

INDIAN HILLS WATER DISTRICT
BASIC FINANCIAL STATEMENTS and
INDEPENDENT AUDITORS' REPORT

December 31, 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2 - 5
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9 – 17
Other Supplementary Information:	
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)	18
Schedule of Operating Expenses And General and Administrative Expenses	19

FEIS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
193 SOUTH 27TH AVENUE, SUITE 100
BRIGHTON, COLORADO 80601-2662
(303) 659-1200 • FAX (303) 659-1204

MEMBER OF
AMERICAN INSTITUTE OF CPAs
COLORADO SOCIETY OF CPAs

ROBERT R. FEIS, CPA

Independent Auditors' Report

**Board of Directors
Indian Hills Water District
Indian Hills, Colorado**

Opinion

We have audited the accompanying financial statements of Indian Hills Water District, which comprise the statement of net position as of December 31, 2023, and the related statements of activities, operating expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditors' 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 opinion. 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, including omissions, 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 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.

Leo & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
Brighton, CO

July 31, 2024

**INDIAN HILLS WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

This section provides a summary of the District's financial performance. It contains an overview and analysis of the District's financial activities for the year ended December 31, 2023. The financial statements are an integral part of this analysis and are contained within the Audit Report.

FINANCIAL HIGHLIGHTS

1. In 2023, net position totaled \$2,264,091, which represents an increase of \$94,308 (4.34%) when compared to 2022.
2. Total operating revenues were \$449,149 during 2023.
3. Total operating expenses were \$818,166 during 2023, which represents an increase of \$337,083 (70%) when compared to 2021.
4. Total non-operating revenues were \$463,325 during 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements. The basic financial statements are comprised of proprietary fund financial statements, notes to the financial statements, and supplemental information.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to private-sector businesses.

The statement of net position provides information regarding all of the District's assets, liabilities, and net position. Historically, changes (increases or decreases) in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of net position is displayed on page six of the independent auditors' report.

The statement of revenues, expenses and changes in net position provides information regarding the changes in net position during the course of the past year. Revenues are recorded as they are

earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Proprietary Fund Financial Statements

A fund is a group of accounts used to maintain control of resources that have been set aside for specific activities or objectives. The District uses general fund accounting to account for all financial activities and to ensure and demonstrate compliance with finance related legal requirements.

Notes to Financial Statements

The notes provide detailed clarifying additional information necessary for a complete understanding of the data contained in the government-wide and fund financial statements.

FINANCIAL ANALYSIS

The true picture of the financial health of the District must take into account the operational policies and financial control practiced by the District.

Financial Policy Priorities

The financial goal of the District is to operate in a cost-efficient manner that is similar to the practices of private enterprises. The District annually reviews its policies to assess their impact upon financial activities. Policies that affect financial activities are:

1. Administration and operations are funded from user fees.
2. A portion of Other Income will fund administration and operating costs.

Day-to-Day Operational Control of the District

For operational control, the District prepares its budget utilizing one fund. This allows the District to easily track operating and non-operating revenues and expenditures. The fund provides for the operational needs of the District in its entirety. The major source of revenue is user fees and real estate taxes. Expenditures are broken down into two areas: general and administrative, and operating expenses. This encourages a critical review of how the District allocates its monetary resources.

Expenditures are identified through long-term financial planning, which identifies items that will need major repair or replacement. Expenditures are also made to ensure that the District continues to conform to state and environmental mandates.

Currently, the primary funding source is water usage fees. The District, operating under the “pay-as-you-go” philosophy, is consciously building reserves sufficient to handle all infrastructure expenses that are anticipated and those that arise unexpectedly.

The District’s day-to-day operational control involves many levels of planning, forecasting and budgeting. Revenues and expenses are allocated to specific functions of the District. Monthly financial reports are presented to the Board of Directors. The reports contain monthly revenues and expenditures compared to the adopted budget.

A summary of the statement of net position is included below. The amounts listed for 2022 were audited.

