

Silver Heights Water and Sanitation District

Financial Statements
with Independent Auditor's Report

December 31, 2022



Silver Heights Water and Sanitation District

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December 31, 2022

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**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditor's Report

Board of Directors
Silver Heights Water and Sanitation District
Castle Rock, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, major fund, and the aggregate remaining fund information of Silver Heights Water and Sanitation District (the 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of 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 (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.

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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 and *Government Auditing Standards*, we:

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

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Silver Heights Water and Sanitation District's basic financial statements. The supplementary information listed in the table of contents is 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 supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Englewood, Colorado
January 4, 2024



Silver Heights Water and Sanitation District

Management's Discussion and Analysis

December 31, 2022

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's basic financials statements.

Management elected to adopt the provisions of a new accounting standard (GASB 63) which changed the presentation of the District's equity (now called "Net Position"). This election required the restatement of the financial statements for 2011. The change had no other material impact on cash flows, budget reporting or other compliance reporting.

Financial Highlights

- Net Position increased by \$591,610 (215%) when compared to 2021.

Overview of the Financial Statements

The basic financial statements of the District are presented as a special purpose government engaged only in business type activities - providing water and sewer utility services.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information which reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows reports the District's cash flows from operating, non-capital financing, capital and investing activities.

These financial statements distinguish functions of the District that will be principally supported by service charges. The functions of the District include effective and economical operation of water and sanitation systems within the jurisdictional boundaries of the District.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary comparisons presented for legal compliance.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Silver Heights Water and Sanitation District

Management's Discussion and Analysis

December 31, 2022

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$1,106,053 for 2022. Liabilities decreased by \$100,276 in the District for 2022 in comparison with 2021.

The largest portion of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Total expenses of the water and sewer operations increased \$78,798 from 2021 to 2022.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and non-operating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect "funds available". Additionally, the budget includes the separation of the enterprise and government functions of the District.

The total budgeted revenue of the District was less than actual revenues by \$44,476. The total actual expenditures of the District were more than budgeted by \$73,991. These additional unexpected expenditures were paid out of reserves, and an amended 2022 budget was submitted by the District.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets at December 31, 2022 amounts to \$484,488 (net of accumulated depreciation). This investment in capital assets includes water system, sewer system and equipment and vehicles.

Long Term Debt

On February 26, 2013, the Silver Heights Water and Sanitation District borrowed \$90,000 from FirstBank. The loan bore a 3% interest rate over ten years. The loan was to pay for well rehabilitation. A hole was discovered in the well casing which needed to be replaced. The pump was lowered due to declining water levels in the aquifer. This loan was paid in full in September of 2022.

In November of 2020, Silver Heights Water and Sanitation District borrowed \$62,959 from the National Rural Water Association. The loan bore a 3% interest rate and was due over ten years. This loan was paid in full on August 30, 2022.

With the payment in full of both loans in 2022, the District has no long term debt as of 12/31/22.

Silver Heights Water and Sanitation District

Management's Discussion and Analysis

December 31, 2022

Economic Factors and Next Year's Budget and Rates

Demand

Management observes that Douglas County is one of the fastest growing counties in the US. The majority of the water used in Douglas County comes from one source, underground aquifers. These aquifers are huge, stretching from Monument Hill to Fort Collins. Consequently, they serve as the primary water source of most communities in the ever growing Denver metropolitan area. There are many wells drilled into the aquifers and we expect many more to be drilled.

Castle Rock and Parker have plans to store water in the Reuter-Hess Reservoir. The reservoir will be filled in two ways. First, they will capture "excess" water (for example spring run-off) from Plum Creek and Cherry Creek. (Some water has to always flow downstream to users with senior water rights.) Water from this source is very unpredictable and could dry up during another drought. Second, they will pump water from aquifers into the reservoir during low demand periods (namely, the winter). So, Castle Rock will depend on the aquifer for a long time.

Supply

There are four aquifers beneath Silver Heights. From shallowest to deepest, they are the Dawson, Denver, Arapahoe, and Laramie-Fox Hills. The aquifers can be thought of as wet sponges (wet sandy soil) sandwiched between bowls (layers of hard rock). Nobody knows how quickly the aquifers refill, but the consensus is that we are draining the water much more quickly than they are filling. There are some plans to inject "excess" water back into the aquifers, but most experts are skeptical that it would be enough to make a difference.

