those of a special purpose government engaged in a business-type activity, providing water 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.

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

The *Statement 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 but unused vacation leave). The statement reports the District's operating and non-operating revenue by source along with operating and non-operating expenses and capital contributions.

The *Statement of Cash Flows* reports the District's cash flows from operating activities, investing, capital and non-capital 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 statement 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 the Valley Water District, assets exceeded liabilities by \$35,671,022 (net position) at the close of the most recent fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

**Statement of Net Position**

	<b>December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Current assets	\$ 22,643,776	\$ 20,901,285	\$ 17,832,653
Capital assets	13,824,843	14,223,782	14,719,322
Total assets	36,468,619	35,125,067	32,551,975
Current liabilities	797,597	242,242	225,575
Net position:			
Net investment in capital assets	13,824,843	14,223,782	14,719,322
Restricted	171,100	210,900	157,000
Unrestricted	21,675,079	20,448,143	17,450,078
Net position	\$ 35,671,022	\$ 34,882,825	\$ 32,326,400

Unrestricted net position of \$21,675,079 is available for future expansion and major repair costs such as emergency water main breaks.

The District has 39% of its net position invested in capital assets (e.g., water distribution system, building, and equipment). The District uses these capital assets to provide services to citizens; consequently, this net position is *not* available for future spending.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

**Changes in Net Position**

	<b>For the Years Ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Revenues			
Water operations	\$ 4,168,756	\$ 4,382,805	\$ 4,163,473
Non-operating revenue			
Tap fee revenue	1,130,020	2,305,000	1,006,000
Contributed capital	-	-	2,007,000
Interest income	63,012	23,487	20,050
Unrealized gain (loss) on investment	37,957	(18,004)	(16,918)
Other revenue	3,450	23,498	57,498
Total revenues	5,403,195	6,716,786	7,237,103
Expenses			
Water operations	2,481,240	2,659,749	2,526,609
Maintenance and repairs	187,648	200,780	118,262
Administrative and general	845,254	804,292	700,625
Reimbursement to City	615,091	-	-
Depreciation	485,765	495,540	480,102
Total expenses	4,614,998	4,160,361	3,825,598
Change in net position	788,197	2,556,425	3,411,505
Net position - beginning	34,882,825	32,326,400	28,914,895
Net position - ending	\$ 35,671,022	\$ 34,882,825	\$ 32,326,400

**Budgetary Highlights**

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay in addition to operations and non-operating revenue. Depreciation is not reflected in the budget since it does not affect funds available. Funds available (current assets less current liabilities) increased \$1,187,136 during 2023.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(continued)

**Capital Assets**

The District's net investment in capital assets as of December 31, 2023, 2022, and 2021 was as follows:

	<b>Capital Assets</b>		
	<u>2023</u>	<u>December 31, 2022</u>	<u>2021</u>
Land	\$ 25,000	\$ 25,000	\$ 25,000
Rights of use of supplemental line	4,041,732	4,041,732	4,041,732
Building and ground improvements	428,209	428,209	428,209
Infrastructure	19,113,607	19,113,607	19,113,607
Vehicles	225,912	146,586	146,586
Office equipment	21,656	14,156	14,156
Other equipment	168,999	168,999	168,999
Total assets	<u>24,025,115</u>	<u>23,938,289</u>	<u>23,938,289</u>
Accumulated depreciation	<u>(10,200,272)</u>	<u>(9,714,507)</u>	<u>(9,218,967)</u>
Net capital assets	<u>\$ 13,824,843</u>	<u>\$ 14,223,782</u>	<u>\$ 14,719,322</u>

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

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

- The District monitors all proposed legislation along with legal counsel and Special District Association representatives. At this time, no legislation that poses significant negative impact to the District is foreseen.
- Recent growth and development within the District has provided funds that will be pledged towards replacement of aging facilities and future expansion of the District's infrastructure.
- Due to current economic conditions and population growth within the District, continued development is expected in the areas of residential, commercial and industrial. The majority of this growth will be funded by the developers of said projects.
- Due to increased material availability and the easing of supply chain issues and labor constraints, capital improvement projects will be a priority for the next several years. Funds for replacement of aging water mains and system improvements and upgrades will be included in the annual budget in the coming years.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

**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:

Treasurer  
The Valley Water District  
12101 West 52<sup>nd</sup> Avenue  
Wheat Ridge, Colorado 80033

