

**Berkeley Water and Sanitation District
Arvada, Colorado**

**Financial Statements
December 31, 2024**

**Berkeley Water and Sanitation District
Financial Report
December 31, 2024**

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MCMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Berkeley Water and Sanitation District
Arvada, Colorado**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Berkeley Water and Sanitation District (the "District"), as of and for the year ended December 31, 2024, which collectively comprise the District's basic financial statements as listed in the table of contents and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2024 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 ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. 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

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Berkeley Water and Sanitation District

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 U.S. 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 U.S. 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

U.S. GAAP requires the Management's Discussion and Analysis in section B 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 U.S. GAAS, 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.

**INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Berkeley Water and Sanitation District**

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund budgetary schedule in section E is presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary schedule is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
July 10, 2025**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

We, the financial managers of the Berkeley Water and Sanitation District (the "District"), offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2024.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. These components are discussed below.

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

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

The Statement of Revenues, Expenses, and Changes in Fund Net Position shows how the government's net position changed during the year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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., uncollected taxes.)

The Statement of Cash Flows shows the District's sources of cash inflows and outflows during the years presented. Cash flows are categorized among operating, non-capital financing, capital and related financing and investing activities, and unlike items reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position, these amounts are reported on the cash basis of accounting.

The District's financial statements can be found on pages C1 through C3 of this report.

Proprietary Funds: The District maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report business-type activities. The District uses an enterprise fund to account for its water and sanitation services.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Other Information: The Schedule of Revenues and Expenditures - Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis on page E1 provides a detailed comparison of the District's actual revenues and expenditures to budgeted amounts. As the District's budget was adopted in a manner that is not consistent with generally accepted accounting principles ("GAAP"), this schedule is presented on a non-GAAP basis with a reconciliation to GAAP basis.

The business-type activity of the District relates to water and sanitation services. There are currently no governmental-type activities occurring in the District.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

Financial Analysis of the District:

The following table shows the District's assets, liabilities and net position at the end of 2024 and 2023;

	<u>2024</u>	<u>2023</u>
Assets		
Current assets	2,861,799	2,614,693
Capital assets, net	<u>4,688,735</u>	<u>4,880,883</u>
 Total assets	 <u><u>7,550,534</u></u>	 <u><u>7,495,576</u></u>
 Liabilities & Deferred Inflows		
Current liabilities	58,637	58,742
Deferred inflows of resources	<u>387,626</u>	<u>365,965</u>
 Total liabilities & Deferred Inflows	 <u><u>446,263</u></u>	 <u><u>424,707</u></u>
 Net position		
Investment in capital assets, net of related debt	4,688,735	4,880,883
Restricted for emergencies	45,576	11,078
Unrestricted	<u>2,369,960</u>	<u>2,178,908</u>
 Total net position	 <u><u>7,104,271</u></u>	 <u><u>7,070,869</u></u>
 Total liabilities and net position	 <u><u>7,550,534</u></u>	 <u><u>7,495,576</u></u>

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$7,104,271. The largest portion of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to citizens.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

Financial Analysis of the District (continued):

Berkeley Water and Sanitation District's Change in Net Position

	<u>2024</u>	<u>2023</u>
Revenue		
Operating revenue	897,728	904,618
Non-operating revenue	<u>494,244</u>	<u>414,798</u>
Total revenue	<u>1,391,972</u>	<u>1,319,416</u>
Expenses		
Sewer treatment/Repairs and maintenance	1,204,091	937,376
Non-operating expenses	7,790	5,169
Depreciation	<u>219,894</u>	<u>212,982</u>
Total expenses	<u>1,431,775</u>	<u>1,155,527</u>
Income from operations	<u>(39,803)</u>	<u>163,889</u>
Tap fees and developer contributions	<u>73,096</u>	<u>54,960</u>
Change in net position	<u>33,293</u>	<u>218,849</u>
Net position - Beginning of Year	<u>7,070,869</u>	<u>6,852,020</u>
Net position - End of Year	<u>7,104,271</u>	<u>7,070,869</u>

