

**HOLLY HILLS WATER
AND SANITATION DISTRICT**

Financial Statements

Year Ended December 31, 2023

with

Independent Auditors' Report

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Independent Auditors' Report

Board of Directors
Holly Hills Water and Sanitation District
Arapahoe and Denver Counties, Colorado

Opinions

We have audited the accompanying financial statements of the business-type activities of the Holly Hills Water and Sanitation District (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2023, and the respective 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

Simmons & Wheeler P.C.

Englewood, CO
September 17, 2024

HOLLY HILLS WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2023

ASSETS

CURRENT ASSETS

Cash and investments	\$	964,429
Accounts receivable - customer		35,558
Receivable - county treasurer		709
Receivable - property taxes		208,038
Prepaid expenses		<u>3,292</u>
Total Current Assets		<u>1,212,026</u>

CAPITAL ASSETS

Water System		257,523
Sewer System		<u>2,025,001</u>
		<u>2,282,524</u>
Less accumulated depreciation		<u>826,380</u>
Total Capital Assets		<u>1,456,144</u>
Total Assets		<u>2,668,170</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable		<u>11,186</u>
Total Current Liabilities		<u>11,186</u>
Total Liabilities		<u>11,186</u>

DEFERRED INFLOWS OF RESOURCES

Property taxes		<u>208,038</u>
Total Deferred Inflows of Resources		<u>208,038</u>

NET POSITION

Restricted for:		
Emergencies		7,460
Contributed capital		557,920
Unrestricted		<u>1,883,566</u>
Total Net Position	\$	<u>2,448,946</u>

The notes to the financial statements are an integral part of these statements.

HOLLY HILLS WATER AND SANITATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended December 31, 2023

OPERATING REVENUES	
Sewer charges	\$ 452,724
Facilities renovation fees	170,734
Inspection fees	450
Transfer fees	5,850
Miscellaneous fees	<u>1,763</u>
Total Operating Revenues	<u>631,521</u>
OPERATING EXPENSES	
Accounting expense	54,184
Bank Fees	327
Management Expense	26,827
Audit expense	5,000
Billing expense	14,483
Dues	434
Director fees	3,200
Depreciation	34,563
Insurance	2,455
Legal	21,289
Office/Duplicating/Postage	424
Maintenance / Cleaning	40,650
Sewage treatment expense	268,755
Engineering Services	10,411
Locates	14,002
Miscellaneous expense	99
Payroll taxes	<u>245</u>
Total Operating Expenses	<u>497,348</u>
INCOME (LOSS) FROM OPERATIONS	<u>134,173</u>
NONOPERATING REVENUES (EXPENSES)	
Property taxes	178,587
Specific ownership taxes	10,732
Interest income	44,148
Treasurer's Fees	<u>(2,334)</u>
Total Nonoperating Revenues (Expenses)	<u>231,133</u>
NET INCOME (LOSS) - CHANGE IN NET POSITION	365,306
NET POSITION	
BEGINNING OF YEAR	<u>2,083,640</u>
END OF YEAR	<u>\$ 2,448,946</u>

The notes to the financial statements are an integral part of these statements.

HOLLY HILLS WATER AND SANITATION DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 628,517
Payments to suppliers	<u>(459,955)</u>
Net Cash Provided (Required) by Operating Activities	<u>168,562</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES	
Property taxes and specific ownership taxes	189,290
County treasurers' fees	<u>(2,334)</u>
Net Cash Provided (Required) by Noncapital Financing Activities	<u>186,956</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Construction in progress	<u>(164,367)</u>
Net Cash Provided (Required) by Capital and Related Financing Activities	<u>(164,367)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>44,148</u>
Net Cash Provided (Required) by Investing Activities	<u>44,148</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	235,299
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>729,130</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 964,429</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Net income (loss) from operations	\$ 134,173
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Depreciation	34,563
Changes in Assets and Liabilities:	
Decrease in Accounts payable	3,667
Increase in Receivables	(3,004)
Increase in Prepaid expenses	<u>(837)</u>
Net Adjustments	<u>34,389</u>
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	<u>\$ 168,562</u>

The notes to the financial statements are an integral part of these statements.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2023

Note 1: **Summary of Significant Accounting Policies:**

The accounting policies of the Holly Hills Water and Sanitation District (“District”), located in Denver, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District’s powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District is a quasi-municipal corporation and political subdivision of the State of Colorado established on April 10, 1952, under the State of Colorado Special District Act. The District was established to develop and provide water and sewer services. The District’s primary revenues are property taxes and sewage treatment charges. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees and all operations and administrative functions are contracted.

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2023

The government-wide financial statements (i.e. the statement of net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

The Statement of Net Position reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net assets.

Major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are collected.

The District reports the following major proprietary funds:

Water and Sewer Proprietary Fund - The Water and Sewer Proprietary Fund accounts for operations of the District's water distribution system and sewage treatment plant that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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 the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions. The District's proprietary fund consists of the Water and Sewer Fund.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements December 31, 2023

Budgetary Accounting

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

On November 15, 2023, the District amended its total appropriations from \$747,980 to \$914,130 primarily due to increased expenses.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of three months or less to be cash equivalents.

