

Hoover Hill Water and Sanitation District

Annual Financial Report

December 31, 2022 and 2021



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Independent Auditor's Report

Members of the Board of Directors
Hoover Hill Water and Sanitation District

Opinions

We have audited the accompanying financial statements of the business-type activities of the Hoover Hill Water and Sanitation District as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hoover Hill Water and Sanitation District as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years 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 the Hoover Hill 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 opinion.

Responsibilities of Management for the Financial Statements

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

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 Hoover Hill 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 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 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 Hoover Hill 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 Hoover Hill Water and Sanitation District's ability to continue as a going concern for a reasonable period of time.

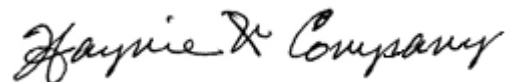
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 required supplementary 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 Hoover Hill Water and Sanitation District's basic financial statements. The budgetary comparison schedule is presented for the purposes of additional analysis and is not a required part of the 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Haynie & Company".

Littleton, Colorado
June 20, 2023

Hoover Hill Water and Sanitation District Management's Discussion and Analysis

This section of the Hoover Hill Water and Sanitation District's (the District) annual financial report presents our analysis of the District's financial performance during the fiscal year ended December 31, 2022. Please read it in conjunction with the financial statements.

1. Financial Highlights

The District's operating revenue increased by \$22,669 from 2021 to 2022. The District increased rates in response to the City of Boulder's rate increases of 7% for water and 5% for sanitation.

Non-operating revenue (property taxes, specific ownership tax and interest income) increased \$25,365 primarily due to an increase in interest income on investments resulting from the changing economic environment.

General and Administrative expenses increased by \$11,950 from 2021 to 2022.

The District enlisted Ramey Environmental Compliance to help with a lift station site improvement that integrated new monitoring and detection equipment for the wet well on Baseline in addition to performing much needed preventative maintenance and degreasing on the infrastructure.

The District elected to postpone the water line replacement on Ridglea Way until market conditions are more favorable. The total cost of upcoming infrastructure improvements is estimated at \$3.2M but has not been adjusted for the time value of money.

The District's net position increased by \$103,542 from 2021 to 2022; bringing the net position to \$1,573,212.

The District has over \$1,000,000 in unrestricted funds, enough to maintain operations for one year, (estimated to be \$500,00) and the remainder in unrestricted funds is available for capital improvements. This is an indication that the District is healthy and operationally sound.

Hoover Hill Water and Sanitation District Management's Discussion and Analysis

The District was able to issue a clean Customer Confidence Report (CCR); violation free to all customers and complied with all the standards of CDPHE regulations.

2. Overview of the Financial Statements

The annual report consists of three parts:

- Management's Discussion and Analysis
- Financial Statements
- Supplementary Information

3. Required Financial Statements

Statement of Net Position

The statement of net position provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses and Changes in Net Position

This statement measures the results of the District's operations over the past year and may be used to determine profitability, credit worthiness, and whether the District has successfully recovered all costs through its user fees, taxes and other charges.

Statement of Cash Flows

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and the net changes in cash resulting from operations, non-capital financing, capital-related financing, and investing activities.

4. Financial Analysis of the District

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The statement of net

Hoover Hill Water and Sanitation District Management’s Discussion and Analysis

position and statement of revenues, expenses, and changes in net position report information about the District's activities in a way that can help answer that question. These two statements report the net position of the District and the related change in these assets. The District's net position (the difference between assets and liabilities) is one way to measure financial health or financial position. Over time, increases in the District's net position, is one indicator that the District's financial health is improving. However, other non-financial factors should be considered such as changes in economic conditions, population growth, or changed governmental legislation.

5. Net Position

As part of our analysis, we provide a summary of the District's statement of net position:

	Condensed Statements of Net Position			
	2022	2021	2022-2021	Change
Current Assets	1,123,135	\$ 1,000,320	\$ 122,815	12.3%
Capital Assets	543,345	562,716	(19,371)	-3.4%
Total Assets	1,666,480	1,563,036	103,444	6.6%
Accounts Payable	1,650	-	1,650	0.0%
Deferred Inflow of Resources	91,618	93,366	(1,748)	-1.9%
Net Position:				
Net Investment in Capital Assets	543,345	562,716	(19,371)	-3.4%
Emergencies	19,025	17,382	1,643	9.5%
Unrestricted	1,010,842	889,572	121,270	13.6%
Total Net Position	1,573,212	1,469,670	103,542	7.0%

Hoover Hill Water and Sanitation District showed an increase in Current and Other Assets of approximately \$103,444 from 2021 to 2022. Net Investment in Capital Assets decreased due to depreciation and the majority of assets have exceeded their life cycle.

