

Ralston Valley Water and Sanitation District

Jefferson County, Colorado

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2023 and 2022

Ralston Valley Water and Sanitation District

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of Ralston Valley Water and Sanitation District (the District), as of and for the years ended December 31, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

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

obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

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

Fiscal Focus Parnters, LLC

Arvada, Colorado
May 28, 2024

Ralston Valley Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

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

Financial Highlights

- Assets of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,504,845 (net position). Of this amount, \$1,535,526 (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 \$40,814 from the prior fiscal year.
- The District collected \$939,414 in operating revenue, a decrease of \$94,973 from the prior year, due primarily to a decrease in demand.
- Operating expenses decreased \$123,758 or 11% from the prior year.

Overview of the Financial Statements

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

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

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

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

**Ralston Valley Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023
(continued)**

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

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

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

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

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Ralston Valley Water and Sanitation District, assets exceeded liabilities and deferred inflows of resources by \$3,504,845 at the close of the most recent fiscal year.

Statement of Net Position

	December 31,		
	2023	2022	2021
Current assets	\$ 1,711,569	\$ 1,723,158	\$ 1,918,605
Capital assets	1,939,454	1,984,186	2,071,556
Total assets	3,651,023	3,707,344	3,990,161
Current liabilities	1,893	50,184	63,788
Long-term liabilities	144,285	170,239	414,751
Total liabilities	146,178	220,423	478,539
Deferred inflows of resources	-	22,890	244,263
Net Position			
Net investment in capital assets	1,939,454	1,950,204	1,743,914
Restricted	29,865	56,861	108,796
Unrestricted	1,535,526	1,456,966	1,414,649
Net position	\$ 3,504,845	\$ 3,464,031	\$ 3,267,359

- A portion of the District's net position (55%) reflects its investment in capital assets (e.g. infrastructure, plant, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital

Ralston Valley Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023
(continued)

assets to provide services to citizens; consequently these assets are *not* available for future spending.

- Restricted net position consists of \$29,865 restricted for emergencies under TABOR; the remaining net position of \$1,535,526 is unrestricted and available for on-going obligations of the District.

Changes in Net Position

	For the Years Ended December 31,		
	2023	2022	2021
OPERATING REVENUES			
Charges for services	\$ 935,198	\$ 1,028,784	\$ 929,184
Miscellaneous	4,216	5,603	3,364
Total operating revenues	<u>939,414</u>	<u>1,034,387</u>	<u>932,548</u>
OPERATING EXPENSES			
Administrative and general	228,201	203,281	197,690
Water purchases	441,186	498,094	460,406
Sewer treatment charges	124,657	144,911	155,280
Repairs and maintenance	78,522	143,871	92,870
Depreciation	81,203	87,370	91,462
Total operating expenses	<u>953,769</u>	<u>1,077,527</u>	<u>997,708</u>
OPERATING INCOME (LOSS)	<u>(14,355)</u>	<u>(43,140)</u>	<u>(65,160)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	31,236	2,026	146
Property taxes	21,648	231,292	266,306
Specific ownership taxes	3,212	19,875	24,816
Treasurer fees	(321)	(3,461)	(3,996)
Interest expense	(606)	(9,920)	(20,492)
Total nonoperating revenues (expenses)	<u>55,169</u>	<u>239,812</u>	<u>266,780</u>
CHANGE IN NET POSITION	40,814	196,672	201,620
NET POSITION - beginning of the year	<u>3,464,031</u>	<u>3,267,359</u>	<u>3,065,739</u>
NET POSITION - end of the year	<u>\$ 3,504,845</u>	<u>\$ 3,464,031</u>	<u>\$ 3,267,359</u>

**Ralston Valley Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023
(continued)**

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay and debt repayment in addition to operations and nonoperating revenue and expenses and contributions. Depreciation is not reflected in the budget since it does not affect funds available. Funds available (current assets, exclusive of property taxes receivable less current liabilities, exclusive of the current portion of long-term obligations) increased \$51,564 during 2023.

Capital Assets

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

	Capital Assets		
	December 31,		
	2023	2022	2021
Capital assets not being depreciated			
Easements	\$ 24,263	\$ 24,263	\$ 24,263
Capital assets being depreciated			
Water system	\$ 2,106,446	\$ 2,106,446	\$ 2,106,446
Sewer system	1,896,336	1,896,336	1,896,336
Equipment	87,730	51,259	51,259
Total	<u>4,090,512</u>	<u>4,054,041</u>	<u>4,054,041</u>
Less accumulated depreciation	<u>(2,175,321)</u>	<u>(2,094,118)</u>	<u>(2,006,748)</u>
Total capital assets			
being depreciated, net	<u>\$ 1,915,191</u>	<u>\$ 1,959,923</u>	<u>\$ 2,047,293</u>
Capital assets, net	<u>\$ 1,939,454</u>	<u>\$ 1,984,186</u>	<u>\$ 2,071,556</u>

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

Debt Administration

As of December 31, 2023 the District had no debt obligations. During 2023 the District paid the Water Pollution Control Loan in full.