Assets, Liabilities, Deferred Inflows/Inflows of Resources and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2023

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no qualifying items for reporting in this category.

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. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available and a deferred gain on refunding that is reported in the government-wide statement of net position.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. The District has no long-term debt obligations as of December 31, 2023.

Capital Assets

Capital assets, which include water and sewer system components, are reported in the Enterprise Fund in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Water System	50-100 years
Sewer System	60 years

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2023

Property Tax

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2023

Note 2: Cash and Investments

As of December 31, 2023, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and equivalents	\$ 964,429
Total	<u>\$ 964,429</u>

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

Deposits with financial institutions	\$ 40,724
Investments – COLOTRUST	<u>923,705</u>
	<u>\$ 964,429</u>

Deposits:

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

As of the December 31, 2023, the District has the following deposits:

<u>Deposits</u>	<u>Maturity</u>	<u>Fair Value</u>
1st Bank	N/A	\$ 34,631
Xpress Billpay	N/A	<u>6,093</u>
		<u>\$ 40,724</u>

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2023

Investments:

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method ("NAV") per share.

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2023, the District had \$923,705 invested in COLOTRUST.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2023

Note 3: Capital Assets:

An analysis of changes in capital assets for the year ended December 31, 2023, follows:

Business-type Activities:	Balance 01/01/2023	Additions	Deletions	Balance 12/31/2023
<u>Capital assets being depreciated:</u>				
Water lines	257,523	-	-	257,523
Sewer lines	1,860,634	164,367	-	2,025,001
Total capital assets being depreciated:	<u>2,118,157</u>	<u>164,367</u>	<u>-</u>	<u>2,282,524</u>
<u>Accumulated depreciation:</u>				
Water lines	(211,596)	(3,342)	-	(214,938)
Sewer lines	(580,221)	(31,221)	-	(611,442)
Total accumulated depreciation	<u>(791,817)</u>	<u>(34,563)</u>	<u>-</u>	<u>(826,380)</u>
Business-type assets, net	<u>\$ 1,326,340</u>	<u>\$ 129,804</u>	<u>\$ -</u>	<u>\$ 1,456,144</u>

Depreciation expense for the year ended December 31, 2023, was charged to operating expenses in the amount of \$34,563.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2023

Note 4: Service Contracts:

Metro Wastewater Reclamation District (“MWRD”)

The District entered in an agreement with MWRD for final treatment and disposal of the District’s sewage. The agreement provides for annual estimated charges which are assessed through the application of a predetermined formula. Adjustments to the estimated charge will be based on meter flows, content and actual costs. The adjustments are billed or credited to the District during the two succeeding years. The District retains the responsibility for the maintenance and future construction costs of all sewer lines and retains title to all sewer lines in the District. The 2023 treatment charges were \$268,755.

In addition, the District collects MWRD tap connection fees for new connections which are remitted to MWRD. There were no tap fees collected in 2023.

Denver Water Board (“DWB”)

The District has a total service contract with DWB. Under this agreement, DWB provides water services to the District’s citizens. Water services include meter reading, billing and collections and line maintenance.

Note 5: Segment Information

The District’s proprietary fund provides sewer services. Segment Information for the year ended December 31, 2023, was as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenue	N/A	631,521	\$ 631,521
Depreciation Expense	34,563	31,221	\$ 65,784
Net Operating income (loss)	N/A	139,173	\$ 139,173
Total Capital Assets	257,523	2,025,001	\$ 2,282,524

Note 6: Debt Authorization:

As of December 31, 2023, the District had no remaining voted debt authorization. The District has not budgeted to issue any additional debt in 2024.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2023

Note 7: Agreements:

On April 21, 2021, the District authorized a Resolution Adopting a fee to Defray the cost of renovating, replacing and to the extent necessary operating the District's Sanitary Sewer Collection System. The District has have determined that there is a need to renovate on a timely basis the System due to deterioration caused by age and normal wear and tear; and that existing revenue sources are not sufficient to fund the anticipated cost of replacing and renovating the System. The District determined that the imposition of a Facilities Renovation Fee is necessary. The District adopted a Facilities Renovation Fee in the amount of \$100 per single-family residential equivalent tap payable at the rate of \$25 per quarter. In 2023, the District, collected \$170,734 in Facilities Renovation Fees.

