

**HILLCREST WATER AND SANITATION DISTRICT**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	I
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position.....	1
Statement of Revenues, Expenses and Change in Net Position .....	2
Statement of Cash Flows .....	3
Notes to Financial Statements.....	4
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Revenues, Expenditures and Change in Funds Available - Budget and Actual (Budgetary Basis) .....	13
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, - Expenses and Change in Net Position.....	14
<b>OTHER INFORMATION</b>	
Schedule of Debt Service Requirements to Maturity.....	15

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hillcrest Water and Sanitation District

### Opinions

We have audited the accompanying financial statements of the business-type activities of Hillcrest Water and Sanitation District as of and for the year ended December 31, 2022, 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 Hillcrest Water and Sanitation District, as of June December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hillcrest Water and Sanitation 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 Hillcrest Water and Sanitation 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hillcrest Water and Sanitation 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 Hillcrest Water and Sanitation 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 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 opinions on the basic financial statements are not affected by this missing information.

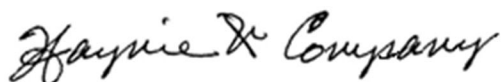
### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hillcrest Water and Sanitation District's basic financial statements. The Schedule of Revenues, Expenditures, and Change in Funds Available – Budget to Actual 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.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Debt Service Requirements to Maturity but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Littleton, Colorado  
September 21, 2023

## **BASIC FINANCIAL STATEMENTS**

**HILLCREST WATER AND SANITATION DISTRICT**  
**STATEMENT OF NET POSITION**  
December 31, 2022

**ASSETS**

**Current Assets**

Cash and cash equivalents - unrestricted	\$	13,761
Investments - unrestricted		595,205
Investments - restricted		5,576
Accounts receivable		
- Constituents		3,540
- Other governmental entities		10,059
Prepaid expenses		5,049
Total current assets		633,190

**Capital Assets, Net**

593,986

**Total Assets**

1,227,176

**LIABILITIES**

**Current Liabilities**

Accounts payable		11,975
Deferred revenue		21,723
Loan payable - current portion		49,059
Total current liabilities		82,757

**Noncurrent Liabilities**

Loan payable - CWR&PDA		140,442
Total noncurrent liabilities		140,442

**NET POSITION**

Net investment in capital assets		404,485
Restricted		
- Outfall line		5,576
- Operations and maintenance reserve		53,300
- Emergencies		7,000
Unrestricted		533,616
Total net position	\$	1,003,977

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**HILLCREST WATER AND SANITATION DISTRICT**  
**Statement of Revenues, Expenses and Change in Net Position**  
**Year Ended December 31, 2022**

<b>Operating revenues</b>	
Sewer service fees - constituents	\$ 174,362
Sewer service fees - other districts	115,897
<b>Total operating revenues</b>	<u>290,259</u>
 <b>Operating expenses</b>	
Metro wastewater sewage treatment	173,718
Repairs and maintenance	17,765
Engineering	13,382
Locates	8,332
Depreciation	19,203
<b>Total operating expenses</b>	<u>232,400</u>
<b>Gross operating income</b>	<u>57,859</u>
 <b>General and administrative expenses</b>	
District management, accounting and audit	39,264
Legal	842
Insurance and dues	5,625
Directors' fees	1,900
Election	1,847
Other	2,400
<b>Total general and administrative expenses</b>	<u>51,878</u>
<b>Net income from operations</b>	<u>5,981</u>
 <b>Nonoperating revenue (expense)</b>	
Interest income	10,705
Interest expense	(5,125)
<b>Total nonoperating revenue (expense)</b>	<u>5,580</u>
<b>Change in net position</b>	11,561
<b>Net position - beginning of year</b>	992,416
<b>Net position - end of year</b>	<u><u>\$ 1,003,977</u></u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**HILLCREST WATER AND SANITATION DISTRICT**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

**Cash Flows From Operating Activities**

Receipts from constituents	\$ 169,125
Receipts from other districts	120,813
Payments to vendors	<u>(260,066)</u>
Net cash provided by operating activities	<u>29,872</u>

**Cash Flows from Capital Financing Activities**

Principal paid	(89,424)
Interest paid	<u>(5,125)</u>
Net cash required by capital financing activities	<u>(94,549)</u>