The District has Accounts Receivable of over 90 days and plans for collections of these accounts.

While the statement of net position shows the financial net position; the statement of revenues, expenses and changes in net position answers questions as to the nature and sources of these changes.

Hoover Hill Water and Sanitation District Management's Discussion and Analysis

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2022	2021	2022-2021	Change
Operating Revenues	521,472	\$ 492,073	\$ 29,399	6.0%
Non-operating Revenues	112,700	87,335	25,365	29.0%
Total Revenues	634,172	579,408	54,764	9.5%
Depreciation	19,371	19,513	(142)	-0.7%
Other Operating Expense	426,329	439,991	(13,662)	-3.1%
G&A Expenses	84,930	72,980	11,950	16.4%
Total Expenses	530,630	532,484	(1,854)	-0.3%
Change in Net Position	103,542	46,924	56,618	120.7%
Beginning Net Position	1,469,670	1,422,746	46,924	3.3%
Ending Net Position	\$ 1,573,212	\$ 1,469,670	\$ 103,542	7.0%

The District purchases water and sanitation services from the City of Boulder. When the City of Boulder increases its water and sanitation fees, Hoover Hill must also raise its rates to the customers of the District. Although the City of Boulder increased both water and sewer rates for 2022, the operating revenues increased due to the rate increases received in the current year. Non-operating revenues increased by 29% from 2021 to 2022. Depreciation remained consistent over prior year. G&A expenses also increased by 16.4% from 2021 to 2022.

6. Budgetary Highlights

As required by state law, the District adopts a budget and appropriates funds by December 15 for the following fiscal year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado.

7. Capital Assets and Debt Administration

Hoover Hill Water and Sanitation District Management's Discussion and Analysis

	Capital Assets			
	2022	2021	2022-2021	Change
Water & Sanitation System	\$ 1,695,276	\$ 1,695,276	\$ -	0.0%
Less: Accumulated Depreciation	(1,151,931)	(1,132,560)	(19,371)	-1.7%
Net Capital Assets	\$ 543,345	\$ 562,716	\$ (19,371)	-3.4%

There are several water lines within the District that have exceeded their life expectancy of 40 years and are in the capital plan to be replaced. The District intends to continue funding reserves for capital improvements. See Note 4 for more information.

8. Long-Term Debt

The District's General Obligation Debt was paid off in July 2017. The District currently has no long term debt.

9. Economic Factors And Next Year's Budget Rates

The District's Board of Directors and management consider many factors when setting the 2023 budget, including user fees and charges. The following table presents the changes in the District's budget from 2022 to 2023.

	2023 vs 2022 Budget			
	2023	2022	2022-2021	Change
Operating Revenues	\$ 552,428	\$ 528,164	\$ 24,264	4.6%
Non-operating Revenues	101,200	97,913	3,287	3.4%
Total Revenues	653,628	626,077	27,551	4.4%
Operating Expense	466,613	424,185	42,428	10.0%
G&A Expenses	91,480	79,087	12,393	15.7%
TABOR	2,500	2,500	-	0.0%
Capital Outlays	846,000	710,000	136,000	19.2%
Total Expenses	1,406,593	1,215,772	190,821	15.7%

Hoover Hill Water and Sanitation District Management's Discussion and Analysis

Net Income	(752,965)	(589,695)	(163,270)	27.7%
GAAP Adjustments:				
Net Gain GAAP Basis	<u>(752,965)</u>	<u>(589,695)</u>	<u>(163,270)</u>	<u>27.7%</u>
Change in Net Position	(752,965)	(589,695)	(163,270)	27.7%
Beginning Net Position	<u>393,943</u>	<u>983,638</u>	<u>(589,695)</u>	<u>-60.0%</u>
Ending Net Position	<u>\$ (359,022)</u>	<u>\$ 393,943</u>	<u>\$ (752,965)</u>	<u>-191.1%</u>

The 2023 projected revenues reflect the rate changes the District will charge to compensate for any changes to the charges the District will incur from the City of Boulder. Non-operating revenues are expected to increase due to increases in interest income.

Operating Expenses are projected to be higher in 2023 due to another increase by the City of Boulder for the purchase of water and sanitation services. G&A Expenses are anticipated to increase about \$12,000 in 2023. Capital Outlay of \$846,000 is projected for planned infrastructure projects.

