

BROOK FOREST WATER DISTRICT

ANNUAL FINANCIAL REPORT

AND SUPPLEMENTARY INFORMATION

FOR THE

YEAR ENDED DECEMBER 31, 2021

BROOK FOREST WATER DISTRICT

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2021

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BROOK FOREST WATER DISTRICT

ROSTER OF DISTRICT OFFICIALS DECEMBER 31, 2021

BOARD OF DIRECTORS

Bill WeisenbornPresident
Tony LangowskiVice President
Bruce NicklowTreasurer
Ilse RamseyDirector
Ted SchlaebitzDirector

ADMINISTRATIVE STAFF

Nickie Holder
Administrator

Dominic Monard
Water System Operator

SCOTT C. WRIGHT
CERTIFIED PUBLIC ACCOUNTANT

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Eagle, CO 81631
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brook Forest Water District
Evergreen, Colorado

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the Brook Forest Water District as of and for the year ended December 31, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brook Forest Water District as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Brook Forest Water District, Colorado and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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, 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 Brook Forest Water 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

My objective is 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 my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- 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 Brook Forest Water 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brook Forest Water District's ability to continue as a going concern for a reasonable period of time.

I am 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 on pages 3-6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Brook Forest Water District's basic financial statements. The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balances (Budgetary Basis) is presented for purposes of additional analysis and is not a required part of 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 my opinion the Schedule of Revenues, Expenditures and Changes in Fund Balances (Budgetary Basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Scott Wright

August 31, 2022
Eagle, Colorado

Management's Discussion and Analysis

As management of the Brook Forest Water District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2021 and 2020. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's basic financial statements.

Financial Highlights

- The total assets of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$2,823,786 (*net position*). Of this amount, \$1,406,234 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$147,508.
- As of the close of the current fiscal year, the District reported total ending fund balances of \$1,418,554, an increase of \$189,930 from the prior year. Approximately ninety-eight percent (99%) of this total amount, is *available for spending* at the District's discretion (*unreserved fund balance*).
- Unreserved fund balance represents 595% of total current year expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) basic financial statements, and 2) notes to the financial statements.

Basic Financial Statements

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

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

The District adopts an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with this budget and can be found on pages 24-25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14-22 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,823,786 at the close of the year.

The largest portion of the District's net position (49.8% and 54.1% at December 31, 2021 and 2020, respectively) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a condensed comparative summary of the District's net position at December 31:

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 1,602,798	\$ 1,385,204
Capital Assets	2,075,029	2,164,363
Other Assets	<u>83,894</u>	<u>83,894</u>
 Total Assets	 <u>3,761,721</u>	 <u>3,633,461</u>
 Current and Other Liabilities	 79,310	 70,174
Noncurrent Liabilities	<u>621,671</u>	<u>669,798</u>
 Total Liabilities	 <u>700,981</u>	 <u>739,972</u>
 Deferred Inflows of Resources	 <u>236,954</u>	 <u>217,211</u>
 Net Position:		
Net Investment in Capital Assets	1,405,232	1,447,654
Restricted for TABOR Emergency Reserve	12,320	11,846
Unrestricted	<u>1,406,234</u>	<u>1,216,778</u>
 Total Net Position	 <u>\$ 2,823,786</u>	 <u>\$ 2,676,278</u>

A portion of the District's net position (\$12,320 and \$11,846 at December 31, 2021 and 2020, respectively) represent resources that are subject to external restriction on how they may be used. The balance of unrestricted net position (\$1,406,234 and \$1,216,778 at December 31, 2021, and 2020, respectively) may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of 2021, the District was able to report positive balances in all three categories of net position. The same situation held true for the prior year. The District's net position increased by \$147,508 during the year ended December 31, 2021.

The following is a condensed comparative summary of the District's revenue and expenses as of December 31:

	<u>2021</u>	<u>2020</u>
Program Revenues:		
Charges for Services	\$ 144,851	\$ 143,975
Late Charges and Miscellaneous	<u>7,003</u>	<u>4,650</u>
Total Program Revenues	<u>151,854</u>	<u>148,625</u>
General Revenues:		
Property and Specific Ownership Taxes	226,509	223,983
Investment Earnings	556	7,122
Connection Fees	34,000	17,000
Readiness-to-Serve Fees	<u>13,280</u>	<u>13,680</u>
Total General Revenues	<u>274,345</u>	<u>261,785</u>
Total Revenues	<u>426,199</u>	<u>410,410</u>
Expenses:		
Operations	171,692	155,616
Depreciation	89,334	89,334
Treasurer's Fees	3,162	3,126
Debt Service – Interest	<u>14,503</u>	<u>15,745</u>
Total Expenses	<u>278,691</u>	<u>263,821</u>
Change in Net Position	147,508	146,589
Net Position – Beginning of Year	<u>2,676,278</u>	<u>2,529,689</u>
Net Position – End of Year	<u>\$ 2,823,786</u>	<u>\$ 2,676,278</u>

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets at December 31, 2021 totals \$2,164,363, net of accumulated depreciation. This investment in capital assets includes land and land improvements, construction in progress, water systems, wells, and machinery and equipment.

