

**HI-LAND ACRES WATER
AND SANITATION DISTRICT**

**BASIC FINANCIAL STATEMENTS and
INDEPENDENT AUDITORS' REPORT**

December 31, 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2 - 6
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10 – 19
Other Supplementary Information:	
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)	20
Schedule of Collection and Treatment Expenses And General and Administrative Expenses	21

FEIS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

193 SOUTH 27TH AVENUE, SUITE 100

BRIGHTON, COLORADO 80601-2662

(303) 659-1200 • FAX (303) 659-1204

Independent Auditors' Report

MEMBER OF
AMERICAN INSTITUTE OF CPAs
COLORADO SOCIETY OF CPAs

ROBERT R. FEIS, CPA

**Board of Directors
Hi-Land Acres Water and Sanitation District
Brighton, Colorado**

Opinion

We have audited the accompanying financial statements of Hi-Land Acres Water and Sanitation District, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 opinion.

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 within one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Feis & Co., A.C.

CERTIFIED PUBLIC ACCOUNTANTS
Brighton, CO

December 14, 2023

**HI-LAND ACRES WATER AND SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

This section provides a summary of the District's financial performance. It contains an overview and analysis of the District's financial activities for the year ended December 31, 2022. The financial statements are an integral part of this analysis and are contained within this document.

FINANCIAL HIGHLIGHTS

1. In 2022, net position totaled \$1,346,130, which represents an increase of \$32,745 (3%) when compared to 2021.
2. Total operating revenues were \$201,876 during 2022.
3. Total operating expenses were \$175,942 during 2022, which represents a decrease of \$180,205 (51%) when compared to 2021.
4. Total non-operating revenues were \$16,249 during 2022.
5. Total non-operating expenses were \$9,438 during 2022 which represents an increase of \$845 (3%) when compared to 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements. The basic financial statements are comprised of proprietary fund financial statements, notes to the financial statements, and supplemental information.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to private-sector businesses.

The statement of net position provides information regarding all of the District's assets, liabilities, and net position. Historically, changes (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 net position is displayed on page seven of the independent auditors report.

The statement of revenues, expenses and changes in net position provides information regarding the changes in net position during the course of the past year. Revenues are recorded as they are earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Proprietary Fund Financial Statements

A fund is a group of accounts used to maintain control of resources that have been set aside for specific activities or objectives. The District uses general fund accounting to account for all financial activities and to ensure and demonstrate compliance with finance related legal requirements.

Notes to Financial Statements

The notes provide detailed clarifying additional information necessary for a complete understanding of the data contained in the government-wide and fund financial statements.

FINANCIAL ANALYSIS

The true picture of the financial health of the District must take into account the operational policies and financial control practiced by the District.

Financial Policy Priorities

The financial goal of the District is to operate in a cost efficient manner that is similar to the practices of private enterprises. The District annually reviews its policies to assess their impact upon financial activities. Policies that affected financial activities are:

1. Debt service is funded from user fees.
2. Administration and operations are funded from user fees.
3. User fees will fund a portion of capital improvement needs.

Day-to-Day Operational Control of the District

For operational control, the District has segmented its budget into two categories: the water fund and the wastewater fund. This has improved the District's ability to easily track operating and non-operating revenues and expenditures. The funds provide for the operational needs of the District. The major source of revenue is user fees and real estate taxes. Expenditures are broken down into two areas: general and administrative, and collection and treatment. This encourages a critical review of how the District allocates its monetary resources.

Expenditures are identified through long-term financial planning, which identifies items that will need major repair or replacement. Expenditures are also made to ensure that the District continues to conform to state and environmental mandates.

Currently, the primary funding source is water and wastewater fees. The District, operating under the “pay-as-you-go” philosophy, is consciously building reserves sufficient to handle all infrastructure expenses that are anticipated and those that arise unexpectedly.

The District’s day-to-day operational control involves many levels of planning, forecasting and budgeting. Revenues and expenses are allocated to specific functions of the District. Monthly financial reports are presented to the Board of Directors. The reports contain monthly revenues and expenditures compared to the adopted budget.

A summary of the statement of net position is included below.