	2023	2022
Current assets	\$ 1,478,739	\$1,375,269
Fixed assets, net of accum depr	822,177	875,414
Other Assets, Water Rights	406,555	406,555
Total assets	<u>2,707,471</u>	<u>2,657,238</u>
Current liabilities	29,441	100,902
Non-current liabilities	-	-
Deferred property taxes	413,939	386,551
Total liabilities	<u>443,380</u>	<u>487,453</u>
Net position:		
Invested in capital assets	822,177	875,414
Temporarily restricted	-	-
Unrestricted	1,441,914	1,294,371
Total net position	<u>\$2,264,091</u>	<u>\$2,169,785</u>

The above table shows the District to be in an overall healthy position, for a District of its size. It is also important to note that the District generally operates from year to year with a profit from other income which is saved for future capital expenses.

The table below shows the revenues, expenses, and net position for 2023 and 2022. The amounts listed for 2022 were audited.

	2023	2022
Total Revenue	\$ 449,149	\$ 401,580
Total Operating expenses	818,166	523,521
Operating income (loss)	<u>(369,017)</u>	<u>(121,941)</u>
Other Income	463,325	403,290
Net non-operating revenue	<u>463,325</u>	<u>403,290</u>
Change in net position	94,308	281,349
Beginning net position	<u>2,169,785</u>	<u>1,888,436</u>
Ending net position	<u>\$2,264,091</u>	<u>\$2,169,785</u>

BUDGETARY HIGHLIGHTS

The schedule of revenues and expenses, actual and budget is included in the supplementary information. The budget is prepared on a cash basis and thus excludes depreciation.

CAPITAL ASSETS AND DEBT ACTIVITES

At the conclusion of 2023, the District had no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors and the management consider many factors when they set the budget for 2023. The District's 2019 Master Plan outlines our Capital Improvement Plan. With that in mind, projected property taxes, user fees, growth, and system improvement and investment are all evaluated and considered before the final budget is adopted.

CONTACTING THE DISTRICT'S MANAGER

This financial report is designed to provide our neighbors, customers, and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have any questions concerning this report or need additional information, please go to indianhillswater.com or contact the office manager at Indian Hills Water District, 4491 Parmalee Gulch Rd / P.O. Box 710, Indian Hills, CO 80454.

INDIAN HILLS WATER DISTRICT
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 DECEMBER 31, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2023
Current Assets	
Cash and cash equivalents	\$ 1,034,847
Accounts receivable	29,953
Accrued property taxes	413,939
Total Current Assets	1,478,739
Fixed Assets, at cost	
Land	2,102
Water lines, pumps, & wells	1,725,136
Buildings	73,152
Treatment plant	284,442
Office equipment	7,805
Machinery & equipment	108,318
Booster stations	14,777
Total Fixed Assets	2,215,732
Less: Accumulated depreciation	(1,393,555)
Fixed Assets, net of accumulated depreciation	822,177
Other Assets	
Water rights	406,555
Total Other Assets	406,555
Total Assets	2,707,471
Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	\$ 2,707,471

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current Liabilities	
Accounts payable	\$ 10,540
Accrued payroll liabilities	18,901
Total Current Liabilities	29,441
Non-Current Liabilities	
Long-term debt	-
Total Liabilities	29,441
Deferred Inflows of Resources	
Deferred property taxes	413,939
Total Deferred Inflows of Resources	413,939
Total Liabilities and Deferred Inflows of Resources	443,380
Net Position	
Invested in capital assets, net of related Debt	822,177
Unrestricted	1,441,914
Total Net Position	2,264,091
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,707,471

See independent auditors' report.
 The accompanying notes are an integral
 part of the financial statements

**INDIAN HILLS WATER DISTRICT
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2023**

Revenues:	<u>2023</u>
Water sales	\$ 383,149
Tap fees	66,000
Total Revenue	<u>449,149</u>
Expenses:	
Operating expenses	536,867
General and administrative expenses	281,299
Total Operating Expenses	<u>818,166</u>
Income (Loss) from Operations	(369,017)
Other Income (Expenses)	
Property taxes	387,375
Specific ownership taxes	27,568
Interest income	48,382
Total Other Income (Expenses)	<u>463,325</u>
Change in net position	94,308
Net Position, Beginning of Year	<u>2,169,783</u>
Net Position, End of Year	<u><u>\$ 2,264,091</u></u>

