

HOOVER HILL WATER & SANITATION DISTRICT

**Annual Financial Report
And Independent Auditors' Report
December 31, 2024 and 2023**





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Independent Auditors' Report

Members of the Board of Directors
HOOVER HILL WATER & SANITATION DISTRICT

Opinions

We have audited the accompanying financial statements of the business-type activities of Hoover Hill Water and Sanitation District (the "District") as of and for the years ended December 31, 2024 and 2023, 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 District as of December 31, 2024 and 2023, 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 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 auditors' 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 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 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 The District's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget to actual – Proprietary Fund is presented for the purpose of additional analysis and is 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 Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget to Actual – Proprietary Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Haynie & Company

Littleton, Colorado
July 18, 2025

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, 2024. Please read it in conjunction with the financial statements.

1. Financial Highlights

The District's operating revenue increased by \$122,906 from 2023 to 2024.

Non-operating revenue (property taxes, specific ownership taxes and interest income) increased \$39,194 primarily due to an increase in assessed valuations in property tax levies.

General and Administrative expenses increased by \$8,850 from 2023 to 2024.

The District's net position increased by \$188,483 from 2023 to 2024; resulting in an ending net position of \$1,823,311.

The District has over \$1,000,000 in unrestricted funds, enough to maintain operations for one year, (estimated to be \$700,000) and the remainder in unrestricted funds is available for capital improvements. This is an indication that the District is healthy and operationally sound.

The District was able to issue a clean Customer Confidence Report (CCR); violation free to all customers and complied with all the standards of the Colorado Department of Public Health and Environment (CDPHE) regulation.

2. Overview of the Financial Statements

The annual report consists of three parts: Management's Discussion and Analysis, Basis Financial Statements and 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.

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

Statement of Revenues, Expenses and Change 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 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 operating, non-capital financing, and capital and related financing 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 position and statement of revenues, expenses, and change 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 its net position. 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.

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

5. Net Position

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

Condensed Statements of Net Position				
	2024	2023	2024 - 2023	Change
Current Assets	\$ 1,487,884	\$ 1,374,509	\$ 113,375	8.2%
Capital Assets, net	453,319	477,667	(24,348)	-5.1%
Total Assets	1,941,203	1,852,176	89,027	4.8%
Accounts Payable	-	92,110	(92,110)	-100.0%
Deferred Inflow of Resources	117,892	125,238	(7,346)	-5.9%
Net Position:				
Investment in Capital Assets	453,319	477,667	(24,348)	-5.1%
Emergencies	24,899	20,036	4,863	24.3%
Unrestricted	1,345,093	1,137,125	207,968	18.3%
Total Net Position	1,823,311	1,634,828	188,483	11.5%
Total Liabilities, Deferred Inflows & Net Position	\$ 1,941,203	\$ 1,852,176	\$ 89,027	4.6%

The District showed an increase in Current Assets of \$113,375 from 2023 to 2024. Capital Assets, net decreased due to depreciation. Depreciation expense was recorded in 2024.

As of December 31, 2024, accounts receivable totaled \$58,047, reflecting a 19% increase compared to the prior year. OF this amount, 91% is classified as current.

While the statement of net position presents the financial net position at year-end, the statement of revenues, expenses and change in net position explains the nature and sources of the change in that financial position.

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

**Condensed Statements of Revenues, Expenses,
and Changes in Net Position**

	<u>2024</u>	<u>2023</u>	<u>2024 - 2023</u>	<u>Change</u>
Operating Revenues	\$ 643,441	\$ 520,535	\$ 122,906	23.6%
Non-operating Revenues	186,515	147,321	39,194	26.6%
Total Revenues	829,956	667,856	162,100	24.3%
G&A Expenses	93,965	85,115	8,850	10.4%
Other Operating Expense	523,160	398,891	124,269	31.2%
Depreciation	24,348	24,163	185	0.8%
Total Expenses	641,473	508,169	133,304	26.2%
Change in Net Position	188,483	159,687	28,796	18.0%
Beginning Net Position	1,634,828	1,475,141	159,687	10.8%
Ending Net Position	\$ 1,823,311	\$ 1,634,828	\$ 188,483	11.5%

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 for the customers of the District. This explains a similar increase in operating revenues and other operating expenses. Non-operating revenues increased by 26.6% from 2023 to 2024, primarily due to an increase in property taxes. Depreciation remained consistent. G&A expenses only increased by 10.4% from 2023 to 2024 mainly due to special projects.