	<u>2022</u>	<u>2021</u>
Current assets	\$ 145,929	\$ 80,004
Non-current assets	<u>1,590,569</u>	<u>1,661,751</u>
Total assets	<u>1,736,498</u>	<u>1,741,755</u>
Current liabilities	25,201	50,794
Non-current liabilities	365,167	377,576
Deferred property taxes	<u>-</u>	<u>-</u>
Total liabilities	<u>390,368</u>	<u>428,370</u>
Net position:		
Invested in capital assets	1,188,165	1,237,668
Temporarily restricted	-	-
Unrestricted	<u>157,965</u>	<u>75,717</u>
Total net position	<u>\$ 1,346,130</u>	<u>\$ 1,313,385</u>

The above table shows the District to be in an overall healthy position, for a District of its size. It is also important to note that the District generally operates from year to year with a profit from operations.

The table below shows the revenues, expenses, and changes in net position for 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Total operating revenue	\$ 201,876	\$ 216,896
Total operating expenses	<u>(175,942)</u>	<u>(356,147)</u>
Net operating income (loss)	<u>25,934</u>	<u>(139,251)</u>
Non-operating revenue	16,249	15,761
Non-operating expenses	<u>(9,438)</u>	<u>(8,593)</u>
Net non-operating revenue	<u>6,811</u>	<u>7,168</u>
Change in net position	32,745	(132,083)
Beginning net position	<u>1,313,385</u>	<u>1,445,468</u>
Ending net position	<u>\$ 1,346,130</u>	<u>\$ 1,313,385</u>

On March 1, 2018 the District began discharge to the Metro Water Recovery (MWR) system. At that time the District ceased operation of its own wastewater treatment and relied completely on the Metro facility. This has represented a significant reduction in sewer maintenance and operation costs in 2019 going forward. At this time the District is generating sufficient revenue to meet current operating expenses. See “Economic Factors and Next Year’s Budgets and Rates” for further discussion

BUDGETARY HIGHLIGHTS

The schedule of revenues and expenses, actual and budget is included in the supplementary information. The budget is prepared on a cash basis and thus excludes depreciation and includes payments made on long-term debt.

CAPITAL ASSETS AND DEBT ACTIVITES

At the conclusion of 2022, the District had outstanding debt of \$387,053 for the loan issued by the Colorado Department of Local Affairs (DOLA). The State loan was incurred to defray well expansion costs at the north and south well sites. Funding from user fees is sufficient to pay the currently scheduled debt service amounts.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors and the management consider many factors when they set the budget for 2022. In 2018, the District applied for a \$650,000 loan at 2% interest from Colorado Water Resources and Development Authority. The entirety of this loan amount is to be used for slip-lining the current clay pipe sewer collection system. This system is now 40 years old and in need to upgrading. With the above in mind, projected user fees, growth, and plant investment fees are all evaluated and considered before the final budget is adopted. The current user fees are sufficient to pay the debt service amounts. This project commenced in the fall of 2019 and was completed in 2020.

CONTACTING THE DISTRICT'S MANAGER

This financial report is designed to provide our neighbors, customers, and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have any questions concerning this report or need additional information, please go to www.hilandacreswater.org or contact the manager at Hi-Land Acres Water and Sanitation District, PO Box 218, Brighton, CO 80601.