Note 8: Tax Spending and Debt Limitations:

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

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

On May 2, 2000, a majority of the District's electors authorized the District to collect, retain and spend all revenues and other funds received from any source including taxes from the District's mill levy of 2.716 mills for each year thereafter without limitation under TABOR and the 5.5% limitation under 29-1-301 C.R.S.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2023

Note 9: Risk Management:

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool, (the “Pool”), which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

SUPPLEMENTAL INFORMATION

HOLLY HILLS WATER AND SANITATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) -
PROPRIETARY FUND

For the Year Ended December 31, 2023

	Original <u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Sewer charges	\$ 441,375	\$ 441,375	\$ 452,724	\$ 11,349
Facilities renovation fees	170,385	170,385	170,734	349
Inspection fees	1,500	1,500	450	(1,050)
Transfer fees	6,000	6,000	5,850	(150)
Property taxes	179,414	179,414	178,587	(827)
Specific ownership taxes	10,400	10,400	10,732	332
Interest income	6,700	6,700	44,148	37,448
Miscellaneous fees	500	500	1,763	1,263
Total Revenues	<u>816,274</u>	<u>816,274</u>	<u>864,988</u>	<u>48,714</u>
EXPENDITURES				
Accounting expense	40,000	40,000	54,184	(14,184)
Bank Fees	250	250	327	(77)
Management Expense	40,000	40,000	26,827	13,173
Audit expense	7,500	7,500	5,000	2,500
Billing expense	15,000	15,000	14,483	517
Dues	1,500	1,500	434	1,066
GIS System	4,500	4,500	-	4,500
Election Expense	5,000	5,000	-	5,000
Director fees	6,000	6,000	3,200	2,800
Insurance	3,000	3,000	2,455	545
Legal	35,000	35,000	21,289	13,711
Office/Duplicating/Postage	2,500	2,500	424	2,076
Maintenance / Cleaning	55,000	55,000	40,650	14,350
Project management	5,000	5,000	-	5,000
Major repairs	125,000	141,150	164,367	(23,217)
Sewage treatment expense	270,000	403,850	268,755	135,095
Engineering Services	30,000	30,000	10,411	19,589
Locates	20,000	20,000	14,002	5,998
Printing/Publication	100	100	-	100
Miscellaneous expense	1,500	1,500	99	1,401
Payroll taxes	500	500	245	255
Treasurer's fees	2,741	2,741	2,334	407
Website	2,000	2,000	-	2,000
Treatment charges reserve	50,000	50,000	-	50,000
Contingency	20,000	20,000	-	20,000
Emergency reserve	5,889	5,889	-	5,889
Total Expenditures	<u>747,980</u>	<u>897,980</u>	<u>629,486</u>	<u>268,494</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	68,294	(81,706)	235,502	317,208
FUNDS AVAILABLE:				
BEGINNING OF YEAR	<u>2,045,230</u>	<u>2,045,230</u>	<u>757,300</u>	<u>(1,287,930)</u>
END OF YEAR	<u>\$ 2,113,524</u>	<u>\$ 1,963,524</u>	<u>\$ 992,802</u>	<u>\$ (970,722)</u>

Funds available computed as follows:

Current assets	\$ 1,212,026
Current liabilities	(11,186)
Deferred inflows of resources	<u>(208,038)</u>
	<u>\$ 992,802</u>

The notes to the financial statements are an integral part of these statements.

HOLLY HILLS WATER AND SANITATION DISTRICT

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

For the Year Ended December 31, 2023

Excess of revenues over expenditures (Budgetary Basis)	\$	235,502
Add capital expenditures which are not an expense		164,367
Deduct depreciation which is an expense		<u>(34,563)</u>
Changes in Net Position per Statement Revenues, Expenses and Changes in Net Position	\$	<u>365,306</u>

The notes to the financial statements are an integral part of these statements.

HOLLY HILLS WATER AND SANITATION DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2023

<u>Year Ended</u> <u>December 31,</u>	Prior	<u>Mills Levied</u>	<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
	Year Assessed		Valuation	<u>Levied</u>	
Year Property	for Current				
Tax Levy	Year Property				
2008	\$ 36,666,960	2.716	\$ 99,587	\$ 104,488	104.92%
2009	\$ 36,585,610	2.716	\$ 99,367	\$ 101,387	102.03%
2010	\$ 37,709,160	2.716	\$ 102,418	\$ 98,460	96.14%
2011	\$ 35,975,070	2.716	\$ 97,708	\$ 92,958	95.14%
2012	\$ 33,566,580	2.716	\$ 91,167	\$ 93,593	102.66%
2013	\$ 33,374,630	2.716	\$ 90,645	\$ 90,543	99.89%
2014	\$ 32,856,630	2.716	\$ 89,239	\$ 89,168	99.92%
2015	\$ 36,320,146	2.716	\$ 98,646	\$ 100,413	101.79%
2016	\$ 47,826,980	2.716	\$ 129,898	\$ 129,283	99.53%
2017	\$ 47,870,566	2.716	\$ 130,017	\$ 129,824	99.85%
2018	\$ 53,961,665	2.716	\$ 146,560	\$ 146,599	100.03%
2019	\$ 53,965,485	2.716	\$ 146,570	\$ 148,074	101.03%
2020	\$ 63,878,400	2.716	\$ 173,494	\$ 173,206	99.83%
2021	\$ 64,814,333	2.716	\$ 176,036	\$ 175,759	99.84%
2022	\$ 67,650,236	2.716	\$ 183,738	\$ 180,524	98.25%
2023	\$ 66,058,222	2.716	\$ 179,414	\$ 178,587	99.54%
Estimated for year ending December 31, 2023	\$ 76,597,362	2.716	\$ 208,038		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.