The District experienced an overall increase in revenues of \$72,556 in 2024. This is primary due to increased property taxes and increased investment income.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

Budget Variances in the Enterprise Fund

Significant budget variances were as follows:

Revenues:				
Sewer service fees	846,792	862,886	16,094	Conservative budgeting, did not adopt a rate increase
Tap fees	91,280	127,232	35,952	Conservative budgeting
Investment income	24,500	100,935	76,435	District invested in two treasury funds
Total Revenues	<u>1,371,458</u>	<u>1,519,203</u>	<u>147,745</u>	
Expenditures:				
Water and Sewer Service:				
Salaries and payroll taxes	330,000	278,392	51,608	Conservative budgeting
Sewage treatment	688,854	704,350	(15,496)	Due to increase in tap fees and connection fee
Capital Outlay:				
Capital outlay	675,500	105,563	569,937	Budgeted for improvement for Denver Water, truck, rate study, and master plan study
Total Expenditures	<u>1,922,854</u>	<u>1,293,763</u>	<u>629,091</u>	

Capital Asset and Debt Administration

Capital Assets. The District recognized \$219,894 in depreciation expense during 2024. Additional information, as well as a detailed classification of the District's net capital assets, can be found in the Notes to the Financial Statements in Section D.

Long-term Debts. The District had no long-term debt as of December 31, 2024.

Economic Factors and Next Year's Budget and Rates

Berkeley Water and Sanitation District continued to match Metro Water Recovery's tap fee which is now \$5,910 for a ¾" residential tap in 2025. Berkeley anticipates 84 taps and system development fees in 2025 based on a development at 56th and Federal and another residential unit. Rates were kept the same in 2025 but sewer service revenue increased due to development in previous years.

Berkeley has four treasury funds that are staggered over three years and will invest two of those funds in 2025 to mature in 2027 and 2028. Interest from the treasury funds will be sent to the interest bearing account that Berkeley has with 1st Bank. Berkeley anticipates that property taxes will continue to increase as growth in the District continues.

Berkeley had an engineering firm complete a hydraulic study, a master plan, and a rate study at the end of 2024 which was completed in early 2025. The hydraulic study showed that the overall system is under capacity and would need more flow to increase the scour rate or more frequent jetting in low velocity areas. The master plan acknowledged the overall condition of the sewer mains with a five year plan to address the most severe conditions and the costs associated to complete the improvements. It also identified developers who submitted plans to Adams County as well as undeveloped land in the District with the potential for development. The rate study stated that Berkeley would need to increase their rates to cover these improvements in the future.

**BERKELEY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

Requests for Information

This 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 information should be addressed to: Sharon Whitehair, 4455 West 58th Avenue, Arvada, Colorado, 80002.

FINANCIAL STATEMENTS

Berkeley Water and Sanitation District
Statement of Net Position
December 31, 2024

Assets:

Current Assets:

Cash and cash equivalents	1,368,246
Investments	996,633
Cash with county treasurer	1,429
Receivables	
Service	103,643
Property taxes	387,626
Interest	4,222
Total Current Assets	2,861,799

Non-current Assets:

Land, buildings and improvements	322,796
Sewer lines	8,393,701
Office furniture and equipment	81,366
Less: Accumulated depreciation	(4,109,128)
Total Non-current Assets	4,688,735
Total Assets	7,550,534

Liabilities:

Current Liabilities:

Unearned revenue	18,702
Due to developers	26,922
Accrued payroll and related liabilities	13,013
Total Current Liabilities	58,637

Total Liabilities

58,637

Deferred Inflows of Resources:

Deferred property taxes	387,626
Total Deferred Inflows of Resources	387,626

Net Position:

Net investment in capital assets	4,688,735
Restricted for emergency reserve	45,576
Unrestricted	2,369,960
Total Net Position	7,104,271

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Berkeley Water and Sanitation District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2024