HI-LAND ACRES WATER AND SANITATION DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Adjustments</u>	<u>Total 2022</u>	<u>(Memorandum Only) 2021</u>
Current Assets					
Cash and cash equivalents	\$ 126,171	\$ -	\$ -	\$ 126,171	\$ 59,722
Restricted bond reserve account	-	-	-	-	-
Accounts receivable -					
Customers	8,694	6,613	-	15,307	15,831
Prepaid insurance	2,528	1,923	-	4,451	4,451
Due to/from other fund	188,900	-	(188,900)	-	-
Total Current Assets	<u>326,294</u>	<u>8,535</u>	<u>(188,900)</u>	<u>145,929</u>	<u>80,004</u>
Non-Current Assets					
Land and water rights	3,922	8,748	-	12,670	12,670
Water distribution system, net of accumulated depreciation	904,050	-	-	904,050	928,391
Other capital assets, net of accumulated depreciation	225,260	433,238	-	658,498	705,339
Patronage capital	8,719	6,632	-	15,351	15,351
Total Non-Current Assets	<u>1,141,951</u>	<u>448,618</u>	<u>-</u>	<u>1,590,569</u>	<u>1,661,751</u>
Total Assets	<u>1,468,245</u>	<u>457,153</u>	<u>(188,900)</u>	<u>1,736,498</u>	<u>1,741,755</u>
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,468,245</u>	<u>\$ 457,153</u>	<u>\$ (188,900)</u>	<u>\$ 1,736,498</u>	<u>\$ 1,741,755</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current Liabilities					
Accounts payable	\$ 1,148	\$ 873	-	\$ 2,021	\$ 18,199
Accrued interest payable	817	477	-	1,294	1,439
Due to/from other fund	-	188,900	(188,900)	-	-
Current portion of long-term debt	6,785	15,101	-	21,886	31,156
Total Current Liabilities	<u>8,750</u>	<u>205,351</u>	<u>(188,900)</u>	<u>25,201</u>	<u>50,794</u>
Non-Current Liabilities					
Long-term debt	-	365,167	-	365,167	377,576
Total Liabilities	<u>8,750</u>	<u>570,518</u>	<u>(188,900)</u>	<u>390,368</u>	<u>428,370</u>
Deferred Inflows of Resources					
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>8,750</u>	<u>570,518</u>	<u>(188,900)</u>	<u>390,368</u>	<u>428,370</u>
Net Position					
Net Position					
Invested in capital assets, net of related Debt	1,126,447	61,718	-	1,188,165	1,237,668
Temporarily restricted Other	-	-	-	-	-
Unrestricted	333,048	(175,083)	-	157,965	75,717
Total Net Position	<u>1,459,495</u>	<u>(113,365)</u>	<u>-</u>	<u>1,346,130</u>	<u>1,313,385</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,468,245</u>	<u>\$ 457,153</u>	<u>\$ (188,900)</u>	<u>\$ 1,736,498</u>	<u>\$ 1,741,755</u>

See independent auditors' report.
 The accompanying notes are an integral
 part of the financial statements

**HI-LAND ACRES WATER AND SANITATION DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	Water Fund	Wastewater Fund	Total 2022	(Memorandum Only) 2021
Revenues:				
Charges for Services	\$ 114,855	\$ 87,021	\$ 201,876	\$ 216,896
Total Revenue	<u>114,855</u>	<u>87,021</u>	<u>201,876</u>	<u>216,896</u>
Operating Expenses:				
Collection and treatment expenses	107,078	52,575	159,653	326,257
General and administrative expenses	<u>9,373</u>	<u>6,916</u>	<u>16,289</u>	<u>29,890</u>
Total Operating Expenses	<u>116,451</u>	<u>59,491</u>	<u>175,942</u>	<u>356,147</u>
Income (Loss) from Operations	(1,596)	27,530	25,934	(139,251)
Other Income (Expenses)				
Property taxes	13,317	-	13,317	12,367
Specific Ownership taxes	1,047	-	1,047	878
Interest income	94	-	94	98
Miscellaneous income	1,530	-	1,530	2,418
Oil royalties	144	117	261	-
Interest expense	<u>(189)</u>	<u>(9,249)</u>	<u>(9,438)</u>	<u>(8,593)</u>
Total Other Income (Expenses)	<u>15,943</u>	<u>(9,132)</u>	<u>6,811</u>	<u>7,168</u>
Change in net position	14,346	18,399	32,745	(132,083)
Net Position, Beginning of Year	<u>1,445,149</u>	<u>(131,764)</u>	<u>1,313,385</u>	<u>1,445,468</u>
Net Position, End of Year	<u>\$ 1,459,495</u>	<u>\$ (113,365)</u>	<u>\$ 1,346,130</u>	<u>\$ 1,313,385</u>

See independent auditors' report.
 The accompanying notes are an integral
 part of the financial statements