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

Economic Factors and Next Year's Budget

- The District's Board moved to increase water and sewer rates as a result of increases from the City of Arvada.

**Ralston Valley Water and Sanitation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023
(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:

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

BASIC FINANCIAL STATEMENTS

Ralston Valley Water and Sanitation District

STATEMENTS OF NET POSITION

December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 486,530	\$ 1,500,357
Cash and cash equivalents - restricted	29,865	38,627
Investments	1,039,300	-
Investments - restricted	-	18,446
Accounts receivable	145,704	133,407
Property taxes receivable	123	22,890
Prepaid expenses	10,047	9,431
Total current assets	1,711,569	1,723,158
Capital assets not being depreciated	24,263	24,263
Capital assets being depreciated, net	1,915,191	1,959,923
Total assets	\$ 3,651,023	\$ 3,707,344
 LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,300	\$ 41,351
Accrued liabilities	231	231
Developer deposits	362	362
Accrued interest payable	-	212
Current portion of long-term obligations	-	8,028
Total current liabilities	1,893	50,184
Long-term liabilities		
Arvada paralleling contract	106,265	106,265
Arvada cost recovery contract	38,020	38,020
Loans payable	-	25,954
Total long-term liabilities	144,285	170,239
Total liabilities	146,178	220,423
 DEFERRED INFLOWS OF RESOURCES		
Deferred property tax	-	22,890
Total deferred inflows of resources	-	22,890
 NET POSITION		
Net investment in capital assets	1,939,454	1,950,204
Restricted		
Emergencies	29,865	38,627
Debt service	-	18,234
Unrestricted	1,535,526	1,456,966
Total net position	\$ 3,504,845	\$ 3,464,031

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

Ralston Valley Water and Sanitation District
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Charges for services	\$ 935,198	\$ 1,028,784
Miscellaneous	4,216	5,603
Total operating revenues	939,414	1,034,387
OPERATING EXPENSES		
Administrative and general	228,201	203,281
Water purchases	441,186	498,094
Sewer treatment charges	124,657	144,911
Repairs and maintenance	78,522	143,871
Depreciation	81,203	87,370
Total operating expenses	953,769	1,077,527
OPERATING INCOME (LOSS)	(14,355)	(43,140)
NONOPERATING REVENUES (EXPENSES)		
Interest income	31,236	2,026
Property taxes	21,648	231,292
Specific ownership taxes	3,212	19,875
Treasurer fees	(321)	(3,461)
Interest expense	(606)	(9,920)
Total nonoperating revenues (expenses)	55,169	239,812
CHANGE IN NET POSITION	40,814	196,672
NET POSITION - beginning of the year	3,464,031	3,267,359
NET POSITION - end of the year	\$ 3,504,845	\$ 3,464,031

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

Ralston Valley Water and Sanitation District
STATEMENTS OF CASH FLOWS
December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 926,994	\$ 1,034,704
Payments to suppliers for goods and services	(770,927)	(811,691)
Payments to employees for services	(142,306)	(142,306)
Net cash provided (used) by operating activities	13,761	80,707
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	21,648	231,292
Specific ownership taxes	3,212	19,875
County Treasurer's fees	(321)	(3,461)
Net cash provided (used) by noncapital financing activities	24,539	247,706
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(36,471)	-
Loan principal payments	(33,982)	(293,660)
Loan interest payments	(818)	(11,756)
Net cash provided (used) by capital and related financing activities	(71,271)	(305,416)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) decrease in investment principal	(1,039,300)	-
Interest earnings received	31,236	2,026
Net cash provided (used) by investing activities	(1,008,064)	2,026
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,041,035)	25,023
CASH AND CASH EQUIVALENTS - beginning of year	1,557,430	1,532,407
CASH AND CASH EQUIVALENTS - end of year	\$ 516,395	\$ 1,557,430
 RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (14,355)	\$ (43,140)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	81,203	87,370
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(12,420)	317
Prepaid expenses	(616)	(1,220)
Increase (decrease) in:		
Accounts payable	(40,051)	37,380
Total adjustments	28,116	123,847
Net cash provided (used) by operating activities	\$ 13,761	\$ 80,707

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

Ralston Valley Water and Sanitation District

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 1 – Definition of reporting entity