The good news is that Silver Heights is near where the "bowls" are deepest, so the District should continue to have water when others are struggling. However, we have seen water levels drop by about 30 feet per year. Water experts explain that the dropping water level reflects a drop in artesian pressure. Artesian pressure is when the water higher up the sides of the bowl presses down on the water at the bottom and forces it into the well belonging to Silver Heights Water and Sanitation District and up toward the surface. Eventually, the District will be trying to pump water out of the well more quickly than it flows into the well. Management expects that to be several years in the future.

Choices at that time are all very expensive. The two most obvious choices are to dig a second well into the same aquifer and pump from each at half the prior rate. Eventually, the District will have to drill two more wells and run them all at one-quarter rate. Alternatively, the District can drill into the deepest aquifer. Unfortunately, the well would be very deep so both drilling the well and pumping the water to the surface would be expensive. Next, the water in the Laramie Fox-Hills reservoir is very brackish and would require expensive treatment to make it drinkable.

The District is also in the process of developing a tie-in to the Town of Castle Rock's water system, which could be utilized in an emergency, and as a future possible source of regular water.

Silver Heights Water and Sanitation District

Management's Discussion and Analysis

December 31, 2022

Rates

Since management anticipates huge future expenses, they plan to build up financial reserves. Further, they plan to increase water rates in ways that encourage our residents to use water ever more frugally. In other words, the greater the amount of water consumed by a customer, the greater the cost per gallon. To the extent permitted by Districts financial needs, every time the District increases water and sewer rates, they will need to pay close attention to the rates charged by nearby communities so that District rates are not out of line with their rates.

There was a water rate increase effective March 31, 2022. The last rate increase was two years prior to that. The rates were increased at higher tiers to encourage water conservation. During 2020, our study showed that about 10% of residential customers consumed 50% of the water production. The new rates charge proportionately more for these consumers who drive up the peak demand, because costs per gallon increases as peak demand increases. The rates were also changed so only water used is billed as opposed to the old system that allowed up to 10,000 gallons of water for a single rate. This not only encourages conservation but customers who use a minimum amount of water saw a decrease in their water bill.

A maintenance surcharge of \$10 per billing cycle for all residential and commercial customers was effective as of January 1, 2011. These funds are anticipated to be used for the rehabilitation of the well.

Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Silver Heights Water and Sanitation District, 1027 Harvey Street, Castle Rock, CO 80109.

Basic Financial Statements

Silver Heights Water and Sanitation District
Statement of Net Position
Proprietary Fund
December 31, 2022

Assets

Current Assets

Cash and Cash Equivalents	\$	598,691
Investments		1,838
Accounts Receivable		<u>35,251</u>

Total Current Assets		<u>635,780</u>
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Noncurrent Assets

<i>Capital Assets,</i>		
Capital assets, not being depreciated		13,969
Capital assets, being depreciated, net		<u>470,519</u>

Total Noncurrent Assets		<u>484,488</u>
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Total Assets	\$	<u><u>1,120,268</u></u>
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Liabilities

Current Liabilities

Accounts Payable	\$	3,934
Deposits		<u>10,281</u>

Total Current Liabilities		<u>14,215</u>
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Total Liabilities		<u>14,215</u>
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Net Position

Net Investment in Capital Assets		484,488
Unrestricted		<u>621,565</u>

Total Net Position	\$	<u><u>1,106,053</u></u>
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Silver Heights Water and Sanitation District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2022

Operating Revenues	
Service Fees, Net	\$ 167,919
Penalties	7,329
Miscellaneous	<u>1,850</u>
Total Operating Revenues	<u>177,098</u>
Operating Expenses	
Operations	292,875
Administrative	<u>58,677</u>
Total Operating Expenses	<u>351,552</u>
Net Operating (Loss)	<u>(174,454)</u>
Nonoperating Revenues	
Investment Income	804
Interest (Expense)	<u>(1,460)</u>
Net Income (Loss) Before Contributed Capital	(175,110)
Contributed Capital	
Tap Fees	<u>766,720</u>
Total Capital Contributions and Transfers	<u>766,720</u>
Change in Net Position	591,610
Net Position, Beginning of Year	<u>514,443</u>
Net Position, End of Year	<u><u>\$ 1,106,053</u></u>

Silver Heights Water and Sanitation District
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2022