**STATEMENT
OF
CASH FLOWS**

**HI-LAND ACRES WATER AND SANITATION DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2022**

DIRECT METHOD

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total 2022</u>	<u>(Memorandum Only) 2021</u>
Cash flows from operating activities:				
Receipts from customers	\$ 115,153	\$ 87,247	\$ 202,400	\$ 217,195
Payments to vendors	<u>(83,369)</u>	<u>(37,757)</u>	<u>(121,126)</u>	<u>(289,323)</u>
Net cash provided (used) by operating activities	<u>31,783</u>	<u>49,491</u>	<u>81,274</u>	<u>(72,128)</u>
 Cash flows provided (used) for investing activities:				
Interest income received	<u>94</u>	<u>-</u>	<u>94</u>	<u>98</u>
Net cash provided (used) by investing activities	<u>94</u>	<u>-</u>	<u>94</u>	<u>98</u>
 Cash flows provided (used) by capital and related financing activities:				
Interest paid	(1,005)	(8,390)	(9,395)	(8,818)
Principal payments on long-term debt	(10,840)	(10,839)	(21,679)	(22,644)
Property and specific ownership taxes	14,364	-	14,364	13,245
Miscellaneous income	1,674	117	1,791	2,418
State loan proceeds	-	-	-	-
State grant proceeds	-	-	-	-
Transfers between funds	<u>30,379</u>	<u>(30,379)</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>34,571</u>	<u>(49,490)</u>	<u>(14,919)</u>	<u>(15,799)</u>
 Net increase (decrease) in cash	66,449	-	66,449	(87,829)
 Cash, beginning of year	<u>59,722</u>	<u>-</u>	<u>59,722</u>	<u>147,551</u>
 Cash, end of year	<u>\$ 126,171</u>	<u>\$ -</u>	<u>\$ 126,171</u>	<u>\$ 59,722</u>

**Reconciliation of Net Cash Provided (used) by
Operating Activities to Net Income (Loss) from Operations**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total 2022</u>	<u>(Memorandum Only) 2021</u>
Net income (loss) from operations	\$ (1,596)	\$ 27,530	\$ 25,934	\$ (139,251)
Adjustment to Reconcile Net Income to Cash Provided by Operating Activities:				
Depreciation Expense	42,271	28,911	71,182	71,270
Changes in Assets and Liabilities:				
Accounts receivable - (increase) decrease	298	226	524	299
Prepaid expenses - (increase) decrease	-	-	-	-
Accounts payable - increase (decrease)	<u>(9,189)</u>	<u>(7,177)</u>	<u>(16,366)</u>	<u>(4,446)</u>
Net cash provided (used) by operating activities	<u>\$ 31,783</u>	<u>\$ 49,491</u>	<u>\$ 81,274</u>	<u>\$ (72,128)</u>

See independent auditors' report.
The accompanying notes are an integral
part of the financial statements

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hi-Land Acres Water and Sanitation District is organized under the provisions of Section 32-1-305(6) C.R.S It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which include the power to levy taxes against property within the District. The District grants credit to its customers, all of whom are located in Adams County, Colorado. The District was formed in 1967.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which are applicable to governmental entities.

The following is a summary of significant accounting policies:

A. Principles Determining Scope of Reporting Entity

The financial statements of the District consist only of the funds and account groups of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and election of the respective governing board. Therefore in accordance with Governmental Accounting Standards Board Statement #14, the District is considered a stand-alone entity for financial reporting purposes.

B. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e. the statement of activities) report information on all of the non-fiduciary activities of the government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Accounting

The accounts of the District are organized on the basis of funds and account groups. Each fund and account group is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording assets together with all related liabilities, obligations, reserves and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following funds were used by the District during 2022:

Proprietary Funds

Water Fund – This fund is used to account for all activities related to providing fresh drinking water to residents of the District.

Wastewater Fund – This fund is used to account for all activities related to wastewater treatment and disposal for residents of the District.

C. Measurement Focus and Basis of Accounting

Measurement Focus

The accrual basis of accounting is used for reporting purposes of the proprietary funds of the District. Under the accrual method of accounting, revenues and the related assets are reported when they are earned, regardless of when they are received and expenses and the related liabilities are reported when they are incurred, regardless of when they are paid.

