

**HOLLY HILLS WATER
AND SANITATION DISTRICT**

Financial Statements

Year Ended December 31, 2019

with

Independent Auditors' Report

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position - Proprietary Fund	1
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	2
Statement of Cash Flows - Proprietary Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - Proprietary Fund	16
Reconciliation of Revenues and Expenditures (Budgetary Basis) to Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	17
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	18

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

Independent Auditors' Report

We have audited the accompanying financial statements of the business-type activities of the Holly Hills Water and Sanitation District, as of and for the year ended December 31, 2019, 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 opinions 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 opinions.

Opinions

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 Holly Hills Water and Sanitation District as of December 31, 2019, 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.

Other-Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holly Hills Water and Sanitation District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Simmons & Whelan P.C.

Englewood, CO
September 25, 2020

HOLLY HILLS WATER AND SANITATION DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2019

ASSETS

CURRENT ASSETS

Cash and investments	\$ 1,020,882
Accounts receivable - customer	24,705
Receivable - county treasurer	889
Receivable - property taxes	173,493
Prepaid expenses	<u>1,817</u>
Total Current Assets	<u>1,221,786</u>

CAPITAL ASSETS

Water System	257,523
Sewer System	<u>884,587</u>
	<u>1,142,110</u>
Less accumulated depreciation	<u>693,194</u>
Total Capital Assets	<u>448,916</u>
Total Assets	<u>1,670,702</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	<u>16,789</u>
Total Current Liabilities	<u>16,789</u>
Total Liabilities	<u>16,789</u>

DEFERRED INFLOWS OF RESOURCES

Property taxes	<u>173,493</u>
Total Deferred Inflows of Resources	<u>173,493</u>

NET POSITION

Restricted for:	
Emergencies	5,716
Contributed capital	557,920
Unrestricted	<u>916,784</u>
Total Net Position	<u>\$ 1,480,420</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, 2019

OPERATING REVENUES	
Sewer charges	\$ 403,080
Miscellaneous fees	<u>570</u>
Total Operating Revenues	<u>403,650</u>
OPERATING EXPENSES	
Accounting expense	15,433
Bank Fees	220
Management Expense	36,446
Audit expense	28
Billing expense	5,137
Dues	838
Depreciation	20,789
Director fees	4,800
Insurance	2,254
Legal	26,516
Repairs and maintenance	41,269
Sewage treatment expense	306,457
Engineering Services	13,084
Locates	388
Printing/Publication	1,564
Miscellaneous expense	95
Payroll taxes	<u>360</u>
Total Operating Expenses	<u>475,678</u>
INCOME (LOSS) FROM OPERATIONS	<u>(72,028)</u>
NONOPERATING REVENUES (EXPENSES)	
Property taxes	148,074
Specific ownership taxes	11,383
Interest income	17,339
Treasurer's Fees	<u>(1,828)</u>
Total Nonoperating Revenues (Expenses)	<u>174,968</u>
NET INCOME (LOSS) - CHANGE IN NET POSITION	102,940
NET POSITION	
BEGINNING OF YEAR	<u>1,377,480</u>
END OF YEAR	<u>\$ 1,480,420</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 410,278
Payments to suppliers	<u>(443,316)</u>
Net Cash Provided (Required) by Operating Activities	<u>(33,038)</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES	
Property taxes and specific ownership taxes	159,320
County treasurers' fees	<u>(1,828)</u>
Net Cash Provided (Required) by Noncapital Financing Activities	<u>157,492</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>17,339</u>
Net Cash Provided (Required) by Investing Activities	<u>17,339</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	141,793
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>879,089</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,020,882</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Net income (loss) from operations	\$ (72,028)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Depreciation	20,789
Changes in Assets and Liabilities:	
Increase in Accounts payable	11,136
Decrease in Receivables	6,628
Decrease in Prepaid expenses	<u>437</u>
Net Adjustments	<u>38,990</u>
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	<u>\$ (33,038)</u>

Summary of Non-cash Activity	
Disposal of Fixed Assets	\$ (246)
Accumulated Depreciation	<u>246</u>
	<u>\$ -</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, 2019

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, 2019

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, 2019

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.

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, 2019 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, 2019

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, 2019.

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, 2019

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, 2019

Note 2: Cash and Investments

As of December 31, 2019, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and equivalents	\$ 1,020,882
Total	<u>\$ 1,020,882</u>

Cash and investments as of December 31, 2019, consist of the following:

Deposits with financial institutions	\$ 254,387
Investments – COLOTRUST	<u>766,495</u>
	<u>\$ 1,020,882</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, 2019, the District has the following deposits:

<u>Deposits</u>	<u>Maturity</u>	<u>Fair Value</u>
1st Bank	N/A	\$ 228,792
Xpress Billpay	N/A	<u>25,595</u>
		<u>\$ 254,387</u>

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2019

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, 2019, 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 ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust 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 the trusts. Substantially all securities owned by the trusts 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, 2019, the District had \$766,495HHW invested in COLOTRUST.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2019

