

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

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

December 31, 2020

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ROBERT R. FEIS, CPA

Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities of the Hi-Land Acres Water and Sanitation District (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hi-Land Acres Water and Sanitation District as of December 31, 2020, and the changes in financial position, and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 6 be presented to supplement the basic financial statements. Such information, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The budgetary comparison and expense detail information presented on pages 20 and 21 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. Such information has not been subjected to the auditing procedures applied to the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Fois & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Brighton, CO

January 17, 2022

**HI-LAND ACRES WATER AND SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

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, 2020. The financial statements are an integral part of this analysis and are contained within this document.

FINANCIAL HIGHLIGHTS

1. In 2020, net position totaled \$1,445,468, which represents a decrease of \$407,721 (28.2%) when compared to 2019.
2. Total operating revenues were \$195,885 during 2020.
3. Total operating expenses were \$609,698 during 2020, which represents an increase of \$290,514 (91%) when compared to 2019.
4. Total non-operating revenues were \$14,292 during 2020.
5. Total non-operating expenses were \$8,200 during 2020 which represents an increase of \$3,974 (94%) when compared to 2019.

OVERVEIW 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 two 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.

	2020	2019
Current assets	\$ 168,132	\$ 202,494
Non-current assets	1,733,021	1,806,948
Total assets	<u>1,901,153</u>	<u>2,009,442</u>
Current liabilities	52,956	39,718
Non-current liabilities	402,729	116,535
Deferred property taxes	-	-
Total liabilities	<u>455,685</u>	<u>156,253</u>
Net position:		
Invested in capital assets	1,700,690	1,641,387
Temporarily restricted	-	-
Unrestricted	(255,22)	211,802
Total net position	<u>\$ 1,445,468</u>	<u>\$ 1,853,189</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 2020 and 2019.

	2020	2019
Total operating revenue	\$ 195,885	\$ 192,858
Total operating expenses	(609,698)	(319,184)
Net operating income (loss)	<u>(413,813)</u>	<u>(126,326)</u>
Non-operating revenue	14,292	15,445
Non-operating expenses	(8,200)	(4,226)
Net non-operating revenue	<u>6,092</u>	<u>11,219</u>
Change in net position	(407,721)	(115,107)
Beginning net position	1,853,189	1,968,296
Ending net position	<u>\$ 1,445,468</u>	<u>\$ 1,853,189</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 2020, the District had outstanding debt of \$14,920 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 2020. 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, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Water Fund	Wastewater Fund	Adjustments	Total 2020	(Memorandum Only) 2019
Current Assets					
Cash and cash equivalents	\$ 147,551	\$ -	\$ -	\$ 147,551	\$ 178,596
Accounts receivable -					
Customers	8,881	7,249	-	16,130	19,447
Prepaid insurance	2,451	2,000	-	4,451	4,451
Due to/from other fund	225,629	-	(225,629)	-	-
Total Current Assets	384,512	9,249	(225,629)	168,132	202,494
Non-Current Assets					
Land and water rights	3,922	8,748	-	12,670	12,670
Water distribution system, net of accumulated depreciation	952,736	-	-	952,736	977,078
Other capital assets, net of accumulated depreciation	261,156	491,108	-	752,264	801,849
Patronage capital	9,211	6,140	-	15,351	15,351
Total Non-Current Assets	1,227,025	505,996	-	1,733,021	1,806,948
Total Assets	1,611,537	515,245	(225,629)	1,901,153	2,009,442
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 1,611,537	\$ 515,245	\$ (225,629)	\$ 1,901,153	\$ 2,009,442

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current Liabilities					
Accounts payable	\$ 12,469	\$ 10,176	\$ -	\$ 22,645	\$ 5,246
Accrued interest payable	283	1,381	-	1,664	797
Due to/from other fund	-	225,629	(225,629)	-	-
Current portion of long-term debt	7,278	21,369	-	28,647	33,675
Total Current Liabilities	20,030	258,555	(225,629)	52,956	39,718
Non-Current Liabilities					
Long-term debt	9,702	393,027	-	402,729	116,535
Total Liabilities	29,732	651,582	(225,629)	455,685	156,253
Deferred Inflows of Resources					
Total Deferred Inflows of Resources	-	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	29,732	651,582	(225,629)	455,685	156,253
Net Position					
Invested in capital assets, net of related Debt	1,200,834	499,856	-	1,700,690	1,641,387
Temporarily restricted Other	-	-	-	-	-
Unrestricted	380,971	(636,193)	-	(255,222)	211,802
Total Net Position	1,581,805	(136,337)	-	1,445,468	1,853,189
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,611,537	\$ 515,245	\$ (225,629)	\$ 1,901,153	\$ 2,009,442