Operating Revenues:	
Service charges	868,028
Legal lien fee income	29,700
Total Operating Revenues	<u>897,728</u>
Operating Expenses:	
Water and sewer operations	1,204,091
Depreciation	219,894
Total Operating Expenses	<u>1,423,985</u>
Operating Income (Loss)	<u>(526,257)</u>
Non-operating Revenues (Expenses):	
Property taxes	374,742
Specific ownership taxes	18,567
Investment income	100,935
Treasurer's fees	(7,790)
Total Non-operating Revenues (Expenses)	<u>486,454</u>
Income (Loss) Before Capital Contributions	<u>(39,803)</u>
Capital Contributions:	
Contributions - tap fees	127,232
Contributiouons - tap fees paid to Metro Wastewater	(54,136)
Total Capital Contributions	<u>73,096</u>
Change in Net Position	33,293
Net Position - Beginning of Year	<u>7,070,869</u>
Net Position - End of Year	<u><u>7,104,271</u></u>

Berkeley Water and Sanitation District
Statement of Cash Flows
For the Year Ended December 31, 2024

Cash Flows From Operating Activities:	
Cash received from customers and others	911,485
Cash payments for goods and services	(926,988)
Cash payments to employees - salaries and benefits	(283,696)
Net Cash Provided (Used) by Operating Activities	<u>(299,199)</u>
Cash Flows From Non-Capital Financing Activities:	
Property and specific ownership taxes, net of collection fees	386,013
Net Cash Provided (Used) by Non-capital Financing Activities	<u>386,013</u>
Cash Flows From Capital and Related Financing Activities:	
Tap fees collected	127,232
Cash paid for capital acquisitions	(81,881)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>45,351</u>
Cash Flows From Investing Activities:	
Interest income received	100,935
Purchases of investments	(10,407)
Net Cash Provided (Used) by Investing Activities	<u>90,528</u>
Net Increase (Decrease) in Cash and Cash Equivalents	222,693
Cash and Cash Equivalents - Beginning of Year	<u>1,145,553</u>
Cash and Cash Equivalents - End of Year	<u><u>1,368,246</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	<u>(526,257)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	219,894
(Increase) decrease in accounts receivable	7,253
Increase (decrease) in accounts payable	(5,120)
Increase (decrease) in unearned revenue	6,504
Increase (decrease) in payroll liabilities	(5,304)
Increase (decrease) in developer liabilities	3,831
Total Adjustments	<u>227,058</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(299,199)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2024

I. Summary of Significant Accounting Policies

Berkeley Water and Sanitation District (the "District") was formed by order of the District Court in and for Adams County, Colorado, in February of 1961. The District is a quasi-municipal corporation and political subdivision of the State of Colorado. The District was established to ensure orderly and uniform administration of water and sewer operations within the jurisdictional boundaries of the District.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which 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 above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

B. Accounting Policies

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District uses a proprietary fund-type, an enterprise fund, to account for its activities, providing water and wastewater treatment services to taxpayers within the District's boundaries. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2024
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Financial Statement Presentation

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Financial Statement Accounts and Accounting Policies

1. Cash, Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, the District considers cash on hand, demand deposits, U.S. government obligations and other highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Investments are stated at fair value or net asset value. The change in fair value or net asset value of investments is recognized as an increase or decrease to investment assets and investment income.

Colorado statutes specify instruments in which local governments may invest including:

- Obligations of the U.S. and certain U.S. governmental agency securities
- Certain international agency securities
- General obligation and revenue bonds for U.S. local governmental entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2024
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. Any and all user charges 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 accounts has been made in the financial statements.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as unavailable property tax revenue.