## **BASIC FINANCIAL STATEMENTS**

**The Valley Water District**  
**STATEMENTS OF NET POSITION**  
**December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 19,251,274	\$ 17,495,593
Cash and cash equivalents - restricted	171,100	210,900
Investments	2,831,279	2,797,281
Accounts receivable	335,683	351,349
Accrued interest receivable	693	693
Prepaid expenses	26,991	24,441
Inventory	26,756	21,028
<b>Total current assets</b>	<b>22,643,776</b>	<b>20,901,285</b>
<b>Capital assets, not being depreciated</b>	25,000	25,000
<b>Capital assets, net</b>	<b>13,799,843</b>	<b>14,198,782</b>
<b>Total assets</b>	<b>36,468,619</b>	<b>35,125,067</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	753,190	198,062
Accrued salary and benefits	35,807	35,280
Deposits on system extension requests	8,600	8,900
<b>Total current liabilities</b>	<b>797,597</b>	<b>242,242</b>
<b>Total liabilities</b>	<b>797,597</b>	<b>242,242</b>
<b>NET POSITION</b>		
Net investment in capital assets	13,824,843	14,223,782
Restricted	171,100	210,900
Unrestricted	21,675,079	20,448,143
<b>Total net position</b>	<b>\$ 35,671,022</b>	<b>\$ 34,882,825</b>

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

**The Valley Water District**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the years ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>OPERATING REVENUES</b>		
Water operations	\$ 4,168,756	\$ 4,382,805
<b>OPERATING EXPENSES</b>		
Water operations	2,481,240	2,659,749
Maintenance and repairs	187,648	200,780
Administrative and general	845,254	804,292
Reimbursement to City - relocation of water lines	615,091	-
Depreciation	485,765	495,540
<b>Total operating expenses</b>	<b>4,614,998</b>	<b>4,160,361</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(446,242)</b>	<b>222,444</b>
<b>NON-OPERATING REVENUES</b>		
Tap fee revenue	1,130,020	2,305,000
Net investment earnings	100,969	5,483
Other revenues	3,450	23,498
<b>Total non-operating revenues</b>	<b>1,234,439</b>	<b>2,333,981</b>
<b>CHANGE IN NET POSITION</b>	788,197	2,556,425
<b>NET POSITION - beginning of year</b>	<b>34,882,825</b>	<b>32,326,400</b>
<b>NET POSITION - end of year</b>	<b>\$ 35,671,022</b>	<b>\$ 34,882,825</b>

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

**The Valley Water District**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 4,187,572	\$ 4,412,215
Cash paid to suppliers	(2,883,230)	(2,995,824)
Cash payments to and for the benefit of employees	(698,626)	(667,996)
<b>Net cash provided (used) by operating activities</b>	<b>605,716</b>	<b>748,395</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash paid to acquire capital assets	(86,826)	-
Cash received from tap fees	1,130,020	2,305,000
<b>Net cash provided (used) by capital and related financing activities</b>	<b>1,043,194</b>	<b>2,305,000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net maturity (purchase) of long-term investments	3,959	(8,909)
Interest received on investments	63,012	23,488
<b>Net cash provided (used) by investing activities</b>	<b>66,971</b>	<b>14,579</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,715,881</b>	<b>3,067,974</b>
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<b>17,706,493</b>	<b>14,638,519</b>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<b>\$ 19,422,374</b>	<b>\$ 17,706,493</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Change in fair value of investments	<b>\$ 37,957</b>	<b>\$ (18,004)</b>

(continued)

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

**The Valley Water District**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2023 and 2022  
(continued)

	<b>2023</b>	<b>2022</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (446,242)	\$ 222,444
Adjustment to reconcile net operating income (loss) to net cash provided by operating activities:		
Other revenue	3,450	23,498
Depreciation	485,765	495,540
Changes in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	15,666	(2,988)
Prepaid expenses	(2,550)	(723)
Inventory	(5,728)	(6,043)
Increase (decrease) in:		
Accounts payable	555,128	1,687
Accrued salary and benefits	527	6,080
Deposits	(300)	8,900
Total adjustments	1,051,958	525,951
<b>Net cash provided by operating activities</b>	<b>\$ 605,716</b>	<b>\$ 748,395</b>

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

**The Valley Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2023 and 2022**

**Note 1 – Definition of reporting entity**

The District is a quasi-municipal corporation and political subdivision of the State of Colorado established on October 27, 1956, and 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's primary operating function is to provide treated water for residential and commercial users within the boundaries of the District.

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 property, plant and equipment are shown and recorded as an operating expense. Expenditures for capital assets are

**The Valley Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2023 and 2022**

shown as increases in assets. Contributed assets from developers are recorded as capital contributions when received.