The expected reduction of \$752,965 in net position is in large part due to anticipated capital outlay related to the District's infrastructure.

Basic Financial Statements

Hoover Hill Water and Sanitation District
Statements of Net Position
Proprietary Fund
December 31, 2022 and 2021

Assets	2022	2021
Current Assets		
Cash and Investments	\$ 976,777	\$ 858,449
Property Taxes Receivable	91,618	93,366
Accounts Receivable	<u>54,740</u>	<u>48,505</u>
Total Current Assets	<u>1,123,135</u>	<u>1,000,320</u>
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	<u>543,345</u>	<u>562,716</u>
Total Assets	<u><u>\$ 1,666,480</u></u>	<u><u>\$ 1,563,036</u></u>
 Liabilities, Deferred Inflows of Resources and Net Position		
Accounts Payable		
Accounts Payable	<u>1,650</u>	<u>-</u>
Deferred Inflows of Resources		
Deferred Property Tax Revenue	<u>\$ 91,618</u>	<u>\$ 93,366</u>
 Net Position		
Net Investment in capital assets	543,345	562,716
Restricted - emergency reserve	19,025	17,382
Unrestricted	<u>1,010,842</u>	<u>889,572</u>
Total net position	<u>1,573,212</u>	<u>1,469,670</u>
Total Liabilities, Deferred Inflows, and Net Position	<u><u>\$ 1,666,480</u></u>	<u><u>\$ 1,563,036</u></u>

The accompanying notes are an integral part of these financial statements.

Hoover Hill Water and Sanitation District
Statements of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
User Fees and Surcharges	\$ <u>521,472</u>	\$ <u>492,073</u>
Total Operating Revenues	<u>521,472</u>	<u>492,073</u>
Operating Expenses		
General and Administrative	84,930	72,980
Operating	426,329	439,991
Depreciation	<u>19,371</u>	<u>19,513</u>
Total Operating Expenses	<u>530,630</u>	<u>532,484</u>
Operating Income (Loss)	<u>(9,158)</u>	<u>(40,411)</u>
Non-Operating Revenues		
Property Taxes	93,355	82,782
Specific Ownership Taxes	4,129	4,100
Interest Income	<u>15,216</u>	<u>453</u>
Total Nonoperating Revenues	<u>112,700</u>	<u>87,335</u>
Change in Net Position	103,542	46,924
Net position—Beginning of Year	<u>1,469,670</u>	<u>1,422,746</u>
Net Position—End of Year	<u>\$ 1,573,212</u>	<u>\$ 1,469,670</u>

The accompanying notes are an integral part of these financial statements.

Hoover Hill Water and Sanitation District
Statements of Cash Flows
Proprietary Fund
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Cash Received From User Fees and Surcharges	\$ 515,237	\$ 489,491
Cash Paid for Goods and Services	<u>(509,609)</u>	<u>(509,221)</u>
Net Cash From Operating Activities	<u>5,628</u>	<u>(19,730)</u>
Cash Flows From Noncapital Financing Activities		
Property Taxes	93,355	82,782
Specific Ownership Taxes	<u>4,129</u>	<u>4,100</u>
Net Cash From Noncapital Financing Activities	<u>97,484</u>	<u>86,882</u>
Cash Flows From Capital and Related Financing Activities		
Interest Income	<u>15,216</u>	<u>453</u>
Net Cash From Capital and Related Financing Activities	<u>15,216</u>	<u>453</u>
Net Change in Cash and Cash Equivalents	118,328	67,605
Cash and Cash Equivalents—Beginning of Year	<u>858,449</u>	<u>790,844</u>
Cash and Cash Equivalents—End of Year	<u>\$ 976,777</u>	<u>\$ 858,449</u>
Reconciliation of Operating Loss to Net Cash From Operating Activities		
Operating income (loss)	\$ (9,158)	\$ (40,411)
Adjustments to Reconcile Operating Income to Net cash from operating activities		
Depreciation and Amortization	19,371	19,513
Change in Accounts Receivable	(6,235)	(2,582)
Change in Accounts Payable	1,650	-
Prepaid Expense	<u>-</u>	<u>3,750</u>
Net cash from operating activities	<u>\$ 5,628</u>	<u>\$ (19,730)</u>

The accompanying notes are an integral part of these financial statements.

