

**ROARING FORK WATER AND
SANITATION DISTRICT**

Financial Statements and Independent
Auditor's Report

December 31, 2023

Roaring Fork Water & Sanitation District
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INDEPENDENT AUDITOR'S REPORT

To Roaring Fork Water & Sanitation District
Glenwood Springs, Colorado

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Roaring Fork Water & Sanitation 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. 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 Roaring Fork Water & Sanitation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Roaring Fork Water & Sanitation District's internal control. Accordingly, no such opinion is expressed.

Certified Public Accountants

- 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 Roaring Fork Water & Sanitation District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Roaring Fork Water & Sanitation District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Blair and Associates, P.C.

Cedaredge, Colorado

April 11, 2024

ROARING FORK WATER & SANITATION DISTRICT
Management’s Discussion and Analysis
For the Year 2023

The Roaring Fork Water & Sanitation District offers the readers of the District’s financial statements this narrative overview and analysis of the District’s financial activities during the fiscal year ending December 31, 2023.

FINANCIAL STATEMENT OVERVIEW

The audited financial statements of the District can be found on pages 6 through 18. These provide information about the District’s financial position as of December 31, 2023, its results of operations and the resulting cash flows for the year as well as information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. The following is an explanation of each of the audited financial statements of the District that you will find on the succeeding pages.

Statement of Net Position: Provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District’s equity in assets (Net Position).

Statement of Revenues, Expenses, and Changes in Net Position: Provides information about the District’s annual operating activities and how they have affected Net Position.

Statement of Cash Flows: Provides an analysis of the sources and uses of District cash during the year and how the operating and investment activities affected the District’s cash balances.

Notes to the Financial Statement: Provides additional, required disclosures about the District’s accounting policies, deposits, investments, risk management, long-term debt, and other required information.

Schedule of Revenues, Expenses, and Net Position - Budget and Actual: Provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities.

CONDENSED ENTITY FINANCIAL INFORMATION

Statement of Net Position

	2023	2022	Change
Assets			
Current Assets	\$ 4,012,438	\$ 3,081,479	\$ 930,959
Non-Current Assets	9,628,991	9,950,761	(321,770)
Total Assets	13,641,429	13,032,240	609,189
Liabilities			
Current Liabilities	90,076	93,061	(2,985)
Non-Current Liabilities	1,167,606	1,223,320	(55,714)
Total Liabilities	1,257,682	1,316,381	(58,699)
Deferred Inflow fo Resources			
Property taxes	674,841	382,467	292,374
Net Position	\$ 11,708,906	\$ 11,333,392	\$ 375,514

ROARING FORK WATER & SANITATION DISTRICT
Management's Discussion and Analysis
For the Year 2023

Statement of Revenues, Expenses, and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating Revenue	\$ 825,197	\$ 799,746
Operating Expense	<u>1,198,989</u>	<u>1,145,909</u>
Operating Income (Loss)	(373,792)	(346,163)
Non-Operating Revenue	<u>749,306</u>	<u>897,041</u>
Change in Net Position	375,514	550,878
Net Position - Beginning of Year	<u>11,333,392</u>	<u>10,782,514</u>
Net Position - End of Year	<u>\$ 11,708,906</u>	<u>\$ 11,333,392</u>

ANALYSIS OF OVERALL FINANCIAL POSITION

- Net Position increased in 2023 by \$375,514 to \$11,708,906. This is a result of an operating loss of \$373,792 which includes depreciation of \$455,309, plus non-operating revenues of \$897,041 which includes property taxes and water and sewer tap fees.
- Unrestricted cash and cash equivalents of the District at December 31, 2023, totaled \$144,027.
- The District funds its operating expenses from service fees. Property taxes are used to supplement the operations of the District. Property taxes, including specific ownership, collected for 2023 were \$416,804 and for 2022 was \$416,952. The increase in operating revenue from 2022 to 2023 is from increased development in the District.
- The District funds its capital projects through a portion of the water and sewer tap fees, interest income and existing reserve funds. Non-operating revenue for 2023 was \$147,735 less than 2022, which is due to a decrease in tap fee revenue of \$275,859 and an increase in interest income of \$108,200.