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

Note 2 – Summary of significant accounting policies

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

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

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

Basis of Accounting

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

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

Operating revenues and expenses

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

Cash equivalents

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

Accounts receivable, allowance for doubtful accounts

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

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measureable. The deferred property tax revenues are recorded as revenue in the year they are available or collected. The District paid off its debt in full in the current year and service fees and other revenues appear to be sufficient for funding operations. Therefore, the District's Board of Directors elected not to certify a mill levy to the Jefferson County Commissioners for tax collection in 2024.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

Capital assets

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

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

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

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

Compensated absences

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

Capital contributions

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

Budgets

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

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

Use of estimates

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

Note 3 – Cash and investments

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 486,530	\$ 1,500,357
Cash and cash equivalents - restricted	29,865	38,627
Investments	1,039,300	-
Investments - restricted	-	18,446
Total cash and investments	<u>\$ 1,555,695</u>	<u>\$ 1,557,430</u>

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

Deposits with financial institutions	\$ 516,395	\$ 1,538,984
Investments	1,039,300	18,446
Total cash and investments	<u>\$ 1,555,695</u>	<u>\$ 1,557,430</u>

At December 31, 2023 and 2022, the District's cash deposits had bank balances of \$553,864 and \$1,556,468 with carrying balances of \$516,395 and \$1,538,984 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 \$250,000. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

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:

	<u>2023</u>	<u>2022</u>
Bank balances:		
Federally insured	\$ 250,000	\$ 250,000
Collateralized	303,864	1,306,468
Total bank balances	<u>\$ 553,864</u>	<u>\$ 1,556,468</u>
Carrying balances:		
Federally insured	\$ 250,000	\$ 250,000
Collateralized	266,395	1,288,984
Total carrying balances	<u>\$ 516,395</u>	<u>\$ 1,538,984</u>

Investments

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

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

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

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

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

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

As of December 31, 2023 and 2022, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2023</u>	<u>2022</u>
Colorado Surplus Asset Fund (CSAFE)	Weighted average under 60 days	\$ 8,647	\$ 18,446
CSAFE Core	Weighted average under 180 days	1,030,653	-
Total investments		<u>\$1,039,300</u>	<u>\$ 18,446</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) and CSAFE Core (CORE), which are investment vehicles established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAmmf by Fitch Ratings. CORE authorized securities primarily include highly rated commercial paper and corporate bonds, bank deposits (collateralized through PDPA) and other Colorado LGIP funds inclusive of other funds offered by the Trust as allowed. CORE operates similarly to a money market fund and each share is equal in value to \$2.00. CORE is rated AAaf/S1 by Fitch Ratings. CSAFE and CORE records its investments at amortized cost and the District records its investments in CSAFE and CORE at net asset value using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

Restricted cash and investments

The District had restricted cash of \$29,865 and \$38,627 for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 7), as of December 31, 2023 and 2022. The District had restricted investments of \$0 and \$18,446 restricted by election for debt service, as of December 31, 2023 and 2022.

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				
Easements	\$ 24,263	\$ -	\$ -	\$ 24,263
Total capital assets, not being depreciated	24,263	-	-	24,263
Capital assets being depreciated				
Water system	2,106,446	-	-	2,106,446
Sewer system	1,896,336	-	-	1,896,336
Equipment	51,259	36,471	-	87,730
Total capital assets being depreciated	4,054,041	36,471	-	4,090,512
Less accumulated depreciation for				
Water system	(1,070,887)	(43,543)	-	(1,114,430)
Sewer system	(981,224)	(34,131)	-	(1,015,355)
Equipment	(42,007)	(3,529)	-	(45,536)
Total accumulated depreciation	(2,094,118)	(81,203)	-	(2,175,321)
Total capital assets being depreciated, net	1,959,923	(44,732)	-	1,915,191
Capital assets, net	<u>\$ 1,984,186</u>	<u>\$(44,732)</u>	<u>\$ -</u>	<u>\$ 1,939,454</u>

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

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

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

Depreciation expense of \$81,203 and \$87,370 for the years ended December 31, 2023 and 2022, respectively, was charged to water and sewer operations.

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

Note 5 – Long term obligations

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Direct Placement Borrowings:					
CWRPDA Water Pollution Control Revolving Loan	33,982	-	33,982	-	-
Total long-term obligations	<u>\$ 33,982</u>	<u>\$ -</u>	<u>\$ 33,982</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

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

The loan agreement, for a total principal amount of \$1,200,000, between the District and Colorado Water Resources and Power Development Authority (CWRPDA) was entered into for the purpose of upgrades to the sewer system. Payments of principal and interest, in the amount of 3.75%, are due May 1 and November 1 each year through November 1, 2026. Prepayments of amounts owing is allowable, subject to certain conditions as set forth in the loan agreement. During the year ended December 31, 2022, the District made additional principal payments on the loan of \$75,178. During the year ended December 31, 2023, the District paid off the loan in full.