4. Capital Assets

Capital assets, which include land, water rights, construction in progress, buildings and improvements, transmission systems, vehicles, and equipment, are reported in the financial statements. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

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. Buildings and improvements, water storage tanks, infrastructure, vehicles, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Sewer system, water lines	40
Buildings and improvements	40
Vehicles & equipment	7

5. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows (outflows) of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and increased by any unspent proceeds from related borrowings. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2024
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

6. Compensated Absences

The District allows its employees to accumulate paid time off (PTO), based on tenure. Employees with 1 to 5 years of PTO at a rate of 3.08 hours per week, increasing with additional years of service up to a maximum of 7.69 hours per week for employees with 16 or more years. Employees may carry forward up to 80 hours of unused PTO into the next calendar year. The District estimates how much of the leave is more likely than not to be used as paid leave and recognizes that portion as a liability for compensated absences. The District had a balance of \$3,174 for accrued compensated absences as of December 31, 2024.

7. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the respective life of the respective debt using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

The District had no authorized or unissued debt as of December 31, 2024.

8. Deferred Inflows and Outflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes levied in 2024 for collection in 2025 are reported as deferred inflows of resources.

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

10. Restricted and Unrestricted Resources

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.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2024
(continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The proprietary fund was adopted on a non-GAAP budgetary basis and has been reconciled to a GAAP basis in the financial statements. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2024.

- (1) For the 2024 budget, prior to August 25, 2023, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2023, only once by a single notification to the District.
- (2) On or before October 15, 2023, the Budget Director submitted to the District's Board of Directors a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) Prior to December 15, 2023, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (4) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) supplemental appropriations to the extent of revenues in excess of the estimate in the budget; (c) emergency appropriations; and (d) reduction of appropriations for which originally estimated revenues are insufficient.

Changes enacted by the Colorado Legislature delayed the Certification of County tax rolls. In November 2023, a short term property tax solution was passed during a special session, allowing Counties an extension to January 3, 2023 to provide final assessed valuations. The deadlines for the mill levy certifications was extended from December 15, 2023 to January 10, 2024.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2023 were collected in 2024 and taxes certified in 2024 will be collected in 2025. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (no later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2024
(continued)

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. For this purpose, the District has set aside \$45,576.

The electorate of the District approved the following ballot question:

Without creating any new tax or increasing any current taxes, shall Berkeley Water and Sanitation District be permitted effective January 1, 1996, and each year thereafter, to retain and spend any revenues in excess of the spending, revenue raising, or other limits in Article X, Section 20 of the Colorado Constitution, utilizing such revenues to maintain and improve the water and sanitation systems of the Berkeley Water and Sanitation District?

The District believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits and qualification as an enterprise, will require judicial interpretation.

III. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by the Federal Deposit Insurance Corporation ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures depositors up to \$250,000 for all accounts. Deposit balances over \$250,000 are collateralized as required by PDPA.

Deposits and investments are presented on the December 31, 2024 Statement of Net Position and Statement of Cash Flows as follows:

<u>Type</u>	<u>Standard & Poor's Rating</u>	<u>Carrying Amounts</u>	<u>Maturities</u>	
			<u>Less than one year</u>	<u>1 - 5 years</u>
<i>Deposits:</i>				
Petty cash	Not rated	300	300	-
Checking	Not rated	1,278,310	1,278,310	-
Money market	Not rated	89,636	89,636	-
U.S. Government securities	Not rated	996,633	996,633	-
Total		<u>2,364,879</u>	<u>2,364,879</u>	<u>-</u>

The District follows Colorado statutes regarding its investments.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2024
(continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

<u>Investments</u>	<u>Total</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market	89,636	-	89,636	-
U.S. Government securities	996,633	-	996,633	-
Total	1,086,269	-	1,086,269	-

The District has addressed the following risks as noted:

Credit Risk – State statutes authorize the District to only invest in bank deposits, general obligations of the U.S. Government and its agencies, repurchase agreements of less than 180 days and collateralized by U.S. Treasury or Federal Instrumentality Securities with a maturity not exceeding 5 years, highest rated commercial paper, certain bankers acceptances, local government investment pools, money market funds and certificates of deposit. The District’s policy is to restrict investments to only those permitted by state statute.