**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 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.

**Fair Value of Financial Instruments**

The District believes that the carrying amounts of financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximates fair value because of their generally short maturities.

**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.

**Investments**

Investments for the District are carried at fair value.

**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.

**Inventory**

Inventory, which includes meters to be installed, is stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

**The Valley Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2023 and 2022**

**Capital assets**

Capital assets are defined by the District as those assets with an initial, individual cost of \$2,000 or greater and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

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

	<u>Years</u>
Water distribution system	50
Building and improvements	50
Office equipment	5 - 7
Other equipment	5 - 7

**Compensated absences**

Vacation and sick leave are accrued in the period they are earned. Accrued, unused vacation expires at the end of twelve months subsequent to the time of accrual. As of December 31, 2023 and 2022, accrued vacation and sick leave benefits totaled \$24,207 and \$23,099 respectively.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

**Capital contributions**

The District has agreements with developers whereby extensions to existing water lines are constructed and funded by the developer and donated to the District. The

**The Valley Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2023 and 2022**

District is then responsible for the maintenance and operations of the lines. Water lines contributed to the District by developers are recorded as capital contributions and additions to the water system when received.

Tap fees are recorded as revenue 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.

**Note 3 – Cash and investments**

Cash and investments are reflected on the December 31, 2023 and 2022 Statements of Net Position as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 19,251,274	\$ 17,495,593
Cash and cash equivalents - restricted	171,100	210,900
Investments	<u>2,831,279</u>	<u>2,797,281</u>
Total cash and investments	<u>\$ 22,253,653</u>	<u>\$ 20,503,774</u>

Cash and investments as of December 31, 2023 and 2022 consist of the following:

Deposits with financial institutions	\$ 20,725,308	\$ 19,009,013
Cash on hand	100	100
Investments	<u>1,528,245</u>	<u>1,494,661</u>
Total cash and investments	<u>\$ 22,253,653</u>	<u>\$ 20,503,774</u>

At December 31, 2023 and 2022, the District's cash deposits had bank balances of \$20,721,092 and \$19,008,857, respectively, and carrying balances of \$20,725,308 and \$19,009,013, 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, 2023 and 2022, the federal insurance limits were

**The Valley Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2023 and 2022**

\$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. 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, 2023 and 2022, the District's bank balances and carrying balances were insured or collateralized as follows:

	2023	2022
Bank balances:		
Federally insured	\$ 1,553,034	\$ 1,552,620
Collateralized	19,168,058	17,456,237
Total bank balances	\$ 20,721,092	\$ 19,008,857
Carrying balances:		
Federally insured	\$ 1,553,034	\$ 1,552,620
Collateralized	19,172,274	17,456,393
Total carrying balances	\$ 20,725,308	\$ 19,009,013

**Investments**

The District's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. The District's investments are concentrated in U.S. Treasury Obligation securities (54%) and certificates of deposit with original maturities in excess of 90 days (46%). The District's policy is to hold investments until maturity.

The District's investments are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. In addition, it is the District's policy to maintain approximately 50 percent of their investment balance in U.S. Treasury Bills with an original maturity of one year or less as a means of further reducing interest rate risks. Colorado Revised Statutes limit investment maturities to three 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.

**The Valley Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2023 and 2022**

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

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

**Fair Value Measurement and Application**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized costs.

The District has the following recurring fair value measurements as of December 31, 2023:

- U.S Treasury securities of \$1,528,245 are valued using quoted market prices (Level 1 inputs).
- Certificates of deposit of \$1,303,034 are valued using third-party quotations (Level 2 inputs).

**Restricted cash and investments**

At December 31, 2023 and 2022, the District had \$8,600 and \$8,900 respectively, restricted for line extension projects within the District. These deposits are being held by the District at the end of the year for unfinished projects.

**The Valley Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2023 and 2022**

The District had restricted cash of \$162,500 and \$202,000, for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11), as of December 31, 2023 and 2022, respectively.