Note 3: Capital Assets:

An analysis of changes in capital assets for the year ended December 31, 2019, follows:

	Balance 01/01/2019	Additions	Deletions	Balance 12/31/2019
<u>Capital assets being depreciated:</u>				
Water lines	\$ 257,769	\$ -	\$ 246	\$ 257,523
Sewer lines	884,587	-	-	884,587
Total capital assets being depreciated:	1,142,356	-	246	1,142,110
<u>Accumulated depreciation:</u>				
Water lines	(199,670)	(2,112)	(246)	(201,536)
Sewer lines	(472,981)	(18,677)	-	(491,658)
Total accumulated depreciation	(672,651)	(20,789)	(246)	(693,194)
Business-type assets, net	\$ 469,705	\$ (20,789)	\$ -	\$ 448,916

Depreciation expense for the year ended December 31, 2019, was charged to operating expenses in the amount of \$20,789.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2019

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 2019 treatment charges were \$306,457.

In addition, the District collects MWRD tap connection fees for new connections which are remitted to MWRD. There were no tap fees collected in 2019.

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, 2019, was as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenue	N/A	403,650	\$ 403,650
Depreciation Expense	2,112	18,677	\$ 20,789
Net Operating income (loss)	N/A	(72,028)	\$ (72,028)
Total Capital Assets	257,523	884,587	\$ 1,142,110

Note 6: Debt Authorization:

As of December 31, 2019, the District had no remaining voted debt authorization. The District has not budgeted to issue any additional debt in 2019.

HOLLY HILLS WATER AND SANITATION DISTRICT

Notes to Financial Statements
December 31, 2019

Note 7: 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, 2019

Note 8: 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.

Note 9: Subsequent Event:

On or about May 20, 2020, a Denver Water main broke several times in several areas causing flooding in approximately 30-40 homes/businesses. The District has been working with Denver Water and finished the repairs around September 2020, although there may still be unknown damages. The contract to service these water mains was from due to flooding back in 2016. In the 2020 service contract, the District held an indemnity clause and so far Denver Water’s insurance has been handling all claims and costs. As of the date the financial statements are ready to be issued, the District does not believe it will incur any financial impact related to the this issue.

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, 2019

	Original and		Variance
	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES			
Sewer charges	\$ 356,172	\$ 403,080	\$ 46,908
Sewer charges - commercial	69,827	-	(69,827)
Property taxes	146,571	148,074	1,503
Specific ownership taxes	9,400	11,383	1,983
Interest income	14,700	17,339	2,639
Miscellaneous fees	<u>2,500</u>	<u>570</u>	<u>(1,930)</u>
Total Revenues	<u>599,170</u>	<u>580,446</u>	<u>(18,724)</u>
EXPENDITURES			
Accounting expense	16,000	15,433	567
Bank Fees	150	220	(70)
Management Expense	30,000	36,446	(6,446)
Audit expense	4,625	28	4,597
Billing expense	12,000	5,137	6,863
Dues	1,000	838	162
Director fees	6,000	4,800	1,200
Insurance	2,450	2,254	196
Legal	25,000	26,516	(1,516)
Repairs and maintenance	40,000	41,269	(1,269)
Sewage treatment expense	306,457	306,457	-
Engineering Services	12,000	13,084	(1,084)
Locates	1,400	388	1,012
Printing/Publication	1,950	1,564	386
Miscellaneous expense	1,500	95	1,405
Payroll taxes	460	360	100
Contingency	102,080	-	102,080
Treasurer's fees	2,050	1,828	222
Workshops	120	-	120
Treatment charges reserve	50,000	-	50,000
Emergency reserve	<u>4,859</u>	<u>-</u>	<u>4,859</u>
Total Expenditures	<u>620,101</u>	<u>456,717</u>	<u>163,384</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(20,931)	123,729	144,660
FUNDS AVAILABLE:			
BEGINNING OF YEAR	<u>800,194</u>	<u>907,775</u>	<u>107,581</u>
END OF YEAR	<u>\$ 779,263</u>	<u>\$ 1,031,504</u>	<u>\$ 252,241</u>
Funds available computed as follows:			
Current assets		\$ 1,221,786	
Current liabilities		(16,789)	
Deferred inflows of resources		<u>(173,493)</u>	
		<u>\$ 1,031,504</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, 2019

Excess of revenues over expenditures (Budgetary Basis)	\$ 123,729
Deduct depreciation which is an expense	<u>(20,789)</u>
Changes in Net Position per Statement Revenues, Expenses and Changes in Net Position	<u>\$ 102,940</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, 2019

<u>Year Ended</u> <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property	<u>Mills Levied</u>	<u>Total Property Tax</u>		Percent Collected to Levied
	<u>Tax Levy</u>		<u>Levied</u>	<u>Collected</u>	
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%
Estimated for year ending December 31, 2020	\$ 63,878,400	2.716	\$ 173,494		

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.