BUDGET VARIANCE ANALYSIS

- Total revenues in 2023 were \$171,785 less than the budgeted revenues for the District. This is due to decreased tap fee income of \$270,810, and increased interest income of \$92,983.
- Total expenditures in 2023 were \$35,184 less than the budgeted expenditures for the District. This is due to a decrease in anticipated repairs and maintenance in wastewater operations.

ROARING FORK WATER & SANITATION DISTRICT
Management's Discussion and Analysis
For the Year 2023

The 2023 budget was adopted in November 2022.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets

Total assets added in 2023 were a total of \$133,539.

Long Term Debt

The District did not acquire any new debt in 2023. The District continues to repay the developers for the cost of the wholesale facilities through tap fees that are collected. In 2023, tap fees were collected from new customers; therefore, payments were made to Developers of \$55,714

ANALYSIS OF CURRENTLY KNOWN FACTS

The District continues to monitor its growth in anticipation of necessary system upgrades. The District sets money aside each year for future replacement of the water and wastewater systems. In 2023, the District set aside \$489,679.

FINANCIAL CONTACT

The District's financial statements are designed to present users (service users, taxpayers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions concerning this report or need additional financial information, please contact the District management at Roaring Fork Water & Sanitation District, P.O. Box 1002, Glenwood Springs, CO 81602, or call 970-945-2144.

Roaring Fork Water & Sanitation District
Statement of Net Position
December 31, 2023

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 17,730
Cash - Designated	126,297
Investments	3,140,400
Accounts Receivable:	
Customers (Net of \$0 allowance)	18,184
Property Taxes	674,841
Prepaid Expenses:	
Other	33,897
Water Contracts	1,089
Total Current Assets	4,012,438

Noncurrent Assets:

Capital Assets, net of applicable accumulated depreciation	
Land and Improvements	323,994
Source of Supply	493,170
Water Treatment Plant and Distribution System	1,351,397
Sewer Treatment Plant and Distribution System	5,512,320
Equipment	1,762,140
Construction in Process	179,987
Furniture and Fixtures	5,983
Net Capital Assets	9,628,991

Total Assets 13,641,429

LIABILITIES

Current Liabilities:

Accounts Payable	79,690
Prepaid Service Fees	10,386
Total Current Liabilities	90,076

Noncurrent Liabilities

Customer Advance	25,000
Accounts Payable Developer - Water	714,174
Accounts Payable Developer-Sanitation	428,432
Total Noncurrent Liabilities	1,167,606
Total Liabilities	1,257,682

Deferred Inflow of Resources

Property taxes	674,841
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NET POSITION

Invested in Capital Assets	9,628,991
Restricted for Tabor Emergency	47,277
Unrestricted	2,032,638
Total Net Position	\$ 11,708,906

The Accompanying notes are an integral part of this financial statement.

Roaring Fork Water & Sanitation District
Statement of Revenues, Expenses & Changes in Net Position
For the year ended December 31, 2023

	Enterprise Funds		Totals
	Water	Sewer	
Operating Revenue:			
Charges for Services	\$ 399,227	\$ 419,740	\$ 818,967
Miscellaneous	3,140	3,090	6,230
Total Operating Revenue	<u>402,367</u>	<u>422,830</u>	<u>825,197</u>
Operating Expenses:			
Treatment	14,745	3,057	17,802
Source of Supply	7,147	-	7,147
Transmission, Collection and Distribution	4,900	27,827	32,727
Contractual Services	19,800	49,800	69,600
Utilities	26,235	79,570	105,805
Repairs and Maintenance	100,233	97,255	197,488
Depreciation	111,041	344,268	455,309
General and Administrative	156,556	156,555	313,111
Total Operating Expenses	<u>440,657</u>	<u>758,332</u>	<u>1,198,989</u>
Operating Income (Loss)	<u>(38,290)</u>	<u>(335,502)</u>	<u>(373,792)</u>
Non-Operating Revenue & (Expenses):			
Taxes:			
Property	195,650	195,649	391,299
Specific Ownership	12,752	12,753	25,505
Penalty & Interest on Taxes	334	333	667
Miscellaneous income	13,030	13,031	26,062
Interest Income	74,092	74,092	148,183
Total Non-Operating Revenues	<u>295,856</u>	<u>295,856</u>	<u>591,716</u>
Income (Loss) Before Capital Contributed	<u>257,566</u>	<u>(39,646)</u>	<u>217,924</u>
Plant Investment Fees	57,165	100,425	157,590
Change In Net Position	<u>\$ 314,731</u>	<u>\$ 60,779</u>	<u>375,514</u>
Net Position - Beginning of Year			<u>11,333,392</u>
Net Position - End of Year			<u>\$ 11,708,906</u>