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.

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

7. Capital Assets and Debt Administration

	Capital Assets			
	2024	2023	2024 - 2023	Change
Water & Sanitation System	\$ 1,695,276	\$ 1,695,276	\$ -	0.0%
Less: Accumulated Depreciation	(1,241,957)	(1,217,609)	24,348	2.0%
Capital Assets, net	\$ 453,319	\$ 477,667	\$ 24,348	-5.1%

There are several water lines within the District that have exceeded their life expectancy of 40 years and are in the capital improvements 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 annual 2025 budget, including user fees and charges. The following table presents the changes in the District's budget from 2024 to 2025.

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

	2025 vs 2024 Budget			
	2025	2024	2024 - 2023	Change
Operating Revenues	\$ 721,759	\$ 591,748	\$ 130,011	22.0%
Non-operating Revenues	182,803	171,703	11,100	6.5%
Total Revenues	904,562	763,451	141,111	18.5%
Operating Expense	606,120	453,846	152,274	33.6%
G&A Expenses	111,150	94,217	16,933	18.0%
TABOR	2,600	2,600	-	0.0%
Capital Outlays	35,000	915,000	(880,000)	-96.2%
Total Expenses	754,870	1,465,663	(710,793)	-48.5%
Net Income	149,692	(702,212)	851,904	-121.3%
GAAP Adjustments:				
Net Gain GAAP Basis	149,692	(702,212)	851,904	-121.3%
Change in Net Position	149,692	(702,212)	851,904	-121.3%
Beginning Net Position	343,190	359,022	(15,832)	-4.4%
Ending Net Position	\$ 492,882	\$ (343,190)	\$ 836,072	-243.6%

The 2025 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 2025 due to higher water purchases in the current year. G&A Expenses are anticipated to increase about \$16,933 in 2025. Capital Outlay of \$35,000 is projected for planned infrastructure projects.

The expected lower of \$851,904 in the change in net position is in large part due to increase 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, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and Investments	\$ 1,311,945	\$ 1,200,564
Property Taxes Receivable	117,892	125,238
Accounts Receivable	58,047	48,707
Total Current Assets	1,487,884	1,374,509
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	453,319	477,667
Total Assets	\$ 1,941,203	\$ 1,852,176
 Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Accounts Payable	\$ -	\$ 92,110
Total Liabilities	-	92,110
Deferred Inflows of Resources		
Deferred Property Tax Revenue	117,892	125,238
Total Deferred Inflows of Resources	117,892	125,238
Net Position		
Investment in capital assets	453,319	477,667
Restricted - emergency reserve	24,899	20,036
Unrestricted	1,345,093	1,137,125
Total net position	1,823,311	1,634,828
Total Liabilities, Deferred Inflows, and Net Position	\$ 1,941,203	\$ 1,852,176

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, 2024 and 2023

	2024	2023
Operating Revenues		
User Fees and Surcharges	\$ 643,441	\$ 520,535
Total Operating Revenues	643,441	520,535
Operating Expenses		
General and Administrative	93,965	85,115
Operating	523,160	398,891
Depreciation	24,348	24,163
Total Operating Expenses	641,473	508,169
Operating Income	1,968	12,366
Non-Operating Revenues		
Property Taxes	122,118	91,411
Specific Ownership Taxes	4,914	4,209
Interest Income	59,483	51,701
Total Nonoperating Revenues	186,515	147,321
Change in Net Position	188,483	159,687
Net position—Beginning of Year	1,634,828	1,475,141
Net Position—End of Year	\$ 1,823,311	\$ 1,634,828