Encumbrance accounting is not used.

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

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The District prepares its budget on a basis consistent with generally accepted accounting principles and Colorado Revised Budgetary Statutes. All annual appropriations are at the total District level and lapse at fiscal year-end.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

E. Capital Assets

Capital assets purchased or acquired with an original cost of \$250 or more are stated at cost or fair market value, if donated. The cost of repairs and maintenance is charged against income as incurred. Significant renewals, betterments and improvements are capitalized.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Allowance for Bad Debts

No allowance for bad debts has been provided for customer receivables because, according to Colorado statute, the District's fees for providing services constitute a lien upon which the District may foreclose. In recent years, the District has not had significant collection problems.

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property Taxes

All taxable property within the District on January 1st each year is listed, appraised and valued as of January 1st, the official assessment date. At that time, property taxes are levied against the property, constituting a perpetual lien with priority over all other liens. Taxes are due and payable on January 1st following the year of assessment; however, they may be paid in either one installment due April 30th or two installments due February 28th and June 15th without penalty or interest. Unpaid amounts and accrued interest thereon become delinquent on June 16th.

The Governmental Accounting Standards Board has determined that property taxes should be accrued in the year of levy. Because these taxes are not available for use until the year subsequent to accrual, revenue is recognized in the subsequent year. Effective December 31, 2017, the District is no longer levying taxes. However, collections will continue to be made on taxes levied in previous years.

I. Budgets

Colorado state law requires the adoption of a budget and appropriations. Appropriations lapse at the end of the year. The budgets are prepared on the budgetary basis, which differs from a basis consistent with generally accepted accounting principles. Therefore, comparison of actual operations on the accrual basis to the budgets is not appropriate. However, a schedule comparing the actual activity on a budgetary basis to the budget is provided in the Supplementary Information section. The adjustments necessary to convert the actual revenues and expenditures to the budgetary basis for 2022 are as follows:

Changes in net position	\$ (132,083)
Add: Change in prepaids	---
Change in receivables	299
Depreciation	71,270
Loan proceeds	---
Less: Debt principal paid	(22,644)
Change in accrued expenses	(4,671)
Capital expenditures	---
Revenues over expenditures	\$ <u>(87,829)</u>

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Budgets (Continued)

The District's Board of Directors adopts the budget by resolution, usually in December each year. At that time, notice is published in local newspapers and the proposed budget is open to inspection by taxpayers and public hearings are held. The level of budgetary responsibility is by total appropriations.

2. CASH AND DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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. As of year-end the District's bank balance was insured, collateralized with securities of the financial institution's trust or collateralized with securities held by the pledging financial institution through PDPA.

At December 31, 2022, the District's cash deposits had a carrying balance of \$126,171 and corresponding bank balances as follows:

	<u>2022</u>	Memorandum Only <u>2021</u>
Insured deposits	\$ 126,171	\$ 59,722
Uninsured: Collateralized by financial institution	---	---
Total cash and cash equivalents	\$ <u>126,171</u>	\$ <u>59,722</u>

A summary of cash and cash equivalents, which are combined in the statement of net position, is as follows:

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

2. CASH AND DEPOSITS (Continued)

	<u>2022</u>	Memorandum Only <u>2021</u>
Cash on hand and in operating accounts	\$ 91,445	\$ 40,091
Savings accounts	<u>34,726</u>	<u>19,631</u>
Total cash and cash equivalents	\$ <u>126,171</u>	\$ <u>59,722</u>

3. CAPITAL ASSETS

Depreciation has been computed using the straight-line method based on lives of 10 to 50 years. Depreciation expense totaled \$71,182 and \$71,270 for the years ended December 31, 2022 and 2021, respectively.