The Accompanying notes are an integral part of this financial statement.

Roaring Fork Water & Sanitation District
Statement of Cash Flows
For the year ended December 31, 2023

Cash Flow from Operating Activities:

Cash Received From Customers	\$ 839,673
Cash Paid to Suppliers	(757,048)
Net Cash Provided (Used) by Operating Activities	<u>82,625</u>

Cash Flows from Non-Capital Financing Activities:

Taxes Received	417,471
Net Cash Provided (Used) by Non-Capital Activities	<u>417,471</u>

Cash Flows from Capital Financing Activities:

Payment of Long-term debt	(55,714)
Non-operating Miscellaneous Income	26,063
Plant Investment Fees	157,590
Acquisition of Capital Assets	(133,539)
Net Cash Provided (Used) by Capital Financing Activities	<u>(5,600)</u>

Cash Flows from Investing Activities:

Increase in Investments	(622,559)
Interest on Investments	148,183
Net Cash Provided (Used) by Investing Activities	<u>(474,376)</u>
Net Increase in Cash & Cash Equivalents	20,120

Cash and Cash Equivalents, January 1,	123,907
Cash and Cash Equivalents, December 31,	<u><u>\$ 144,027</u></u>

Reconciliation of Cash and Cash equivalents:

Checking and Savings	\$ 17,730
Designated Cash and cash equivalents	
Water Reserve	76,998
Sewer Reserve	28,786
Water system Investment Fund	20,513
	<u>126,297</u>
	<u><u>\$ 144,027</u></u>

Reconciliation of Net Operating Income (Loss) to:

Net Cash provided by (Used) by Operations:	
Net Income (Loss) from Operations	<u>\$ (373,792)</u>

Adjustments to Reconcile Net Income (Loss) to

Net Cash Provided by (Used in) Operations	
Depreciation Expense	455,309
Decrease (Increase) in Customer Receivables	4,089
Decrease (Increase) in Other Receivables	2,231
Decrease (Increase) in Prepaid Expenses	(2,226)
Increase (Decrease) in Accounts Payable	(1,963)
Increase (Decrease) in Prepaid Service Fees	(1,024)
Total Adjustments	<u>456,416</u>

Net Cash Provided (Used) by Operating Activities	<u><u>\$ 82,625</u></u>
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The Accompanying notes are an integral part of this financial statement.

Roaring Fork Water & Sanitation District
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies of the Roaring Fork Water & Sanitation District (the District) conform to generally accepted accounting principles applicable to governments. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

FINANCIAL REPORTING ENTITY

The Roaring Fork Water & Sanitation District (the District) was organized pursuant to provisions set forth in the Colorado Special District Act. The governing body of the District consists of a five-member Board of Directors which is elected by the registered voters of the District. The purpose of the District is to provide water and wastewater treatment services to the District's service 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 can 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 to 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 District operations.

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 the determination of operating income, changes in the Net Position, financial position, and cash flows. The generally accepted accounting principles applicable are those like 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.

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.

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.