Hoover Hill Water and Sanitation District

Notes to Basic Financial Statements

December 31, 2022 and 2021

1. Organization

Organization

Hoover Hill Water and Sanitation District (the District) is a quasi-municipal organization established under the State of Colorado Special District Act. The District was established for the purpose of providing water and sanitation services for the residents and businesses located within the District. The District has its own governing board which is elected by eligible voters of the District.

The District is operated and accounted for as an enterprise fund and the financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's policies are described below.

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the District.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

2. Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The District's fund is classified as an enterprise fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Hoover Hill Water and Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

The 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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds 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.

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

The District reports all activity in one enterprise fund which is a proprietary fund type.

Assets, Liabilities and Fund Balance/Net Position

Cash and Cash Equivalents – Cash and cash equivalents include amounts in deposit accounts and short-term investments with an original maturity of three months or less.

Receivables – Receivables consist of amounts owed to the District by its utility customers. It is the District's policy to file liens on any past due user fees, therefore amounts are considered to be collectible and no allowance for bad debt has been recorded.

Capital Assets – Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed. Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and Wastewater systems	20-40 years
Office and Maintenance equipment	5 years

Hoover Hill Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Net Position - The business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt and any associated unamortized cost. Restricted net position are liquid assets which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position may include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position may include a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and is not recognized as an inflow of resources (revenue) until that time.

Property Taxes -Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

Risk Management

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

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, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in the past three years.

Hoover Hill Water and Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

The District pays annual premiums to the Pool for liability, property, and public officials' 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 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.

Budget and Appropriation

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 incurred expenditures on the budgetary basis of \$511,259 during 2022 and \$512,971 during 2021.

For the year ended December 31, 2022 expenditures in the General Fund exceeded appropriations by \$5,487, which may be a violation of state statutes.

The following table summarizes the 2022 individual fund budgeted expenditures, as originally adopted, and as revised. The general government budgetary information is presented to show the District's compliance with the amendment to Article X, Section 20 of the Colorado Constitution.

	Original & Revised Budget
General government	\$ 73,887
Water enterprise fund	257,901
Sewer enterprise fund	171,484
District total	\$ 503,272

3. Cash Deposits and Investments

A summary of deposits and investments, as of December 31, 2022 and 2021 follows:

	2022	2021
Cash Deposits	\$ 7,679	\$ 79,409
Money Markets	20,276	20,246
Local Government Investment Pools	948,822	758,794
Total	\$ 976,777	\$ 858,449

Hoover Hill Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2022 and 2021

3. Cash Deposits and Investments (continued)

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. 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. At December 31, 2022 and 2021, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District has no policy regarding custodial credit risk for deposits.

At December 31, 2022 and 2021, the carrying amount of the District's deposits was \$7,679 and \$79,409, respectively. The bank balances were \$68,384 and \$120,113, respectively. All of these balances were covered by federal depository insurance.

Investments

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

- obligations of the United States and certain U.S. government 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, and
- local government investment pools.

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial credit risk.

Hoover Hill Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2022 and 2021

3. Cash Deposits and Investments (continued)

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting investments in U.S. Treasuries and Certificates of Deposit to an original maturity of five years or less.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs.

The District invested \$20,276 and \$20,246, respectively in a Money Market Mutual Fund at December 31, 2022 and 2021. Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The fair value of investments in money market funds is based on the published net asset values per share of those funds. Money market securities are valued using amortized cost. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from quoted prices in an active market, such securities are categorized as Level 2.

Local Government Investment Pool

As of December 31, 2022 and 2021, the District had \$948,822 and \$758,794, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in three portfolios, Colotrust Prime, Colotrust Plus+, and Colotrust Edge. The District funds are only invested in Colotrust Plus+. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colotrust 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. Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice paid.

Hoover Hill Water and Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2022 and 2021

4. Property, Plant and Equipment

Capital Assets activity for the years ended December 31, 2022 and 2021, is summarized below.

	<u>Balance December 31, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2022</u>
Business-Type Activities				
Capital Assets, depreciated,				
Infrastructure—Water System	\$ 1,402,012	\$ -	\$ -	\$ 1,402,012
Infrastructure—Wastewater System	<u>293,264</u>	<u>-</u>	<u>-</u>	<u>293,264</u>
Total capital assets, depreciated	<u>1,695,276</u>	<u>-</u>	<u>-</u>	<u>1,695,276</u>
Less: Accumulated Depreciation				
Infrastructure—Water System	(846,147)	(18,462)	-	(864,609)
Infrastructure—Wastewater System	<u>(286,413)</u>	<u>(909)</u>	<u>-</u>	<u>(287,322)</u>
	<u>(1,132,560)</u>	<u>(19,371)</u>	<u>-</u>	<u>(1,151,931)</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 562,716</u>	<u>\$ (19,371)</u>	<u>\$ -</u>	<u>\$ 543,345</u>