**Cash Flows From Investing Activities**

Investments matured	45,566
Interest received	<u>10,705</u>
Net cash provided by investing activities	<u>56,271</u>

**Net Decrease in Cash and Cash Equivalents** (8,406)

**Cash and Equivalents - Beginning of Year** 22,167

**Cash and Cash Equivalents - End of Year** \$ 13,761

**Reconciliation of Operating Income to Cash Flows**

**Provided by operating activities**

Net Income from operations	\$ 5,981
Depreciation	19,203
Effects of changes in operating assets and liabilities:	
Accounts receivable	4,186
Prepaid expenses	249
Accounts payable	4,760
Deferred revenue	<u>(4,507)</u>
Net cash provided by operating activities	<u><u>\$ 29,872</u></u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**HILLCREST WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**Note 1 - Definition of Reporting Entity**

Hillcrest Water and Sanitation District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District was established to provide a water supply system and a sewer system to an area in Arapahoe County. Currently, the District provides sewer service to its residents. The water service is provided through a Total Service Contract with the Denver Water Department utilizing the water supply system owned by the District (see Notes 4 and 6).

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set 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 District has no employees and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**Note 2 – Summary of Significant Accounting Policies**

The accounting policies of the District conform to generally accepted accounting principles 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 more significant accounting policies of the District are described as follows:

**Basis of Accounting**

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**HILLCREST WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Operating Revenues and Expenses**

The District distinguishes between operating revenues and expenses and nonoperating items in the Statement of Revenues, Expenses and Change in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sewer services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, maintenance, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. 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.

**Cash Equivalents**

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**Capital Assets**

Capital assets, which include water systems and sewer systems, are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Sewer systems	40 years
---------------	----------

**HILLCREST WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

**Note 3 – Cash and Investments**

Cash and investments as of December 31, 2022 are classified in the accompanying Statement of Net Position as follows:

Cash and investments - unrestricted	\$ 13,761
Investments - restricted	5,576
Investments - unrestricted	<u>595,205</u>
Total cash and investments	<u>\$ 614,542</u>

Cash and investments as of December 31, 2022 consist of the following:

Deposits	\$ 13,761
Investments	<u>600,781</u>
Total cash and investments	<u>\$ 614,542</u>

Restricted investments consist of funds held in a separate bank account as a reserve fund for the Outfall Line (See Note 7).

**Deposits with Financial Institutions**

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 regulators. 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. 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.

At December 31, 2022, the District's cash deposits, including certificates of deposit, had a total bank balance of \$44,657 and a carrying balance of \$13,761.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirement.

**HILLCREST WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

**Note 3 – Cash and Investments (continued)**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- \* Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

The District generally limits its concentration of investments to those noted with an asterisk (\*) above, which are believed to have minimal credit risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party. The local government investment pool, which includes the Colorado Local Government Liquid Asset Trust (Colotrust) is rated AAAM by S&P Global.

At December 31, 2022, the District had the following investment:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	<u>\$600,781</u>

**ColoTrust**

During 2022, the District invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colotrust. The District invested in COLOTRUST PLUS+ (PLUS+), one of the three portfolios offered by Colotrust. PLUS+ operates similarly to a money market fund and each share is equal in value to \$1.00. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption period. Allowable investments in the PLUS+ portfolio include U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies.

**HILLCREST WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**Note 3 – Cash and Investments (continued)**

A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. PLUS+ is rated AAAM by S&P Global Ratings.

**Investment Valuation**

Certain investments measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted priced in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is estimated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in Colotrust at year end for which the investment evaluations were determined as follows.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with FASB guidance. It is the goal of PLUS+ to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from \$1.00 per share.

**HILLCREST WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

**Note 4 – Capital Assets**

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

	<b>Balance at December 31, 2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2022</b>
Capital assets, being depreciated:				
Sewer system	\$ 552,818	-	-	\$ 552,818
Sewer system - 2014	534,107	-	-	534,107
Total capital assets being depreciated	<u>1,086,925</u>	<u>-</u>	<u>-</u>	<u>1,086,925</u>
Less accumulated depreciation for:				
Sewer system	373,611	5,853	-	379,464
Sewer system - 2014	100,125	13,350	-	113,475
Total accumulated depreciation	<u>473,736</u>	<u>19,203</u>	<u>-</u>	<u>492,939</u>
Total capital assets being depreciated, net	<u>\$ 613,189</u>	<u>\$ (19,203)</u>	<u>\$ -</u>	<u>\$ 593,986</u>