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

	<u>Balance 12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2022</u>
<u>Not depreciated</u>				
Land and Water Rights	\$ <u>12,670</u>	\$ _____ -	\$ _____ -	\$ <u>12,670</u>
<u>Other capital assets</u>				
Water Distribution System	1,205,016	-	-	1,205,016
Treatment Plants	1,505,044	-	-	1,505,044
Source of Supply	201,214	-	-	201,214
Collection, transmission and distribution systems	<u>123,849</u>	_____ -	_____ -	<u>123,849</u>
Total Capital Assets	<u>3,047,793</u>	_____ -	_____ -	<u>3,047,793</u>
<u>Accumulated Depreciation</u>				
Water Distribution System	(276,625)	(24,341)	-	(300,966)
Treatment Plants	(850,439)	(42,638)	-	(893,077)
Source of Supply	(188,762)	(2,149)	-	(190,911)
Collection, transmission and distribution systems	<u>(85,567)</u>	<u>(2,054)</u>	_____ -	<u>(87,624)</u>
Total Accumulated Depreciation	<u>(1,401,393)</u>	<u>(71,182)</u>	_____ -	<u>(1,472,578)</u>
Net Capital Assets	<u>\$1,646,400</u>	<u>\$ (71,182)</u>	\$ _____ -	<u>\$1,575,218</u>

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

4. PATRONAGE CAPITAL

Patronage capital represents funds held by United Power, Inc., in connection with utility services provided. The amount retained may be paid back by United Power, Inc. at its option or when utility services are terminated by the District.

5. RESTRICTED NET POSITION

Net position is reported as restricted when there are limitations imposed on their use whether through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. When expenses are incurred for which restricted and unrestricted funds are available, the District considers restricted funds to be expended first.

6. LONG-TERM DEBT

Loan Payable

In 2003, the District applied for and received a loan from the Energy and Mineral Impact Assistance Program through the Colorado Department of Local Affairs (DOLA) in the amount of \$100,000 for a water system improvements project. The loan was funded from the State severance tax proceeds.

The loan is to be repaid from user rates and payments for services. The District agreed to establish rates and charges for these services in amounts sufficient to provide for the financial requirements of the project, including repayment of the loan. The loan requires 20 annual payments of \$8,024 beginning September 1, 2003, including interest at 5%. The loan has a \$0 balance at December 31, 2022.

In 2017, the District applied for and received a Water Pollution Control Revolving Fund loan in the amount of \$650,000. The loan requires 2 annual payments totaling \$29,217 beginning January 1, 2019, including interest at 2%.

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

6. LONG-TERM DEBT (Continued)

Future debt principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2023	\$ 21,886	\$ 7,331	\$ 29,217
2024	22,306	6,910	29,216
2025	22,774	6,443	29,217
2026	23,232	5,985	29,217
2027	23,699	5,518	29,217
2028-2032	125,808	20,275	146,083
2033-2037	<u>147,348</u>	<u>7,236</u>	<u>154,584</u>
Total	<u>\$ 387,053</u>	<u>\$ 56,698</u>	<u>\$ 446,751</u>

Changes in balances for long-term debt, including current portions are as follows:

	<u>Balance</u> <u>12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2022</u>	<u>Current</u> <u>Portion</u>
State Loan	\$ 7,642	\$ -	\$ (7,642)	\$ -	\$ -
State Revolving Loan	<u>401,090</u>	\$ -	<u>(14,037)</u>	<u>387,053</u>	<u>21,886</u>
Total	<u>\$ 408,732</u>	\$ -	<u>(21,679)</u>	<u>\$ 387,053</u>	<u>\$ 21,886</u>

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded commercial insurance coverage in the last several years.

8. MANAGEMENT FEES AND EXPENSES

ORC Water Professionals, Inc. services the District at a monthly flat rate of \$745, plus additional fees that are assessed for the testing of various water parameters.

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District does not believe that it is directly subject to the "TABOR" limitations. However, the District has made certain interpretations of language in the amendment to make that determination.

10. GOVERNMENT REGULATION

Substantially all of the District's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the District expect such compliance to have, any material effect upon the capital expenditures, net income, and financial condition of the District. Management believes that its current practices and procedures for the control and disposition of such waste comply with applicable federal, state, and local requirements.

11. INTER-FUND TRANSACTIONS

In 2022 the wastewater fund had a surplus of revenues over expenses. When the wastewater fund has a surplus of revenues over expenses, they are transferred from the water fund. These inter-fund accounts are eliminated on the financial statements. The cumulative amount owed between the funds was \$0 as of December 31, 2022.