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, 2020

	Water Fund	Wastewater Fund	Total 2020	(Memorandum Only) 2019
Revenues:				
Charges for Services	\$ <u>107,857</u>	\$ <u>88,028</u>	\$ <u>195,885</u>	\$ <u>192,858</u>
Total Revenue	<u>107,857</u>	<u>88,028</u>	<u>195,885</u>	<u>192,858</u>
Operating Expenses:				
Collection and treatment expenses	175,900	410,544	586,444	287,298
General and administrative expenses	<u>13,656</u>	<u>9,598</u>	<u>23,254</u>	<u>31,886</u>
Total Operating Expenses	<u>189,556</u>	<u>420,142</u>	<u>609,698</u>	<u>319,184</u>
Income (Loss) from Operations	(81,699)	(332,114)	(413,813)	(126,326)
Other Income (Expenses)				
Property taxes	12,396	-	12,396	11,627
Specific Ownership taxes	909	-	909	352
Interest income	17	-	17	8
State grant	-	-	-	-
Miscellaneous income	905	-	905	3,376
Oil royalties	36	29	65	82
Interest expense	<u>(323)</u>	<u>(7,877)</u>	<u>(8,200)</u>	<u>(4,226)</u>
Total Other Income (Expenses)	<u>13,940</u>	<u>(7,848)</u>	<u>6,092</u>	<u>11,219</u>
Change in net position	(67,759)	(339,962)	(407,721)	(115,107)
Net Position, Beginning of Year	<u>1,649,564</u>	<u>203,625</u>	<u>1,853,189</u>	<u>1,968,296</u>
Net Position, End of Year	\$ <u><u>1,581,805</u></u>	\$ <u><u>(136,337)</u></u>	\$ <u><u>1,445,468</u></u>	\$ <u><u>1,853,189</u></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, 2020

DIRECT METHOD

	Water Fund	Wastewater Fund	Total 2020	(Memorandum Only) 2019
Cash flows from operating activities:				
Receipts from customers	\$ 109,398	\$ 89,804	\$ 199,202	\$ 193,050
Payments to vendors	(132,743)	(385,629)	(518,372)	(243,967)
Net cash provided (used) by operating activities	(23,345)	(295,825)	(319,170)	(50,917)
Cash flows provided (used) for investing activities:				
Interest income received	17	-	17	8
Net cash provided (used) by investing activities	17	-	17	8
Cash flows provided (used) by capital and related financing activities:				
Interest paid	(837)	(6,496)	(7,333)	(3,903)
Principal payments on long-term debt	(4,872)	(24,036)	(28,908)	(33,337)
Property and specific ownership taxes	13,305	-	13,305	11,979
Miscellaneous income	941	29	970	3,458
State loan proceeds	-	310,074	310,074	155,093
State grant proceeds	-	-	-	-
Transfers between funds	(16,254)	16,254	-	-
Net cash provided (used) by capital and related financing activities	(7,717)	295,825	288,108	133,290
Net increase (decrease) in cash	(31,045)	-	(31,045)	82,381
Cash, beginning of year	178,596	-	178,596	96,215
Cash, end of year	\$ 147,551	\$ -	\$ 147,551	\$ 178,596

**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 2020</u>	<u>(Memorandum Only) 2019</u>
Net income (loss) from operations	\$ (81,699)	\$ (332,114)	\$ (413,813)	\$ (126,326)
Adjustment to Reconcile Net Income to Cash Provided by Operating Activities:				
Depreciation Expense	47,222	26,705	73,927	76,183
Changes in Assets and Liabilities:				
Accounts receivable - (increase) decrease	1,541	1,776	3,317	192
Prepaid expenses - (increase) decrease	(66)	66	-	-
Accounts payable - increase (decrease)	<u>9,657</u>	<u>7,742</u>	<u>17,399</u>	<u>(966)</u>
Net cash provided by operating activities	<u>\$ (23,345)</u>	<u>\$ (295,825)</u>	<u>\$ (319,170)</u>	<u>\$ (50,917)</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, 2020**

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, 2020**

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 2020:

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, 2020**

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, 2020

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 2020 are as follows:

Changes in net position	\$ (407,721)
Add: Change in prepaids	---
Change in receivables	3,317
Depreciation	73,927
Loan proceeds	310,074
Less: Debt principal paid	(28,908)
Change in accrued expenses	18,266
Capital expenditures	---
Revenues over expenditures	\$ <u>(31,045)</u>

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, the District's cash deposits had a carrying balance of \$147,551 and corresponding bank balances as follows:

	<u>2020</u>	Memorandum Only <u>2019</u>
Insured deposits	\$ 147,551	\$ 178,596
Uninsured: Collateralized by financial institution		
Total cash and cash equivalents	\$ <u>147,551</u>	\$ <u>178,596</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, 2020

2. CASH AND DEPOSITS (Continued)

	<u>2020</u>	Memorandum Only <u>2019</u>
Cash on hand and in operating accounts	\$ 115,017	\$ 146,079
Savings accounts	<u>32,534</u>	<u>32,517</u>
Total cash and cash equivalents	\$ <u>147,551</u>	\$ <u>178,596</u>

3. CAPITAL ASSETS

Depreciation has been computed using the straight-line method based on lives of 10 to 50 years. Depreciation expense totaled \$73,927 and \$76,183 for the years ended December 31, 2020 and 2019, respectively.