Capital assets are classified as follows (net of depreciation):

	<u>2021</u>	<u>2020</u>
Land and Land Improvements	\$ 32,335	\$ 32,335
Construction in Progress	-	-
Water Systems	1,817,722	1,886,995
Wells	206,441	220,324
Machinery and Equipment	<u>18,531</u>	<u>24,709</u>
Total	<u>\$ 2,075,029</u>	<u>\$ 2,164,363</u>

Additional information on the District's capital assets can be found in Note 6 on page 18 of this report.

Long-term debt. At December 31, 2021, the District had long-term debt totaling \$669,797. The District's debt decreased by \$46,912 during the current fiscal year. The District issued no new loans and all regularly scheduled debt service payments were made.

Additional information on the District's long-term debt can be found in Note 8 on pages 20-21 of this report.

Economic Factors and Next Year's Budgets and Rates

The District's assessed valuation increased by 9.2% in 2021 from a value of \$11,542,735 to a new value of \$12,601,920. The District's mill rate for general operating purposes for taxes levied in 2021 for collection in 2022 remained the same at 18.641 mills. The mill rate for debt service decreased from 0.177 mills to 0.162 mills. Budgeted 2022 property tax revenues are \$234,912, an increase of \$17,701 over the prior year.

Overall, the District has budgeted for a \$270,955 decrease in fund balances for 2022.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Nickie Holder, District Administrator, Brook Forest Water District, 9249 South Broadway, Highlands Ranch, CO 80129.

BROOK FOREST WATER DISTRICT

STATEMENTS OF NET POSITION DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,304,986	\$ 1,109,079
Receivables:		
- Accounts Receivable	16,618	11,629
- Taxes Receivable	237,990	218,594
Prepaid Expenses	<u>43,204</u>	<u>45,902</u>
Total Current Assets	<u>1,602,798</u>	<u>1,385,204</u>
Noncurrent Assets:		
Capital Assets:		
- Land and Land Improvements	32,335	32,335
- Water Systems	3,470,872	3,470,872
- Wells	566,004	566,004
- Machinery and Equipment	<u>47,541</u>	<u>47,541</u>
	4,116,752	4,116,752
Less: Accumulated Depreciation	<u>(2,041,723)</u>	<u>(1,952,389)</u>
Net Capital Assets	<u>2,075,029</u>	<u>2,164,363</u>
Other Assets:		
Water Rights	67,254	67,254
Noncurrent Receivables	<u>16,640</u>	<u>16,640</u>
Total Other Assets	<u>83,894</u>	<u>83,894</u>
Total Noncurrent Assets	<u>2,158,923</u>	<u>2,248,257</u>
Total Assets	<u><u>\$ 3,761,721</u></u>	<u><u>\$ 3,633,461</u></u>

See accompanying notes.

	<u>2021</u>	<u>2020</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 11,784	\$ 3,387
Accrued Interest Payable	2,760	3,236
Current Portion of Long-term debt	48,126	46,911
Unearned Revenue	<u>16,640</u>	<u>16,640</u>
Total Current Liabilities	<u>79,310</u>	<u>70,174</u>
Long-term Debt	<u>621,671</u>	<u>669,798</u>
Total Liabilities	<u>700,981</u>	<u>739,972</u>
Deferred Inflows of Resources - Unavailable Property Tax Revenues	<u>236,954</u>	<u>217,211</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,405,232	1,447,654
Restricted for TABOR Emergency Reserve	12,320	11,846
Unrestricted	<u>1,406,234</u>	<u>1,216,778</u>
Total Net Position	<u><u>\$ 2,823,786</u></u>	<u><u>\$ 2,676,278</u></u>

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BROOK FOREST WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating Revenues		
Charges for Services	\$ 144,851	\$ 143,975
Late Charges	50	(30)
Miscellaneous	6,953	4,680
Total Operating Revenues	151,854	148,625
Operating Expenses		
Salaries - Maintenance	62,505	61,905
Health & Life Insurance	7,630	6,028
Repairs and Maintenance	33,839	12,355
Utilities and Telephone	12,644	13,496
Legal	10,432	13,281
Engineering	510	1,020
Augmentation	9,245	12,877
Audit and Accounting	4,500	4,500
Administration	7,125	7,625
Lab and Testing	921	2,358
Office Supplies and Expenses	3,734	3,418
Director's Fees	6,600	5,800
Insurance	4,249	4,474
Payroll Taxes	2,893	3,172
Mileage	-	636
Auto Expense	3,112	1,443
Miscellaneous	-	60
Education	250	485
Conference and Meetings	550	-
Dues and Memberships	953	683
Depreciation	89,334	89,334
Total Operating Expenses	261,026	244,950
Operating Loss	(109,172)	(96,325)
Nonoperating Revenues (Expenses)		
Interest Earnings	556	7,122
Taxes	226,509	223,983
Readiness to Serve Fees	13,280	13,680
Connection Fees	34,000	17,000
Treasurer Fees	(3,162)	(3,126)
Interest Expense and Fiscal Charges	(14,503)	(15,745)
Net Nonoperating Revenues (Expenses)	256,680	242,914
Change in Net Position	147,508	146,589
Total Net Position, Beginning of Year	2,676,278	2,529,689
Total Net Position, End of Year	\$ 2,823,786	\$ 2,676,278

See accompanying notes.