	Total
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 167,235
Cash Received from Others	1,850
Cash Paid to Suppliers	(330,634)
Net Cash Provided by Operating Activities	(161,549)
Cash Flows From Capital and Related Financing Activities	
Tap Fees Received	766,720
Debt Principal Payments	(69,984)
Debt Interest Payments	(1,460)
Net Cash Used by Capital and Related Financing Activities	695,276
Cash Flows From Investing Activities	
Interest Received	779
Net Cash Used by Capital and Related Financing Activities	779
Net Change in Cash and Cash Equivalents	534,506
Cash and Cash Equivalents, <i>Beginning of Year</i>	64,185
Cash and Cash Equivalents, <i>End of Year</i>	\$ 598,691
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income	\$ (174,454)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	44,918
Changes in Assets and Liabilities Related to Operations	
Accounts Receivable	(1,721)
Accounts Payable	(24,000)
Deposits	(6,292)
Net Cash Provided by Operating Activities	\$ (161,549)

Silver Heights Water and Sanitation District

Notes to Financial Statements

December 31, 2022

Note 1: Reporting Entity

The Silver Heights Water and Sanitation District (the District) is a quasi-municipal corporation, governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water and sewer services in Douglas County, Colorado.

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

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

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:

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's accounting records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred. Tap fees are recorded as capital contributions when received.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Silver Heights Water and Sanitation District

Notes to Financial Statements

December 31, 2022

Note 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

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 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 total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting.

The District did not amend its annual budget for the year ended December 31, 2022.

During the year ended December 31, 2022 actual expenditures exceeded appropriations which may be a violation of State statutes.

Cash and Investments

The District considers all highly liquid assets that are readily convertible to cash or have a maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include land, buildings, plant, infrastructure, and equipment, are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets are defined by the District as those assets with a cost of \$5,000 or greater and an estimated useful life in excess of one year.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Water System	40 - 50 years
Sewer System	40 years
Equipment	5 - 10 years
Landscaping	5 - 20 years
Buildings	5 - 20 years
Furniture	3 - 7 years

Silver Heights Water and Sanitation District

Notes to Financial Statements

December 31, 2022

Note 2: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that District management make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Net Position

Net position is classified in the following the following categories:

- *Net Investment in Capital Assets* - This classification consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position
- *Restricted Net Position* - This classification presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* - This classification represents the net position of the Authority, which is not restricted for any project or other purpose.

Subsequent Events

Management of the District has evaluated subsequent events through January 4, 2024, the date the financial statements were available to be issued.

Note 3: Cash and Investments

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

Deposits with financial institutions	\$	598,691
Investments		<u>1,838</u>
Total	\$	<u><u>600,529</u></u>

Silver Heights Water and Sanitation District

Notes to Financial Statements

December 31, 2022

Note 3: Cash and Investments (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has adopted a deposit policy, which follows state statutes, for custodial risk.

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations 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 had bank deposits of \$664,538 collateralized with securities held by the financial institution's agent but not in the District's name.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which the District may invest, which include the following. State statutes do not address custodial risk.

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings established by the nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in a single issuer, except for corporate securities.

Silver Heights Water and Sanitation District

Notes to Financial Statements

December 31, 2022

Note 3: Cash and Investments (Continued)

Investments (Continued)

Local Government Investment Pools - As December 31, 2022, the District had \$- invested in the Colorado Local Government Liquid Assets Trust (Colotrust) (the Trust). The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust is rated AAAM by Standard & Poor's. Colotrust records its investments at fair value and the District records its investment in Colotrust at net asset value as determined by fair value. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Note 4: Capital Assets

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

	<u>Balance 12/31/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/22</u>
Capital Assets, <i>Not Being Depreciated</i>				
Land	\$ 13,969	\$ -	\$ -	\$ 13,969
Total Capital Assets, <i>Not Being Depreciated</i>	<u>13,969</u>	<u>-</u>	<u>-</u>	<u>13,969</u>
Capital Assets, <i>Being Depreciated</i>				
Water System	1,757,188	-	-	1,757,188
Sewer System	380,103	-	-	380,103
Equipment	3,550	-	-	3,550
Landscaping	57,118	-	-	57,118
Buildings	40,109	-	-	40,109
Furniture	1,350	-	-	1,350
Total Capital Assets, <i>Being Depreciated</i> (Continued)	<u>2,239,418</u>	<u>-</u>	<u>-</u>	<u>2,239,418</u>
Less Accumulated Depreciation				
Water System	(1,342,860)	(36,277)	-	(1,379,137)
Sewer System	(279,826)	(8,002)	-	(287,828)
Equipment	(3,550)	-	-	(3,550)
Landscaping	(56,286)	(639)	-	(56,925)
Buildings	(40,109)	-	-	(40,109)
Furniture	(1,350)	-	-	(1,350)
Total Accumulated Depreciation	<u>(1,723,981)</u>	<u>(44,918)</u>	<u>-</u>	<u>(1,768,899)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	<u>515,437</u>	<u>(44,918)</u>	<u>-</u>	<u>470,519</u>
Total Capital Assets, <i>net</i>	<u>\$ 529,406</u>	<u>\$ (44,918)</u>	<u>\$ -</u>	<u>\$ 484,488</u>

Depreciation expense for the year ended December 31, 2022 was charged to Operating Expenses.