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, 2024, and 2023

	2024	2023
Cash Flows From Operating Activities		
Cash Received From User Fees and Surcharges	\$ 634,101	\$ 526,568
Cash Paid for Goods and Services	(709,235)	(450,102)
Net Cash From Operating Activities	(75,134)	76,466
Cash Flows From Noncapital Financing Activities		
Property Taxes	122,118	91,411
Specific Ownership Taxes	4,914	4,209
Net Cash From Noncapital Financing Activities	127,032	95,620
Cash Flows From Capital and Related Financing Activities		
Interest Income	59,483	51,701
Net Cash From Capital and Related Financing Activities	59,483	51,701
Net Change in Cash and Cash Equivalents	111,381	223,787
Cash and Cash Equivalents—Beginning of Year	1,200,564	976,777
Cash and Cash Equivalents—End of Year	\$ 1,311,945	\$ 1,200,564
Reconciliation of Operating Income to Net Cash From Operating Activities		
Operating income	\$ 1,968	\$ 12,366
Adjustments to Reconcile Operating Income to Net cash from operating activities		
Depreciation and Amortization	24,348	24,162
Change in Accounts Receivable	(9,340)	6,033
Change in Accounts Payable	(92,110)	33,905
Net cash from operating activities	\$ (75,134)	\$ 76,466

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

HOOVER HILL WATER and SANITATION DISTRICT

Notes to Financial Statements

December 31, 2024 and 2023

1. Organization

The “District” is a quasi-municipal organization established under the State of Colorado Special District Act. The District was established in 1968 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 in the United States of America (U.S. 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.

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, 2024 and 2023

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 acquisition 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, 2024 and 2023

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 related debt consists of the debt and any associated unamortized cost. Restricted net position represents 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 December 15 and attach as an enforceable lien on property on January 1. Property 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, 2024. 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, 2024 and 2023

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 \$617,125 during 2024 and \$484,007 during 2023.

For the year ended December 31, 2024 appropriations in the General Fund exceeded expenditures by \$69,061.

The following table summarizes the 2024 and 2023 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.

	2024	2023
General government	\$ 85,917	\$ 82,592
Water activities	233,643	271,047
Sewer activities	228,504	204,453
District total	\$ 548,064	\$ 558,092

Actual expenses exceeded budget appropriations, which may constitute a violation of the State statute.

Subscription-Based Information Technology Arrangements (SBITAs)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). Under this standard, the District recognizes a right-to-use subscription asset and a corresponding subscription liability for SBITAs with a term exceeding 12 months, including any cancellable periods that meet the definition of a SBITA.

At the commencement of the subscription term, the subscription liability is measured at the present value of expected subscription payments, and the related asset is based on that liability with adjustments for any upfront payments or incentives. The asset is amortized over the shorter of the subscription term or the useful life of the underlying IT resource. If no implicit rate is available, the District uses its estimated incremental borrowing rate to calculate the present value of future payments.

Hoover Hill Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Short-term SBITAs (maximum possible term of 12 months or less, including renewal options) are excluded from recognition and expensed as incurred.

As of December 31, 2024, the District has evaluated its subscription-based arrangements and determined that none meet the criteria for recognition under GASB 96. Accordingly, there was no impact on the District's financial statements.

3. Cash Deposits and Investments

A summary of deposits and investments, as of December 31, 2024 and 2023 follows:

	2024	2023
Cash Deposits	\$ 57,169	\$ 129,956
Money Market Accounts	20,565	20,385
Local Government Investment Pools	1,234,211	1,050,223
Total	\$ 1,311,945	\$ 1,200,564

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, 2024, and 2023, 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, 2024, and 2023, the carrying amount of the District's deposits was \$57,169 and \$129,956, respectively. The bank balances were \$126,393 and \$138,491, respectively. All of these balances were covered by federal depository insurance.

Hoover Hill Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2024 and 2023

3. Cash Deposits and Investments (continued)

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.

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 unobservable inputs.

The District invested \$20,565 and \$20,385, in a Money Market Mutual Fund at December 31, 2024, and 2023, respectively. 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

Hoover Hill Water and Sanitation District

Notes to Basic Financial Statements (continued)

December 31, 2024 and 2023

3. Cash Deposits and Investments (continued)

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, 2024, and 2023, the District had \$1,234,211 and \$1,050,223, 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, 2024 and 2023

4. Capital Assets

Capital Assets activity for the years ended December 31, 2024 and 2023, is summarized below.