Roaring Fork Water & Sanitation District
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CAPITAL ASSETS

The fund of the District is accounted for on a cost of service or “capital maintenance” measurement focus. This means that all assets and all liabilities associated with the activity of the District are included on the balance sheet. Equipment and property that cost \$2,000 or more and has a minimum life of two years is recorded at cost. Depreciation of all fixed assets is charged as an expense against operations. Depreciation is provided over estimated useful lives of 5-40 years using the straight-line method. Repair and maintenance expense is charged to expense as incurred while significant betterments and replacements are recorded as increases to equipment. As assets are retired or disposed of, the cost and associated accumulated depreciation are removed from the accounts, and gains or losses on the sale or disposal are included in the income.

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.
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 are 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.

FAIR VALUE 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 several financial instruments, including cash and equivalents, receivables, 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.

USE 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.

Roaring Fork Water & Sanitation District
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

All service fees become a lien on property if not paid. All service fees were considered collectable on December 31, 2023.

COMPENSATED ABSENCES

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

DESIGNATED ASSETS

Certain cash amounts have been designated to reflect tap payments and developer contributions that are being held for future capital improvements.

DEVELOPER CONTRIBUTED FIXED ASSETS

The Developer donated fixed assets are valued at their estimated fair market value when the system is turned over to the District. At this point, the district is responsible for maintaining the systems.

PROPERTY TAXES RECEIVABLE AND DEFERRED INFLOW OF RESOURCES

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 a deferred inflow of resources.

LONG-TERM OBLIGATIONS

The long-term obligation of the district consists of two accounts payable related to reimbursement of tap fees to developers.

SUBSEQUENT EVENTS

Management has reviewed subsequent events through the date of the audit report.

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.

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.

Roaring Fork Water & Sanitation District
Notes to the Financial Statements
December 31, 2023

NOTE 2 – DEPOSITS

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 always 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.

On 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 \$144,027 of which all was covered by FDIC.

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 and 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' acceptance 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; and

The investing local government's own securities including certificates of participation and lease obligations.

Total Cash and Cash Equivalents

A summary of the District's cash and investments on December 31, 2023, is as follows:

Checking	\$17,730
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Roaring Fork Water & Sanitation District
Notes to the Financial Statements
December 31, 2023

NOTE 2 – DEPOSITS

Investments

Liquid Asset Trust (COLOTRUST) an investment The District also places money in public entity cash investment pools authorized by Colorado statutes. On December 31, 2023, the District had \$3,140,400 of total investments. \$2,627,139 was invested in Colorado Government vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value of \$1.00. Investments of COLOTRUST consist of U.S. Treasury notes, U.S. Government Agency Securities, repurchase agreements collateralized by U.S. Treasury securities, and Commercial Papers. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian's internal records identify the investment owned by COLOTRUST. The State of Colorado's Division of Securities is responsible for regulatory oversight of these pools. These pools are not required to be and are not registered with the SEC. COLOTRUST's two funds are rated AAA by Standard and Poor's and Moody's AA+ rating service.

\$513,261, was invested is Certificate of Deposit with a maturity date of June 26, 2024 and at a rate of 5.0%.

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The district's investments, other than COLOTRUST, are classified as Level 1 of the fair value hierarchy. Level 1 investments are investments valued using prices quoted in active markets for identical securities. The district has no Level 2 or Level 3 investments.

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.

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.

NOTE 3 – RISK ASSESSMENT

The District is exposed to various risks of loss related to property and casualty loss. The District joined with other Colorado Special Districts as a member of the Colorado Special Districts Property and Liability Pool.

The pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public official's liability, and equipment coverage to its members. The pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$2,000,000 plus an additional \$2,000,000 in an Umbrella rider.

The District pays annual premiums to the pool for liability and property insurance coverage. In the event aggregated losses incurred by the pool exceeded amounts recoverable from reinsurance contracts and funds accumulated by the pool, the pool may require additional contributions from members. Any excess funds that the pool determines are not needed for the purposes of the pool may be returned to the members pursuant to a distribution formula.

Roaring Fork Water & Sanitation District
Notes to the Financial Statements
December 31, 2023

NOTE 4 – LONG-TERM LIABILITIES

Accounts Payable to Developer:

The District has agreements with the several developers to reimburse the costs of construction and installation of the sewer and water systems.