**Note 4 – Capital assets**

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Capital assets, not being depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Capital assets being depreciated				
Rights of use of supplemental line	\$ 4,041,732	\$ -	\$ -	\$ 4,041,732
Building and ground improvements	428,209	-	-	428,209
Infrastructure	19,113,607	-	-	19,113,607
Vehicles	146,586	79,326	-	225,912
Office equipment	14,156	7,500	-	21,656
Other equipment	168,999	-	-	168,999
Total capital assets being depreciated	<u>23,913,289</u>	<u>86,826</u>	<u>-</u>	<u>24,000,115</u>
Less accumulated depreciation for				
Rights of use of supplemental line	1,030,646	80,835	-	1,111,481
Building and ground improvements	316,576	14,387	-	330,963
Infrastructure	8,045,584	382,272	-	8,427,856
Vehicles	146,586	3,966	-	150,552
Office equipment	12,208	2,371	-	14,579
Other equipment	162,907	1,934	-	164,841
Total accumulated depreciation	<u>9,714,507</u>	<u>485,765</u>	<u>-</u>	<u>10,200,272</u>
Total capital assets being depreciated, net	<u>\$ 14,198,782</u>	<u>\$ (398,939)</u>	<u>\$ -</u>	<u>\$ 13,799,843</u>

**The Valley Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2023 and 2022**

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

	December 31, 2021	Increases	Decreases	December 31, 2022
Capital assets, not being depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Capital assets being depreciated				
Rights of use of supplemental line	\$ 4,041,732	\$ -	\$ -	\$ 4,041,732
Building and ground improvements	428,209	-	-	428,209
Infrastructure	19,113,607	-	-	19,113,607
Vehicles	146,586	-	-	146,586
Office equipment	14,156	-	-	14,156
Other equipment	168,999	-	-	168,999
Total capital assets being depreciated	<u>23,913,289</u>	<u>-</u>	<u>-</u>	<u>23,913,289</u>
Less accumulated depreciation for				
Rights of use of supplemental line	949,811	80,835	-	1,030,646
Building and ground improvements	302,130	14,446	-	316,576
Infrastructure	7,663,312	382,272	-	8,045,584
Vehicles	146,583	3	-	146,586
Office equipment	10,592	1,616	-	12,208
Other equipment	146,539	16,368	-	162,907
Total accumulated depreciation	<u>9,218,967</u>	<u>495,540</u>	<u>-</u>	<u>9,714,507</u>
Total capital assets being depreciated, net	<u>\$ 14,694,322</u>	<u>\$ (495,540)</u>	<u>\$ -</u>	<u>\$ 14,198,782</u>

Depreciation expense of \$485,765 and \$495,540 for the years ended December 31, 2023 and 2022, respectively, was charged to water operations.

**Note 5 – General Obligation Debt**

The District is not obligated in any manner for general obligation debt at December 31, 2023 and 2022, nor does it have any authorized, unissued debt.

**Note 6 – Net Position**

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

**The Valley Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2023 and 2022**

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2023 and 2022, the District had net investment in capital assets calculated as follows:

	2023	2022
Capital assets, not being depreciated	\$ 25,000	\$ 25,000
Capital assets, net	13,799,843	14,198,782
Net investment in capital assets	\$ 13,824,843	\$ 14,223,782

Restricted assets include Net Position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2023 and 2022, the District had restricted Net Position as follows:

	2023	2022
Emergencies (Note 11)	\$ 162,500	\$ 202,000
Line extension projects (Note 3)	8,600	8,900
Total restricted net position	\$ 171,100	\$ 210,900

The District's unrestricted Net Position as of December 31, 2023 and 2022 was \$21,675,079 and \$20,448,143, respectively.

**Note 7 – Deferred compensation plan**

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Great West Life and Annuity Insurance Company. Participation in the plan is optional for all employees. The plan allows the employees to defer a portion of their salary until future years. The deferred compensation is not available to the employee until termination, retirement, death or unforeseen emergencies. All amounts deferred under the plan are required to be held in trust for the exclusive benefit of participating employees and are not accessible by the District or its creditors. During the years ended December 31, 2023 and 2022, \$49,312 and \$43,851, respectively, was deferred at the request of the plan participants and remitted to the trustee in their behalf.

**Note 8 – Commitments**

As of December 31, 2023 and 2022, the District was under contract with the Denver Water Board for its purchase of water.

**The Valley Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2023 and 2022**

**Note 9 – Agreements**

On November 14, 2022 the District entered into an intergovernmental agreement with the City of Wheat Ridge (the City). The City agrees to reconstruct a roadway which requires relocation of the District's water supply facilities. The District has agreed to reimburse the City \$674,534 for the relocation of the District's water supply facilities within 30 days following substantial completion and notice to the District of acceptance of the work by the City. During 2023, the District paid the City \$615,091 under the terms of the agreement.

**Note 10 – 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 was a member of the Colorado Special District Property and Liability Pool (the Pool) as of December 31, 2023. 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, 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 11 – 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. The District's management believes a significant portion of its operations qualifies for this exclusion.

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

**The Valley Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**December 31, 2023 and 2022**

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.