**See independent auditors' report.
 The accompanying notes are an integral
 part of the financial statements**

**STATEMENT
OF
CASH FLOWS**

**INDIAN HILLS WATER DISTRICT
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2023**

DIRECT METHOD

	2023
Cash flows from operating activities:	
Receipts from customers	\$ 454,413
Payments to vendors	(836,390)
Net cash provided (used) by operating activities	(381,977)
 Cash flows provided (used) for investing activities:	
Interest income received	48,380
Purchases of equipment	-
Net cash provided (used) by investing activities	48,380
 Cash flows provided (used) by capital and related financing activities:	
Property and specific ownership taxes	414,943
Other income	-
Net cash provided (used) by capital and related financing activities	414,943
Net increase (decrease) in cash	81,346
Cash, beginning of year	953,501
Cash, end of year	\$ 1,034,847

**Reconciliation of Net Cash Provided (used) by
Operating Activities to Net Income (Loss) from Operations**

	Total 2023
Net income (loss) from operations	\$ (369,017)
Adjustments to Reconcile Net Income to Cash Provided (Used) by Operating Activities:	
Depreciation Expense	53,237
Changes in Assets and Liabilities:	
Accounts receivable - (increase) decrease	5,264
Accounts payable - increase (decrease)	(68,728)
Accrued payroll liabilities - increase (decrease)	<u>(2,733)</u>
Net cash provided (used) by operating activities	\$ <u>(381,977)</u>

**See independent auditors' report.
The accompanying notes are an integral
part of the financial statements**

**INDIAN HILLS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Indian Hills Water District is organized under the provisions of Section 32-1-305(6) C.R.S. It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which include the power to levy taxes against property within the District. The District grants credit to its customers, all of whom are located in Jefferson County, Colorado. The District was formed in 1952.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which are applicable to governmental entities.

The following is a summary of significant accounting policies:

A. Principles Determining Scope of Reporting Entity

The financial statements of the District consist only of the funds and account groups of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and election of the respective governing board. Therefore in accordance with Governmental Accounting Standards Board Statement #14, the District is considered a stand-alone entity for financial reporting purposes.

B. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e. the statement of activities) report information on all of the non-fiduciary activities of the government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

See independent auditors' report.

**INDIAN HILLS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Accounting

The accounts of the District are organized on the basis of funds and account groups. Each fund and account group is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording assets together with all related liabilities, obligations, reserves and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following fund was used by the District during 2023:

Proprietary Fund

System Improvement Fund – This fund is used to account for all activities related to providing fresh drinking water to residents of the District.

C. Measurement Focus and Basis of Accounting

Measurement Focus

The accrual basis of accounting is used for reporting purposes of the proprietary fund of the District. Under the accrual method of accounting, revenues and the related assets are reported when they are earned, regardless of when they are received and expenses and the related liabilities are reported when they are incurred, regardless of when they are paid.

Encumbrance accounting is not used.

The proprietary fund of the District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues are charges to customers for water. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

See independent auditors' report.

**INDIAN HILLS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The District prepares its budget on a basis consistent with generally accepted accounting principles and Colorado Revised Budgetary Statutes. All annual appropriations are at the total District level and lapse at fiscal year-end.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

E. Capital Assets

Capital assets purchased or acquired with an original cost of \$250 or more are stated at cost or fair market value, if donated. The cost of repairs and maintenance is charged against income as incurred. Significant renewals, betterments and improvements are capitalized.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Allowance for Bad Debts

No allowance for bad debts has been provided for member receivables because, according to Colorado statute, the District's fees for providing services constitute a lien upon which the District may foreclose. In recent years, the District has not had significant collection problems.

See independent auditors' report.

**INDIAN HILLS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Property Taxes

All taxable property within the District on January 1st each year is listed, appraised and valued as of January 1st, the official assessment date. At that time, property taxes are levied against the property, constituting a perpetual lien with priority over all other liens. Taxes are due and payable on January 1st following the year of assessment; however, they may be paid in either one installment due April 30th or two installments due February 28th and June 15th without penalty or interest. Unpaid amounts and accrued interest thereon become delinquent on June 16th.

The Governmental Accounting Standards Board has determined that property taxes should be accrued in the year of levy. Because these taxes are not available for use until the year subsequent to accrual, revenue is recognized in the subsequent year.