Silver Heights Water and Sanitation District

Notes to Financial Statements

December 31, 2022

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:

	<u>Balance 12/31/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/22</u>	<u>Due Within One Year</u>
Notes Payable					
FirstBank	\$ 12,972	\$ -	\$ (12,972)	\$ -	\$ -
National Rural Water	<u>57,013</u>	<u>-</u>	<u>(57,013)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 69,985</u>	<u>\$ -</u>	<u>\$ (69,985)</u>	<u>\$ -</u>	<u>\$ -</u>

During the year ended December 31, 2022, total interest cost incurred was 1,460.

Note 6: Tax, Spending and Debt Limitation

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 which apply to the State of Colorado and all local governments.

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.

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 interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

The amendment excludes enterprise funds from its provisions. Enterprise funds are defined as government owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue from all state and local governments combined. The District believes it is an exempt enterprise under the definitions of TABOR and that the term of TABOR do not apply to the District during the year ended December 31, 2022.

Silver Heights Water and Sanitation District

Notes to Financial Statements

December 31, 2022

Note 7: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees or volunteers; and natural disasters.

The District has elected to manage its risk of losses through an Intergovernmental Agreement with was a member of the Colorado Special District Association of Colorado. Property and Liability Pool (Pool) as of December 31, 2022. Premiums are based on revenues with surcharges and assessments being available to the Risk Management Pool for Excessive Claims . During 2022 the pool provided liability coverage in the amounts of \$150,000/\$400,000 with a one million dollar maximum .

The District is one of 1,392 special districts which are 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, general liability, public officials liability, employee dishonesty and crime, equipment breakdown and workers' compensation coverage to its members. The Pool provides coverage for property claims up to \$50,000,000 and liability cover age for claims up to \$1,000,000. Workers ' compensation claims are covered up to statutory limits , with claims related to employer's liability up to \$2,000,000. Settled claims have not exceeded this coverage during 2022. Settled claims have not exceeded policy coverage in any of the years prior to 2021.

The District pays annual premiums to the Pool for their liability and property insurance. In the event the aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and surplus funds accumulated by the Pool, the Pool may require additional contributions from Pool members. Any excess unassigned surplus funds the Pool determines is not needed for purposes of the Pool may be returned to members pursuant to a distribution formula.

Supplementary Information

Silver Heights Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Funds Available
Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Service Fees, Net	\$ 186,298	\$ 186,298	\$ 167,919	\$ (18,379)
Penalties	2,640	2,640	7,329	4,689
Miscellaneous	800,150	800,150	1,850	(798,300)
Investment Income	10	10	804	794
Tap Fees	-	-	766,720	766,720
	<u>989,098</u>	<u>989,098</u>	<u>944,622</u>	<u>(44,476)</u>
Expenses				
Operations	128,012	243,012	247,957	(4,945)
Administration	43,700	43,700	58,677	(14,977)
Debt Service	17,376	17,376	71,445	(54,069)
	<u>189,088</u>	<u>304,088</u>	<u>378,079</u>	<u>(73,991)</u>
<i>Net Income Budget Basis</i>	<u>\$ 800,010</u>	<u>\$ 685,010</u>	566,543	<u>\$ (118,467)</u>
Reconciliation to GAAP Basis				
Depreciation			(44,918)	
Debt Principal			<u>69,985</u>	
Change in Net Position, GAAP Basis			<u>\$ 591,610</u>	

Silver Heights Water and Sanitation District
Schedule of Administrative and General Expenses
For the Year Ended December 31, 2022

	Total
Accounting and Auditing	\$ 17,520
Directors' Fees and Meetings	9,400
Legal	20,480
Office Supplies	5,217
Conferences	1,689
Computer	3,021
Meter Reading	<u>1,350</u>
 Total Expenses	 \$ <u><u>58,677</u></u>

Silver Heights Water and Sanitation District

Schedule of Operating Expenses For the Year Ended December 31, 2022

	Total
Sewage Treatment	\$ 18,282
Repairs and Maintenance	80,400
Utilities	29,957
Depreciation	44,918
Engineering	3,772
Operating Fees	98,502
Chemicals	3,135
Water Testing	1,366
Insurance	<u>12,543</u>
 Total Expenses	 \$ <u><u>292,875</u></u>