Operations and Maintenance Reserve Requirement – CWRPDA Loans

Pursuant to the loan agreement, the District is required to maintain an Operations and Maintenance Reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the District's water and sewer system as set forth in the annual budget for the current fiscal year. The reserve may be in the form of unobligated fund balances, or other unobligated cash or securities, or may be in a separate segregated fund. If the operations and maintenance reserve falls below this requirement, the shortfall shall be made up in twenty four substantially equal monthly installments beginning the second month after such shortfall. As of December 31, 2023 and 2022, the required operating reserve was \$0 and \$268,060, respectively.

Covenants and Remedies of Default – CWRPDA Loans

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

Debt authorization

At December 31, 2023, the District had no authorized but unissued indebtedness.

Note 6 – Agreements

Arvada Paralleling Contract

In 1974, the District entered into an agreement with the City of Arvada to provide sewer collection services. The District collects a \$244 surcharge with every sewer tap fee sold to defray the costs of any additions or parallel lines that may be needed for the City's

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

system. The City may request reimbursement for these surcharge fees at any time. The District's liability for any additional lines is limited to the surcharge fees collected. At December 31, 2023 and 2022, the District's liability under this agreement was \$106,265.

Arvada Cost Recovery Contract

The City of Arvada allowed the District to use a water transmission main line, which saved the District substantial construction costs. In 1974, the District agreed to reimburse the City with an initial down payment plus future payments totaling \$60,000. The District collects a \$30 fee with each residential tap fee and remits the fees to the City in payment of this obligation. At December 31, 2023 and 2022, the District's liability under this agreement was \$38,020.

Note 7 – Net position

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

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

	2023	2022
Capital assets, net	\$ 1,939,454	\$ 1,984,186
Current portion of long-term obligations	-	(8,028)
Long-term obligations	-	(25,954)
Net investment in capital assets	\$ 1,939,454	\$ 1,950,204

Restricted assets include Net Position that is restricted for use either externally imposed by creditors, net grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The purposes of the restrictions of Net Position are described in Note 3. As of December 31, 2023 and 2022, the District had restricted Net Position as follows:

	2023	2022
Emergency reserve	\$ 29,865	\$ 38,627
Debt service	-	18,234
	\$ 29,865	\$ 56,861

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

As of December 31, 2023 and 2022, the District has unrestricted Net Position of \$1,535,526 and \$1,456,966, respectively.

Note 8 – Commitments

As of December 31, 2023 and 2022, the District was under contract with the City of Arvada for its purchase of water and treatment of sewage.

Note 9 – Risk management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is 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, and public officials' liability and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 10 – Tax, spending and debt limitations

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local

Ralston Valley Water and Sanitation District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023 and 2022

governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

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

SUPPLEMENTAL INFORMATION

Ralston Valley Water and Sanitation District

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

For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Water service charges	\$ 817,000	\$ 731,270	\$ (85,730)
Sewer service charges	195,762	203,928	8,166
Property taxes	30,000	21,648	(8,352)
Specific ownership taxes	1,000	3,212	2,212
Net investment income	1,461	31,236	29,775
Tap fees	55,365	-	(55,365)
Miscellaneous income	4,631	4,216	(415)
Total revenues	1,105,219	995,510	(109,709)
EXPENDITURES			
Answering service	2,616	3,231	(615)
Automobile expense	6,886	17,805	(10,919)
Billing service	2,000	1,923	77
Directors fees	6,000	5,700	300
Engineering	1,920	-	1,920
Payroll taxes	12,089	11,832	257
Insurance	12,705	11,416	1,289
Licenses and permits	-	1,200	(1,200)
Location services	10,000	309	9,691
Professional services	16,500	15,234	1,266
Office supplies	6,900	7,907	(1,007)
Outside services	-	3,000	(3,000)
Rent	4,800	4,832	(32)
Repairs and maintenance	130,000	75,522	54,478
Salaries	138,900	144,003	(5,103)
Sewage treatment charge	199,000	124,657	74,343
Treasurer fees	-	321	(321)
Utilities	1,124	1,058	66
Water purchases	519,000	441,186	77,814
Water quality testing	1,800	1,751	49
Debt service	30,000	34,588	(4,588)
Capital outlay	-	36,471	(36,471)
Total expenditures	1,102,240	943,946	158,294
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	2,979	51,564	48,585
FUNDS AVAILABLE - beginning of year		1,658,142	
FUNDS AVAILABLE - end of year		\$ 1,709,706	

Ralston Valley Water and Sanitation District

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

For the Year Ended December 31, 2023

Revenues (budgetary basis)	\$ 995,510
Total revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>995,510</u>
Expenditures (budgetary basis)	943,946
Depreciation and amortization	81,203
Debt service - principal	(33,982)
Capital outlay	<u>(36,471)</u>
Total expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>954,696</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 40,814</u></u>