**Note 5 – Long-term Obligations**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2022:

	<b>Balance at December 31, 2021</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2022</b>	<b>Due Within One Year</b>
Colorado Water Resources and Power Development Authority Loan	<u>\$ 278,925</u>	<u>\$ -</u>	<u>\$ 89,424</u>	<u>\$ 189,501</u>	<u>\$ 49,059</u>

On May 2, 2013, the District entered into the \$639,900 Colorado Water Resources and Power Development Authority Loan, with interest of 2.00%. Principal and interest are due on May 1 and November 1 through November 2033.

The District has pledged all of its available resources for the repayment of the loan. The loan agreement contains a restrictive covenant which requires the District to maintain a three month operating reserve (see Note 6). At December 31, 2022, the management of the District believes it is in compliance with this covenant.

**HILLCREST WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**Note 5 – Long-term Obligations (continued)**

The District’s long-term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 49,059	\$ 3,362	\$ 52,421
2024	12,820	2,745	15,565
2025	13,077	2,488	15,565
2026	13,341	2,224	15,565
2027	13,609	1,956	15,565
2028-2032	72,259	5,566	77,825
2033	15,336	230	15,566
	<u>\$ 189,501</u>	<u>\$ 18,571</u>	<u>\$ 208,072</u>

**Note 6 – Net Position**

The District has a net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2022, the District’s net investment in capital assets was \$404,485.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net assets as of December 31, 2022 as follows:

Restricted:

Outfall Line (see Note 7)	\$ 5,576
Operations and maintenance reserve (see Note 5)	53,300
Emergency reserve (See Note 9)	<u>7,000</u>
	<u>\$ 65,876</u>

**Note 7 – Agreements**

**Sewage**

The District entered into an agreement with Metro Wastewater Reclamation District (Metro) for sewage treatment and disposal. The District pays Metro sewage treatment fees and bills the users for sewer service. In addition, the District collects tap connection fees which are in turn remitted to Metro.

**HILLCREST WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022**

**Note 7 – Agreements (continued)**

The District has contracted with four other districts to provide sewage transportation and treatment service to them for which they reimburse a portion of the charges paid by the District on the sewage contract noted above. A summary of the 2022 transactions are as follows:

Total annual charge from Denver Metro	\$ 173,718
Reimbursements by other districts:	
Devonshire Heights Water and Sanitation District	12,334
Mansfield Heights Water and Sanitation District	38,392
Cherry Hills North Water and Sanitation District	33,875
Cherry Hills Village Sanitation District	<u>24,320</u>
	<u>108,921</u>
District's net share of charges	<u>\$ 64,797</u>

**Water**

Residents of the District are provided water service under a Total Service Contract between the District and the Denver Water Department. Under the contract, Denver reads the meters and bills the residents directly and is responsible for all operations, repairs and maintenance and capital improvements to the water system.

**Hillcrest Outfall Line**

On January 14, 1994, the District, Mansfield Heights Water and Sanitation District (Mansfield) and Cherry Hills North Water and Sanitation District (Cherry Hills North) entered into an intergovernmental agreement to oversee the operation, maintenance, repairs and replacements necessary to maintain the sanitary sewer outfall line known as the Hillcrest Outfall Line.

On October 1, 2009, the District entered into an amended and restated intergovernmental agreement with Mansfield and Cherry Hills North. The agreement gave the District full operational and maintenance responsibility for the Hillcrest Outfall Line, with each of the other districts reimbursing the District for a proportionate share of the cost. Sharing is based on the number of sewer taps for each district as a percentage of the total number of taps for all districts combined. On January 1, 2011, the District entered into the Second Amended and Restated Intergovernmental Agreement with Mansfield, Cherry Hills North, Cherry Hills Village Sanitation District and Devonshire Heights Water and Sanitation District. The agreement amended the operations and maintenance cost sharing percentages. The District's sharing percentage at December 31, 2022 is 37.3%. Amounts contributed by the districts are deposited to a separate outfall reserve fund at ColoTrust. Funds may be withdrawn by the District as needed for the reimbursement of costs. As of December 31, 2022, the reserve fund had a balance of \$5,576.