I. Budgets

Colorado state law requires the adoption of a budget and appropriations. Appropriations lapse at the end of the year. The budgets are prepared on the budgetary basis, which differs from a basis consistent with generally accepted accounting principles. Therefore, comparison of actual operations on the accrual basis to the budgets is not appropriate. However, a schedule comparing the actual activity on a budgetary basis to the budget is provided in the Supplementary Information section. The adjustments necessary to convert the actual revenues and expenditures to the budgetary basis for 2023 are as follows:

Change in net position	\$ 94,308
Less: Capital expenditures	<u>(194,983)</u>
Revenues over expenditures	\$ <u>86,366</u>

The District's Board of Directors adopts the budget by resolution, usually in November each year. At that time, notice is published in local newspapers and the proposed budget is open to inspection by taxpayers and public hearings are held. The level of budgetary responsibility is by total appropriations.

See independent auditors' report.

**INDIAN HILLS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

2. CASH AND DEPOSITS AND INVESTMENTS

A. Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of year-end the District's bank balance was insured, collateralized with securities of the financial institution's trust or collateralized with securities held by the pledging financial institution through PDPA.

At December 31, 2023, the District's cash deposits had a carrying balance of \$29,434 and corresponding bank balances as follows:

	<u>2023</u>
Insured deposits	\$ 29,191
Uninsured: Collateralized by financial institution	---
Total cash deposits	<u>29,191</u>
Cash on hand	<u>243</u>
Total Cash	\$ <u>29,434</u>

The bank balance of the deposits listed above are classified in three categories of credit risk as follows: a) Uncollateralized; b) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

See independent auditors' report.

**INDIAN HILLS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

2. CASH AND DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The District's investments are categorized as either (1) insured or registered, or for which the securities are held by the District or its agent in the District's name, (2) uninsured and unregistered for which the securities are held by the counterpart's trust department or agent in the District's name or (3) uninsured and unregistered for which the securities are held by the counterpart or by its trust department or agent but not in the District's name. As of December 31, 2023, all investments are considered category 1.

As of December 31, 2023, the District has \$1,005,413 invested in Colorado Local Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S Title 24, Article 75, Section 6. The fair value of the investments in COLOTRUST is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book entry form. COLOTRUST is rated AAA from Standard and Poor's Corporation.

<u>Investments</u>	<u>Maturity Year</u>	<u>Fair Value</u>	<u>Credit Ratings</u>
COLOTRUST	Variable	\$ <u>1,005,413</u>	AAA
 Total Investments		 \$ <u>1,005,413</u>	

Colorado statutes specify in which instruments the units of local government may invest, which include:

Repurchase Agreements, obligations of the United States or obligations unconditionally guaranteed by the United States, federally insured mortgages and student loans. Participation with other local governments in pooled investment funds (trusts), these trusts are supervised by participating governments, and must comply with the same restrictions on cash deposits and investments.

See independent auditors' report.

**INDIAN HILLS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

2. CASH AND DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit Risk – State law limits investments for fire districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institution have assets in excess of \$1 billion or the highest credit rating from one or more nationally recognized rating agency.

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 limits investment maturities to five years or less without governing board approval.

C. Reconciliation of Cash, Cash Equivalents, and Investments

The following is a reconciliation between the cash and investments recorded in the financial statements and the amounts reported in this footnote:

Financial Statements	
Total Cash and Short-term	
Investments – Governmental Funds	\$ <u>1,034,847</u>
Total Cash Deposits and	
Investments (Book Balance)	\$ <u>1,034,847</u>
Footnote	
Cash	\$ 29,434
Investments	<u>1,005,413</u>
Total Cash Deposits and	
Investments (Footnote)	\$ <u>1,034,847</u>

See independent auditors' report.

**INDIAN HILLS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

3. CAPITAL ASSETS

Depreciation has been computed using the straight-line method based on lives of 5 to 50 years. Depreciation expense totaled \$53,237 for the year ended December 31, 2023.