	Balance December 31, 2023	Additions	Retirements	Balance December 31, 2024
Capital Assets, depreciated,				
Infrastructure—Water System	\$ 1,402,012	\$ -	\$ -	\$ 1,402,012
Infrastructure—Wastewater System	293,264	-	-	\$ 293,264
Total capital assets, depreciated	<u>1,695,276</u>	<u>-</u>	<u>-</u>	<u>1,695,276</u>
Less: Accumulated Depreciation				
Infrastructure—Water System	(929,379)	(23,438)	-	(952,817)
Infrastructure—Wastewater System	(288,231)	(909)	-	(289,140)
	<u>(1,217,610)</u>	<u>(24,347)</u>	<u>-</u>	<u>(1,241,957)</u>
Capital Assets, Net	<u>\$ 477,666</u>	<u>\$ (24,347)</u>	<u>\$ -</u>	<u>\$ 453,319</u>
	Balance December 31, 2022	Additions	Retirements	Balance December 31, 2023
Capital Assets, depreciated,				
Infrastructure—Water System	\$ 1,402,012	\$ -	\$ -	\$1,402,012
Infrastructure—Wastewater System	293,264	-	-	293,264
Total capital assets, depreciated	<u>1,695,276</u>	<u>-</u>	<u>-</u>	<u>1,695,276</u>
Less: Accumulated Depreciation				
Infrastructure—Water System	(906,125)	(23,254)	-	(929,379)
Infrastructure—Wastewater System	(287,322)	(909)	-	(288,231)
	<u>(1,193,447)</u>	<u>(24,163)</u>	<u>-</u>	<u>(1,217,610)</u>
Capital Assets, Net	<u>\$ 501,829</u>	<u>\$ (24,163)</u>	<u>\$ -</u>	<u>\$ 477,666</u>

Hoover Hill Water and Sanitation District
Notes to Basic Financial Statements (continued)
December 31, 2024 and 2023

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 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 \$24,899 and \$20,036 as of December 31, 2024 and 2023, 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 Funds Available
Budget and Actual (Budgetary Basis)
Proprietary Fund
For the Year Ended December 31, 2024

	Original & Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
User Fees and Surcharges	\$ 590,398	\$ 641,249	\$ 50,851
Late Fees	1,350	2,192	842
Property Taxes	117,861	122,118	4,257
Specific Ownership Taxes	4,000	4,914	914
Interest Income	49,842	59,483	9,641
Total Revenues	763,451	829,956	66,505
Expenditures			
Director's Fees	2,400	2,115	285
Treasurer's Fees	2,004	1,771	233
Water and Sewer Fees	435,847	450,981	(15,134)
Management Fees	62,949	63,407	(458)
Accounting and Audit Fees	8,470	9,000	(530)
Computer and Software	4,250	3,773	477
Repairs and Maintenance	15,000	68,502	(53,502)
Legal Fees	200	150	50
Office Supplies and Expenses	6,650	7,026	(376)
Bank and Credit Card Fees	1,250	1,252	(2)
Contingency	1,000	-	1,000
SDA Dues	750	1,344	(594)
Insurance	4,294	4,127	167
Water Analysis	3,000	3,677	(677)
Total Expenditures	548,064	617,125	(69,061)
Excess of Revenue Over (Under) Expenditures	215,387	212,831	(2,556)
Net Income (Expense)	215,387	212,831	(2,556)
Beginning Funds Available	359,022	1,487,884	1,128,862
Ending Funds Available	\$ 574,409	\$ 1,700,715	\$ 1,126,306
Reconciling Difference Between Budgetary Basis and Generally Accepted Accounting Principles (GAAP)			
Excess of Revenues Over Expenditures, Budgetary Basis		\$ 212,831	
Adjustments			
Expenses Which Are Not Expenditures for Budgetary Purposes			
Depreciation		(24,348)	
Change in Net Position (GAAP basis)		\$ 188,483	