	<u>Balance December 31, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2021</u>
Business-Type Activities				
Capital Assets, depreciated,				
Infrastructure—Water System	\$ 1,402,012	\$ -	\$ -	\$ 1,402,012
Infrastructure—Wastewater System	<u>293,264</u>	<u>-</u>	<u>-</u>	<u>293,264</u>
Total capital assets, depreciated	<u>1,695,276</u>	<u>-</u>	<u>-</u>	<u>1,695,276</u>
Less: Accumulated Depreciation				
Infrastructure—Water System	(827,543)	(18,604)	-	(846,147)
Infrastructure—Wastewater System	<u>(285,504)</u>	<u>(909)</u>	<u>-</u>	<u>(286,413)</u>
	<u>(1,113,047)</u>	<u>(19,513)</u>	<u>-</u>	<u>(1,132,560)</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 582,229</u>	<u>\$ (19,513)</u>	<u>\$ -</u>	<u>\$ 562,716</u>

5. Commitments and Contingencies

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of

Hoover Hill Water and Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2022 and 2021

5. Commitments and Contingencies (continued)

Colorado and all local governments. Enterprises, defined by TABOR 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.

TABOR establishes 1992 as the initial base for spending and revenue limits. Future spending and revenue limits can be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending (excluding bonded debt service). Excess funds within the spending and revenue limits can be reserved for general use and, when spent in subsequent years, are not subject to the spending limits mentioned above. The District has set aside \$19,025 and \$17,382 as of December 31, 2022 and 2021, respectively, for emergencies as defined by the Amendment.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing taxes or spending above the limits prescribed above, increasing a mill levy, extending an expiring tax or implementing a tax policy change directly causing a net tax revenue gain to any local government. Multiple fiscal year debt requires voter approval, except for bond refinancing at lower interest rates or adding employees to existing pension plans.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors and qualifications as an Enterprise, will require judicial interpretation.

Supplementary Information

Hoover Hill Water and Sanitation District
Statement of Revenues, Expenditures, and Changes in Net Position
Budget and Actual (Budgetary Basis)
Proprietary Fund
For the Year Ended December 31, 2022

	Original & Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
User Fees and Surcharges	\$ 526,164	\$ 519,558	\$ (6,606)
Late Fees	2,000	1,914	(86)
Property Taxes	93,366	93,355	(11)
Specific Ownership Taxes	3,932	4,129	197
Interest Income	615	15,216	14,601
Total Revenues	<u>626,077</u>	<u>634,172</u>	<u>8,095</u>
Expenditures			
Director's Fees	2,400	1,975	425
Treasurer's Fees	1,350	1,401	(51)
Water and Sewer Fees	372,185	388,793	(16,608)
Management Fees	52,000	55,437	(3,437)
Accounting and Audit Fees	7,000	7,000	-
Computer and Software	2,700	2,928	(228)
Repairs and Maintenance	50,000	35,302	14,698
Legal Fees	250	115	135
Office Supplies and Expenses	8,100	6,561	1,539
Bank and Credit Card Fees	1,200	1,343	(143)
SDA Dues	800	495	305
Insurance	3,287	7,674	(4,388)
Water Analysis	2,000	2,235	(235)
Total Expenditures	<u>503,272</u>	<u>511,259</u>	<u>(7,987)</u>
Excess of Revenue Over (Under) Expenditures	<u>122,805</u>	<u>122,913</u>	<u>108</u>
Capital Projects	<u>(710,000)</u>	<u>-</u>	<u>710,000</u>
Net Income	<u>(587,195)</u>	<u>122,913</u>	<u>710,108</u>
Beginning Funds Available	<u>908,638</u>	<u>1,121,485</u>	<u>212,847</u>
Ending Funds Available	<u>\$ 321,443</u>	<u>\$ 1,244,398</u>	<u>\$ 922,955</u>
Reconciling Difference Between Budgetary Basis and Generally Accepted Accounting Principles (GAAP)			
Excess of Revenues Over Expenditures, Budgetary Basis		\$ 122,913	
Adjustments			
Expenses Which Are Not Expenditures for Budgetary Purposes			
Depreciation		<u>(19,371)</u>	
Net income (GAAP basis)		<u>\$ 103,542</u>	

The accompanying notes are an integral part of these financial statements.