TAP FEE REIMBURSEMENT - DOMESTIC WATER:

The District reimburses \$1,575 of each \$3,700 water tap received from customers to reimburse the developers of the respective subdivisions, or their successors, the cost of the wholesale water facilities for each subdivision until the cost of the wholesale water facilities is recovered by the developers to the best of the District's ability. Change in the amount payable was as follows:

Balance 12/31/22	\$ 736,933
Payment 2023	<u>22,759</u>
Balance 12/31/23	<u>\$ 714,174</u>

TAP FEE REIMBURSEMENT – SANITARY SEWER

The District reimburses \$3,900 of each \$6,500 sewer tap received from customers to the developer of the respective subdivision, or their successors, the cost of the wholesale sewer facilities for each subdivision until the cost of the wholesale sewer facilities is recovered by the developers to the best of the District's ability. Change in the amount payable was as follows:

The change in the sewer agreement during 2023 is as follows:

Balance 12/31/22	\$ 461,387
Payment 2023	<u>32,955</u>
Balance 12/31/23	<u>\$ 428,432</u>

NOTE 5 – WATER RIGHTS

Water Rights

The District has received water rights in various ditches and wells from the developer of the District. The rights were either included in the purchase price of the original ranch property and have been subsequently estimated or have been decreed through court action and the costs involved have been capitalized.

NOTE 6 - TABOR

In November 1992, Colorado voters approved Amendment 1 to the State Constitution, which is commonly known as the Taxpayers' Bill of Rights, or the TABOR Amendment. The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refunding to lower interest rates and adding employees to pension plans). The amendment does not apply to units of local government that are defined as an "Enterprises."

The amendment defined the District's year ended December 31, 1996, as the initial base year for purposes of defining compliance with the amendment. Increases in revenues from one year to the next are limited by local growth and inflation. The amendment defines inflation and local growth. The District must refund excess income to taxpayers on some sort of reasonable basis unless the voters were to approve retention of the revenue.

The district believes that, since it has "De-Bruced," and is exempt from the provisions of the Tabor Amendment, as it is currently understood, it is in compliance with the law. Many of the provisions may not become fully understood without judicial review.

Roaring Fork Water & Sanitation District
Notes to the Financial Statements
December 31, 2023

NOTE 7 – CONTRIBUTED CAPITAL

Contributed capital for 2023 consisted of plant investment fees (Tap Fees) of \$57,165 for water taps and \$100,425 for sewer taps.

NOTE 8 – CAPITAL ASSETS

A summary of changes in fixed assets follows.

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
Land Improvements	\$ 97,793	\$ -	\$ -	\$ 97,793
Source of Supply	1,213,151	12,206	-	1,225,357
Water Plant and Distribution	3,144,063	-	-	3,144,063
Sewer Plant and Distribution	8,523,935	-	-	8,523,935
Equipment	2,656,270	33,333	-	2,689,603
Furniture & Fixtures	37,119	-	-	37,119
Total	<u>15,672,331</u>	<u>45,539</u>	<u>-</u>	<u>15,717,870</u>
Land	295,000	-	-	295,000
CIP System	91,986	88,000	-	179,986
Total Property, Plant and Equipment	<u>16,059,317</u>	<u>133,539</u>	<u>-</u>	<u>16,192,856</u>
Accumulated Depreciation	<u>(6,108,556)</u>	<u>(455,309)</u>	<u>-</u>	<u>(6,563,865)</u>
Net Property, Plant and Equipment	<u>\$ 9,950,761</u>	<u>\$ (321,770)</u>	<u>\$ -</u>	<u>\$ 9,628,991</u>

Depreciation for the year ended computed on the straight-line basis over estimated useful lives of 5-40 years was as follows.

Depreciation Water	\$ 111,041
Depreciation Sewer	<u>344,268</u>
Total Depreciation	<u>\$ 455,309</u>

NOTE 9 – 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 has not had an event that would trigger recording a liability, but is evaluating their assets, if such an event would occur.