**HILLCREST WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022**

**Note 8 – Risk Management**

Except as provided in the Colorado Government Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2022. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability and boiler and machinery coverage to its members.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool 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. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**Note 9 – Tax, Spending and Debt Limitations**

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

Enterprises, defined as government-owned businesses 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 and qualification as an enterprise will require judicial interpretation.

This information is an integral part of the accompanying financial statements.

## **SUPPLEMENTAL INFORMATION**

**HILLCREST WATER AND SANITATION DISTRICT**  
**Schedule of Revenues, Expenditures and Change in**  
**Funds Available - Budget and Actual (Budgetary Basis)**  
**Year Ended December 31, 2022**

	<b>Budget Amounts</b>		<b>Variance with Final Budget - Positive</b>
	<b>Original and Final</b>	<b>Actual</b>	<b>(Negative)</b>
<b>Revenues</b>			
Sewer service fees	\$ 170,500	\$ 174,362	\$ 3,862
Interest	300	10,705	10,405
IGA treatment revenue	108,922	108,921	(1)
Outfall IGA	9,051	6,976	(2,075)
Total revenues	<u>288,773</u>	<u>300,964</u>	<u>12,191</u>
<b>Expenditures</b>			
Audit	11,000	-	11,000
Director's fees	2,000	1,900	100
District management and accounting	28,000	36,666	(8,666)
District management - special services	5,000	1,847	3,153
Election	6,000	1,847	4,153
Insurance and bonds	6,500	5,625	875
Legal	2,000	842	1,158
Office supplies and postage	650	711	(61)
Payroll taxes	260	145	115
Miscellaneous	1,500	1,544	(44)
Capital improvements	52,000	-	52,000
Capital improvements - engineering	3,600	-	3,600
Engineering	11,700	13,216	(1,516)
Locates	8,000	8,332	(332)
Repairs and maintenance	15,400	17,765	(2,365)
Metro wastewater sewage treatment - Note 6	173,718	173,718	-
Inspections	200	-	200
Emergency reserves (Tabor)	8,400	-	8,400
Loan principal and interest	86,846	83,993	2,853
Outfall Line			
Administration/legal	3,000	751	2,249
Engineering	1,000	166	834
Loan principal and interest	12,709	10,556	2,153
Total expenditures	<u>439,483</u>	<u>359,624</u>	<u>79,859</u>
<b>Net Change in Funds Available</b>	(150,710)	(58,660)	92,050
<b>Funds Available - Beginning of Year</b>	665,680	658,152	(7,528)
<b>Funds Available - End of Year</b>	<u>\$ 514,970</u>	<u>\$ 599,492</u>	<u>\$ 84,522</u>

Funds available is computed as follows:

Current assets	\$ 633,190
Less current liabilities, less current portion of long term debt	<u>(33,698)</u>
	<u>\$ 599,492</u>

**HILLCREST WATER AND SANITATION DISTRICT**  
**Reconciliation of Budgetary Basis (Actual) to**  
**Statement of Revenues, Expenses and Change in Net Position**  
**Year Ended December 31, 2022**

<b>Revenues (budgetary basis)</b>	<u>\$ 300,964</u>
Total revenue per statements of revenues, expenses and change in net position	<u>300,964</u>
<b>Expenditures (budgetary basis)</b>	359,624
Depreciation	19,203
Loan principal	<u>(89,424)</u>
Total expenses per statements of revenues, expenses and change in net position	<u>289,403</u>
<b>Change in Net Position per Statement of Revenues, Expenses and Change in Fund Net Position</b>	<u><u>\$ 11,561</u></u>

## **OTHER INFORMATION**

**HILLCREST WATER AND SANITATION DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2022**

**\$639,900 Colorado Water Resources and  
Power Development Authority Loan  
Dated July 12, 2007  
Interest Rate of 2.00%  
Principal and Interest Due  
May 1 and November 1**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 49,059	\$ 3,362	\$ 52,421
2024	12,820	2,745	15,565
2025	13,077	2,488	15,565
2026	13,341	2,224	15,565
2027	13,609	1,956	15,565
2028	13,883	1,682	15,565
2029	14,161	1,404	15,565
2030	14,446	1,119	15,565
2031	14,736	829	15,565
2032	15,033	532	15,565
2033	15,336	230	15,566
	<u>\$ 189,501</u>	<u>\$ 18,571</u>	<u>\$ 208,072</u>