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Balance</u> <u>12/31/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2020</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	(227,939)	(24,342)	-	(252,281)
Treatment Plants	(765,159)	(42,651)	-	(807,800)
Source of Supply	(181,825)	(4,791)	-	(186,616)
Collection, transmission and distribution systems	<u>(81,283)</u>	<u>(2,143)</u>	-	<u>(83,426)</u>
Total Accumulated Depreciation	<u>(1,256,196)</u>	<u>(73,927)</u>	-	<u>(1,330,123)</u>
Net Capital Assets	<u>\$1,791,597</u>	<u>\$ (73,927)</u>	\$ _____	<u>\$1,717,670</u>

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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%.

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, 2020**

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, 2021	\$ 28,647	\$ 8,593	\$ 37,240
2022	31,156	8,144	39,300
2023	21,886	7,331	29,217
2024	22,306	6,910	29,216
2025	22,774	6,443	29,217
2026-2030	120,908	25,175	146,083
2031-2035	133,563	12,521	146,084
2036-2037	<u>50,136</u>	<u>1,318</u>	<u>51,454</u>
Total	\$ <u>431,376</u>	\$ <u>76,435</u>	\$ <u>507,811</u>

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

	<u>Balance</u> <u>12/31/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Current</u> <u>Portion</u>
State Loan	\$ 21,852	\$ -	\$ (4,872)	\$ 16,980	\$ 7,278
State Revolving Loan	\$ <u>128,358</u>	\$ <u>310,074</u>	\$ <u>(24,036)</u>	\$ <u>414,396</u>	\$ <u>21,369</u>
Total	\$ <u>150,210</u>	\$ <u>310,074</u>	\$ <u>(28,908)</u>	\$ <u>431,376</u>	\$ <u>28,647</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 \$1,097. Additional fees are assessed for testing various water parameters.

See independent auditors' report.

**HI-LAND ACRES WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 2020 the wastewater fund had a deficit of revenues over expenses. When the wastewater fund has a deficit 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 \$225,629 as of December 31, 2020.

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, 2020, and 2019, 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, 2020**

13. COVID-19 PANDEMIC

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home). At this stage, the financial impact on our business and results of operations has not been significant. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

14. 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, 2020

	Budget		Actual (Budgetary Basis)	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Charges for Services	\$ 195,225	\$ 195,225	\$ 199,202	\$ 3,977
Property taxes	10,000	10,000	12,396	2,396
Specific Ownership taxes	1,000	1,000	909	(91)
Interest income	100	100	17	(83)
State loan proceeds	580,000	580,000	310,074	(269,926)
Miscellaneous income	3,125	3,125	905	(2,220)
Oil royalties	-	-	65	65
Total Revenues	789,450	789,450	523,568	(265,882)
Expenditures:				
Collection and treatment	718,400	718,400	495,118	223,282
General and administrative	38,850	38,850	23,254	15,596
Non-Operating Expenses				
Interest expense	1,422	1,422	7,333	(5,911)
Contingencies	40,000	40,000	-	40,000
Loan payments	39,012	39,012	28,908	10,104
Total Operating Expenses	837,684	837,684	554,613	283,071
Revenues Over (Under) Expenditures	\$ (48,234)	\$ (48,234)	\$ (31,045)	\$ 17,189

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, 2020**

	Water Fund	Wastewater Fund	Total 2020	(Memorandum Only) 2019
Collection and Treatment:				
Depreciation	\$ 47,222	\$ 26,705	\$ 73,927	\$ 76,183
Engineering	-	-	-	12,091
Utilities	7,978	6,512	14,490	12,909
Sewer plant decommissioning	-	16,875	16,875	6,128
Service fees	22,059	18,003	40,062	37,057
Repairs and maintenance	94,280	342,449	436,729	141,596
Sample analysis and testing	4,361	-	4,361	1,334
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Collection and Treatment	\$ <u>175,900</u>	\$ <u>410,544</u>	\$ <u>586,444</u>	\$ <u>287,298</u>
 General and Administrative				
Accounting and auditing	\$ 6,044	\$ 4,932	\$ 10,976	\$ 9,994
Board compensation	2,313	1,887	4,200	5,576
Insurance expense	2,836	2,314	5,150	5,318
Legal expense	1,950	46	1,996	6,342
Office supplies and telephone	166	136	302	843
Taxes, licenses and fees	251	205	456	1,080
Miscellaneous	96	78	174	2,733
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total General and Administrative	\$ <u>13,656</u>	\$ <u>9,598</u>	\$ <u>23,254</u>	\$ <u>31,886</u>

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