12. METRO WASTEWATER RECLAMATION DISTRICT

During 2013, the District entered into an Inter-Government Agreement (IGA) with Metro Wastewater Reclamation District. The IGA provides for wastewater treatment to be provided by Metro Wastewater Reclamation District to the District. Each resident of the District is required to pay a connection fee of \$4,219. The connection fees paid by the District on residents' behalf were included in capital asset additions in 2013. As of both December 31, 2022, and 2021, there was a \$0 balance owed by residents to the District.

In connection with the IGA, the District has elected to decommission the District's existing wastewater treatment facility. This project spans multiple years and was completed in 2019.

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

13. SUBSEQUENT EVENTS

In accordance with the provisions of Statement of Financial Accounting Standards Codification 855, Subsequent Events, management must evaluate, through the date the financial statements are issued or are available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and disclose the date through which subsequent events were evaluated. The District's financial statements were available to be issued on the date of the Independent Auditors' Report, and this is the date through which subsequent events were evaluated. The District did not identify any subsequent events requiring disclosure.

See independent auditors' report.

**OTHER
SUPPLEMENTARY
INFORMATION**

HI-LAND ACRES WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget		Actual (Budgetary Basis)	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Charges for Services	\$ 214,450	\$ 214,450	\$ 201,876	\$ (12,574)
Property taxes	15,500	15,500	13,317	(2,183)
Specific Ownership taxes	1,000	1,000	1,047	47
Interest income	110	110	94	(16)
State loan proceeds	-	-	-	-
Miscellaneous income	2,125	2,125	1,530	(595)
Oil royalties	-	-	261	261
Total Revenues	233,185	233,185	218,125	(15,060)
Expenditures:				
Collection and treatment	169,800	169,800	159,653	10,147
General and administrative	35,160	35,160	16,289	18,871
Non-Operating Expenses				
Interest expense	5,200	5,200	9,438	(4,238)
Contingencies	7,500	7,500	-	7,500
Loan payments	21,300	21,300	21,679	(379)
Total Operating Expenses	238,960	238,960	207,059	31,901
Revenues Over (Under) Expenditures	\$ (5,775)	\$ (5,775)	\$ 11,066	\$ 16,841

See independent auditors' report.
The accompanying notes are an integral
part of the financial statements

**HI-LAND ACRES WATER AND SANITATION DISTRICT
 PROPRIETARY FUNDS
 SCHEDULE OF COLLECTION AND TREATMENT EXPENSES
 AND GENERAL AND ADMINISTRATIVE EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	Water Fund	Wastewater Fund	Total 2022	(Memorandum Only) 2021
Collection and Treatment:				
Depreciation	\$ 42,271	\$ 28,911	\$ 71,182	\$ 71,270
Engineering	-	-	-	6,880
Utilities	3,410	2,594	6,004	14,499
Sewer plant decommissioning	-	-	-	17,252
Service fees	17,577	13,260	30,837	27,166
Discharge fees	10,353	7,811	18,164	
Repairs and maintenance	30,398	-	30,398	183,236
Sample analysis and testing	3,068	-	3,068	5,954
Contingencies	-	-	-	-
Total Collection and Treatment	<u>\$ 107,078</u>	<u>\$ 52,575</u>	<u>\$ 159,653</u>	<u>\$ 326,257</u>
General and Administrative				
Accounting and auditing	\$ 2,054	\$ 1,549	\$ 3,603	\$ 9,434
Board compensation	2,622	1,978	4,600	5,600
Insurance expense	3,026	2,282	5,308	5,076
Legal expense	-	-	-	7,515
Office supplies and telephone	260	33	293	673
Taxes, licenses and fees	209	157	366	497
Miscellaneous	1,204	915	2,119	1,095
Total General and Administrative	<u>\$ 9,373</u>	<u>\$ 6,916</u>	<u>\$ 16,289</u>	<u>\$ 29,890</u>

See independent auditors' report.
 The accompanying notes are an integral
 part of the financial statements