Concentration Risk – Investment diversification is utilized to avoid unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions or maturities. The District’s investments consist entirely of certificates of deposit within three financial institutions. However, these deposits are made with varied maturity dates and are collateralized for amounts over insured limits as required under Colorado State Statutes.

Interest Rate Risk – Colorado Revised Statutes limit the District’s investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from interest rates. The District’s investment policy is to follow the State Statute in order to reduce interest rate risk.

Berkeley Water and Sanitation District
Notes to the Financial Statements
December 31, 2024
(continued)

III. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for December 31, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Sewer system	8,393,701	-	-	8,393,701
Buildings and improvements	322,796	-	-	322,796
Office equipment	53,621	-	-	53,621
Vehicles	19,596	27,745	(19,596)	27,745
Total capital assets, being depreciated	<u>8,789,714</u>	<u>27,745</u>	<u>(19,596)</u>	<u>8,797,863</u>
Less accumulated depreciation for:				
Sewer system	3,686,320	209,843	-	3,896,163
Buildings and improvements	149,293	8,070	-	157,363
Office equipment	53,621	-	-	53,621
Vehicles	19,597	1,981	(19,596)	1,982
Total accumulated depreciation	<u>3,908,832</u>	<u>219,894</u>	<u>(19,596)</u>	<u>4,109,129</u>
Total capital assets, being depreciated, net	<u>4,880,882</u>	<u>(192,149)</u>	<u>-</u>	<u>4,688,735</u>
Total capital assets, net	<u><u>4,880,882</u></u>	<u><u>(192,149)</u></u>	<u><u>-</u></u>	<u><u>4,688,735</u></u>

IV. Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the TCW Risk Management Property and Liability Program, a joint powers authority established to provide property and liability coverage to its member governments. The program pools risks among its members to achieve cost-effective insurance coverage and risk management services. Under this arrangement, the District pays annual contributions to the TCW Risk Management pool, which are used to fund insurance premiums, claims, and administrative costs.

B. Metropolitan Wastewater Reclamation District

The District has an agreement with and is a member of Metropolitan Wastewater Reclamation District (Metro) for sewage treatment and disposal. The District pays Metro sewage treatment fees and bills the users for sewer service.

SUPPLEMENTARY INFORMATION

Berkeley Water and Sanitation District
Schedule of Revenues, Expenditures, and Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2024

	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Sewer service fees	846,792	862,886	16,094
Tap fees	91,280	127,232	35,952
Property taxes	365,986	374,742	8,756
Legal lien fee income	24,500	29,700	5,200
Specific ownership taxes	17,000	18,567	1,567
Investment income	24,500	100,935	76,435
Miscellaneous	700	4,541	3,841
Inspections and fees	700	600	(100)
Total Revenues	<u>1,371,458</u>	<u>1,519,203</u>	<u>147,745</u>
Expenditures:			
Water and Sewer Service:			
Accounting and auditing	11,000	9,850	1,150
Building and condo expense	15,000	11,799	3,201
Director's fees	7,000	6,700	300
General engineering	10,000	2,264	7,736
Insurance	55,000	47,339	7,661
Legal	20,000	9,800	10,200
Office supplies and expense	20,500	17,255	3,245
Miscellaneous expense	-	1,416	(1,416)
Property & liability, unemployment insurance	15,000	18,861	(3,861)
Repair and maintenance	66,200	72,384	(6,184)
Salaries and payroll taxes	330,000	278,392	51,608
Sewage treatment	688,854	704,349	(15,495)
Treasurer's fees	8,800	7,789	1,011
Capital Outlay:			
Capital outlay	675,500	105,563	569,937
Total Expenditures	<u>1,922,854</u>	<u>1,293,761</u>	<u>629,093</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(551,396)</u>	<u>225,442</u>	<u>776,838</u>
Reconciliation to GAAP Basis:			
Capitalized expenses		27,745	
Depreciation expense		(219,894)	
Net GAAP Basis Adjustments		<u>(192,149)</u>	
Change in Net Position		<u>33,293</u>	