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Balance</u> <u>12/31/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2023</u>
<u>Not depreciated</u>				
Land	\$ 2,102	\$ -	\$ -	\$ 2,102
<u>Other capital assets</u>				
Water Lines, Pumps, Wells	1,702,013	-	-	1,702,013
Buildings	73,152	-	-	73,152
Treatment Plants	307,565	-	-	307,565
Office Equipment	7,805	-	-	7,805
Booster stations	14,777	-	-	14,777
Machinery & Equipment	<u>108,318</u>	<u>-</u>	<u>-</u>	<u>108,318</u>
Total Capital Assets	<u>2,215,732</u>	<u>-</u>	<u>-</u>	<u>2,215,732</u>
<u>Accumulated Depreciation</u>				
Water Lines, Pumps, Wells	(1,063,855)	(35,642)	-	(1,099,497)
Buildings	(43,516)	(2,556)	-	(46,072)
Treatment Plants	(138,269)	(7,111)	-	(145,380)
Office Equipment	(6,113)	(288)	-	(6,401)
Machinery & Equipment	<u>(88,565)</u>	<u>(7,640)</u>	<u>-</u>	<u>(96,205)</u>
Total Accumulated Depreciation	<u>(1,340,318)</u>	<u>(53,237)</u>	<u>-</u>	<u>(1,393,555)</u>
Net Capital Assets	<u>\$ 875,414</u>	<u>\$ (53,237)</u>	<u>\$ -</u>	<u>\$ 822,177</u>

4. RESTRICTED NET POSITION

Net position is reported as restricted when there are limitations imposed on their use whether through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. When expenses are incurred for which restricted and unrestricted funds are available, the District considers restricted funds to be expended first.

See independent auditors' report.

**INDIAN HILLS WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded commercial insurance coverage in the last several years.

6. TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District does not believe that it is directly subject to the "TABOR" limitations. However, the District has made certain interpretations of language in the amendment to make that determination.

7. GOVERNMENT REGULATION

Substantially all of the District's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the District expect such compliance to have, any material effect upon the capital expenditures, net income, and financial condition of the District. Management believes that its current practices and procedures for the control and disposition of such waste comply with applicable federal, state, and local requirements.

8. SUBSEQUENT EVENTS

In accordance with the provisions of Statement of Financial Accounting Standards Codification 855, Subsequent Events, management must evaluate, through the date the financial statements are issued or are available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and disclose the date through which subsequent events were evaluated. The District's financial statements were available to be issued on the date of the Independent Auditors' Report, and this is the date through which subsequent events were evaluated. The District did not identify any subsequent events requiring disclosure.

See independent auditors' report.

**OTHER
SUPPLEMENTARY
INFORMATION**

**INDIAN HILLS WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual (Budgetary Basis)	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Water sales	\$ 396,743	\$ 396,743	\$ 383,149	\$ (13,594)
Tap fees	-	-	66,000	66,000
Property taxes	386,551	386,551	387,375	824
Specific Ownership taxes	25,000	25,000	27,568	2,568
Interest income	5,000	5,000	48,382	43,382
Other income	-	-	-	-
Total Revenues	813,294	813,294	912,474	99,180
Expenditures:				
Operating	775,427	775,427	481,904	293,523
General and administrative	336,389	336,389	281,299	55,089
Total Expenditures	1,111,815	1,111,815	763,203	348,612
Revenues Over (Under) Expenditures	\$ (298,521)	\$ (298,521)	\$ 149,271	\$ 447,792

See independent auditors' report.
The accompanying notes are an integral
part of the financial statements

**INDIAN HILLS WATER DISTRICT
 PROPRIETARY FUND
 SCHEDULE OF OPERATING EXPENSES
 AND GENERAL AND ADMINISTRATIVE EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2023**

Operating:	<u>2023</u>
Depreciation	\$ 53,237
Engineering	2,362
Utilities	43,971
Service fees	16,050
Repairs and maintenance	46,210
Testing & chemicals	55,122
Water hauling	55,152
Tools & equipment	13,648
Auto meters	4,688
Capital outlay	<u>246,427</u>
Total Operating	<u>\$ 536,867</u>
General and Administrative:	
Salaries	\$ 199,012
Taxes & benefits	35,100
Accounting & legal	10,419
Director fees	6,000
Insurance expense	18,497
Office expense	10,812
Taxes, licenses and fees	1,875
Telephones	3,259
Auto & truck	(5,236)
Miscellaneous	<u>1,561</u>
Total General and Administrative	<u>\$ 281,299</u>

**See independent auditors' report.
 The accompanying notes are an integral
 part of the financial statements**