The District created The Valley Water District Activity Enterprise (the "Enterprise") effective November 8, 1994, for the purpose of conducting its water activities. On December 31, 1994, the District transferred to its Enterprise all of the District's General Expense Reserve Fund, together with all additions thereto to be held, invested, reinvested and utilized by the governing body of the Enterprise.

\* \* \* \* \*

**SUPPLEMENTAL INFORMATION**

**The Valley Water District**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**

*Water Fund*

For the year ended December 31, 2023

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
<b>Water operations</b>			
Water sales and penalties	\$ 4,430,000	\$ 4,163,936	\$ (266,064)
Inspection fees	4,400	4,820	420
<b>Total water operations</b>	<u>4,434,400</u>	<u>4,168,756</u>	<u>(265,644)</u>
<b>Non-operating</b>			
Water taps and permits	1,100,000	1,130,020	30,020
Deposits - line extensions, net of refunds	7,000	-	(7,000)
Net investment earnings	150,000	100,969	(49,031)
Miscellaneous income	10,500	850	(9,650)
Fruitdale agreement	2,400	2,600	200
<b>Total non-operating</b>	<u>1,269,900</u>	<u>1,234,439</u>	<u>(35,461)</u>
<b>Total Revenues</b>	<u>5,704,300</u>	<u>5,403,195</u>	<u>(301,105)</u>
<b>EXPENDITURES</b>			
<b>Operations</b>			
Denver water costs	2,750,000	2,481,240	268,760
Maintenance and repairs	400,000	187,648	212,352
<b>Total operations</b>	<u>3,150,000</u>	<u>2,668,888</u>	<u>481,112</u>
<b>General</b>			
Automobile and truck	20,000	17,015	2,985
Gas and electric	16,000	9,001	6,999
Insurance			
Group	144,000	133,922	10,078
Liability and workmen's compensation	30,000	24,778	5,222
Maintenance and repairs - office equipment	6,000	2,053	3,947
Mobile communications	4,500	1,834	2,666
Office supplies	35,000	29,396	5,604
Payroll taxes	38,000	41,535	(3,535)
Salaries	487,000	522,642	(35,642)
Sanitation	500	392	108
Telephone	6,000	3,433	2,567
Uniform and towel expense	3,000	1,812	1,188
<b>Total general</b>	<u>790,000</u>	<u>787,813</u>	<u>2,187</u>

(continued)

**The Valley Water District**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**

*Water Fund*

For the year ended December 31, 2023  
(continued)

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Administration</b>			
Accounting costs	\$ 7,200	\$ 7,800	\$ (600)
Conservation water information program	5,000	-	5,000
County Clerk and recorder	400	100	300
Directors fees	6,500	6,100	400
Dues and subscriptions	4,000	3,282	718
Education and training	5,000	5,303	(303)
Election expense	2,000	-	2,000
Engineering	20,000	18,876	1,124
Legal fees	20,000	9,577	10,423
<b>Total administration</b>	<u>70,100</u>	<u>51,038</u>	<u>19,062</u>
<b>Capital</b>			
Line extensions - Construction	1,300,000	615,091	684,909
Line extensions - Engineering	40,000	6,403	33,597
Line extensions - Legal	2,000	-	2,000
Building and ground improvements	25,000	-	25,000
Office equipment	10,000	7,500	2,500
Other equipment	90,000	79,326	10,674
Line extensions - Developer engineering	7,000	-	7,000
<b>Total capital</b>	<u>1,474,000</u>	<u>708,320</u>	<u>765,680</u>
<b>Total Expenditures</b>	<u>5,484,100</u>	<u>4,216,059</u>	<u>1,268,041</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	220,200	1,187,136	966,936
<b>FUNDS AVAILABLE - beginning of year</b>	<u>20,336,121</u>	<u>20,058,853</u>	<u>(277,268)</u>
<b>FUNDS AVAILABLE - end of year</b>	<u><u>\$ 20,556,321</u></u>	<u><u>\$ 21,245,989</u></u>	<u><u>\$ 689,668</u></u>

**The Valley Water District**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**

**General Fund**

For the year ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
<b>REVENUES</b>	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>	-	-	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	-
<b>FUNDS AVAILABLE - beginning of year</b>	-	600,189	600,189
<b>FUNDS AVAILABLE - end of year</b>	\$ -	\$ 600,189	\$ 600,189

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

Revenues (budgetary basis)	\$ 5,403,195
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>5,403,195</u>
Expenditures (budgetary basis)	4,216,059
Depreciation and amortization	485,765
Capital outlay	<u>(86,826)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>4,614,998</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u>\$ 788,197</u>