Roaring Fork Water & Sanitation District
Notes to the Financial Statements
December 31, 2023

Supplemental Information

Roaring Fork Water & Sanitation District
Statement of Revenue & Expenses-Actual and Budget (Non-GAAP Budgetary Basis)
For the year ended December 31, 2023

	Actual	Final Budget	Variance Favorable (Unfavorable)
Revenues:			
Water System Charges	\$ 402,367	\$ 376,150	\$ 26,217
Sewer System Charges	422,830	433,950	(11,120)
Interest Income	148,183	55,200	92,983
Miscellaneous income	26,062	0	(26,062)
Plant Investment Fees	157,590	428,400	(270,810)
Taxes:			
Property Taxes	391,299	391,267	(32)
Specific Ownership	25,505	8,833	16,672
Penalty & Interest on Taxes	667	300	367
Total Revenue	1,574,503	1,694,100	(171,785)
Expenses:			
Water System:			
Raw Water Purchased	7,147	10,555	3,408
Chemicals	14,745	12,900	(1,845)
Testing	4,900	6,200	1,300
Plant Operator	19,800	19,800	-
Maintenance & Repairs	97,223	64,700	(32,523)
Utilities	26,235	31,500	5,265
Hydrant Repair & Maintenance	3,010	0	(3,010)
Capital Outlays	-	-	-
Total Water System	173,060	145,655	(27,405)
Sewer System:			
Utilities	79,570	78,650	(920)
Chemicals	3,057	2,900	(157)
Transmission & Collection	27,827	25,900	(1,927)
Maintenance & Repairs	97,255	164,000	66,745
Operator Contracts	49,800	49,800	-
Capital Outlays	-	-	-
Contingency	-	-	-
Total Sewer System	257,509	321,250	63,741

Roaring Fork Water & Sanitation District
Statement of Revenue & Expenses-Actual and Budget (Non-GAAP Budgetary Basis)
For the year ended December 31, 2023

	Actual	Final Budget	Variance Favorable (Unfavorable)
Administration:			
Auto & Travel	4,829	4,300	(529)
Billing Clerk	30,042	33,400	3,358
Customer Service Manager	41,430	57,000	15,570
Data Processing	14,902	20,570	5,668
District Manager	93,721	91,430	(2,291)
County Treasurer Fees	7,839	8,800	961
Dues & Training	1,977	1,800	(177)
Insurance	26,447	24,000	(2,447)
Office Supplies	10,153	17,420	7,267
Directors Fees	3,675	4,275	600
Mapping	76	3,200	3,124
Postage	2,564	2,900	336
Professional Services			
Audit	6,200	6,200	-
Engineering	17,803	33,000	15,197
Legal	29,484	28,000	(1,484)
Other	13,962	3,400	(10,562)
Utilities	8,007	8,600	593
Capital Outlays	-	-	-
Total Administration	<u>313,111</u>	<u>348,295</u>	<u>35,184</u>
Debt Service:			
Tap Reimbursement to Developer-Water	22,759	58,275	35,516
Tap Reimbursement to Developer-Sewer	32,955	62,400	29,445
Total Debt Service	<u>55,714</u>	<u>120,675</u>	<u>64,961</u>
Capital Outlay:			
Water Treatment	33,333	-	(33,333)
Sewer Treatment	12,206	-	(12,206)
Capital Projects	88,000	775,000	687,000
Total Capital Outlay	<u>133,539</u>	<u>775,000</u>	<u>641,461</u>
Total Expenses	<u>932,933</u>	<u>1,710,875</u>	<u>777,942</u>
Net Income Non-GAAP Budgetary Basis	<u>641,570</u>	<u>\$ (16,775)</u>	<u>\$ 606,157</u>
Adjustments to GAAP Basis:			
Add:			
Capital Outlays	133,539		
Debt Service Payments	55,714		
Less:			
Depreciation Expense	(455,309)		
Total Adjustments to GAAP Basis	<u>(266,056)</u>		
Net Income (Loss) GAAP Basis	<u>375,514</u>		
Net Position, January 1,	<u>11,333,392</u>		
Net Position, December 31,	<u><u>\$ 11,708,906</u></u>		