BROOK FOREST WATER DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities		
Cash Received From Customers	\$ 139,163	\$ 139,455
Cash Payments to Suppliers for Goods and Services	(80,271)	(97,895)
Cash Payments to Employees for Services	(79,628)	(71,106)
Other Operating Revenues	7,003	4,650
Net Cash Used in Operating Activities	(13,733)	(24,896)
Cash Flows From Noncapital Financing Activities		
Cash Received From Property Taxes	209,890	209,670
Cash Received From Specific Ownership Taxes	16,967	14,253
Cash Received From Readiness-to-Serve Fees	13,280	13,680
Cash Received From Connection Fees	34,000	17,000
County Treasurer's Fees Paid	(3,162)	(3,126)
Net Cash Provided by Noncapital Financing Activities	270,975	251,477
Cash Flows From Capital Financing Activities		
Acquisition and Construction of Capital Assets	-	(30,886)
Principal Paid on Bond and Note Payable Maturities	(46,911)	(45,687)
Interest Paid on Bonds and Notes Payable	(14,980)	(16,204)
Net Cash Used in Capital Financing Activities	(61,891)	(92,777)
Cash Flows From Investing Activities		
Earnings on Investments	556	7,122
Net Cash Provided by Investing Activities	556	7,122
Net Increase in Cash and Cash Equivalents	195,907	140,926
Cash and Cash Equivalents, Beginning of Year	1,109,079	968,153
Cash and Cash Equivalents, End of Year	\$ 1,304,986	\$ 1,109,079

See accompanying notes.

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	<u>\$ (109,172)</u>	<u>\$ (96,325)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	89,334	89,334
Change in Assets and Liabilities:		
Increase in Accounts Receivable	(4,989)	(4,520)
(Increase) Decrease In Prepaid Expense	2,697	(5,706)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<u>8,397</u>	<u>(7,679)</u>
Total Adjustments	<u>95,439</u>	<u>71,429</u>
Net Cash Used in Operating Activities	<u><u>\$ (13,733)</u></u>	<u><u>\$ (24,896)</u></u>

BROOK FOREST WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

The Brook Forest Water District was created on March 3, 1964. The financial statements of the District have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. 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 accounting policies are described below.

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses.

Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The transactions of the District are accounted for on a flow of economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets and redemption of capital lease obligations are recorded as a reduction in liabilities. All assets and all liabilities associated with the operations

are included on the statements of net position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, restricted for emergency reserves; and unrestricted components.

C. Budgets

The District's budget is prepared on a modified accrual basis. The Board of Directors adopts annual appropriated budgets for all funds. All annual appropriations lapse at calendar year-end. Governmental accounting standards require a comparison of the budget to expenditures with an accompanying explanation of the difference between the GAAP basis financial statements and the budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. The District does not utilize encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation.

D. Cash and Investments

For purposes of the statement of cash flows, the district considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Cash in excess of current operating requirements is invested in various interest-bearing accounts including local governmental investment pools.

Investments are stated at cost. Earnings on investments are recognized when earned. All investments are in compliance with state statutes governing investments.

E. Capital Assets

Exhaustible capital assets used by the District are depreciated and charged as an expense against operations. All purchased capital assets are valued at cost or estimated historical cost if actual historical records are not available. Donated capital assets are recorded at their estimated fair value on the date received. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not

BROOK FOREST WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2021

be recognized as an outflow of resources (expense/ expenditure) until then. The District does not have any items that qualify.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category *unavailable revenue – property taxes*. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 2. Legal Compliance - Budgets

No later than October 15, the Board of Directors propose an operating budget for the calendar year commencing the following January 1. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations and estimated revenues for the next calendar year. The Board of Directors holds a public hearing to obtain citizen comments. The budget is legally adopted by resolution on or before the last day of December.

The Board of Directors is authorized to transfer budgeted amounts between line items. Expenditures may not legally exceed budgeted appropriations at the fund level. The Board of Directors must approve any amendments that increase total expenditures in a supplemental appropriation. There were no supplemental budget amendments in 2021.

Note 3. Deposits and Investments

Deposits and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	<u>\$ 1,304,986</u>
Total	<u>\$ 1,304,986</u>

Deposits and investments as of December 31, 2018 consist of the following:

Deposits with Financial Institutions	\$ 70,881
Undeposited Funds on Hand	3,037
Deposits with Local Government Investment Pools	<u>1,231,068</u>
Total	<u>\$ 1,304,986</u>

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party.

The Colorado Public Deposit Protection Act (PDPA) requires that cash be deposited in eligible public depositories and that deposits in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds with the Town being a named participant in the single institution collateral pool. The minimum pledging requirement is 102% of the uninsured deposits. The Colorado State Banking Board verifies the market value at least monthly. Bank assets (usually securities) are required by PDPA to be delivered to a third-party institution for safekeeping, and pledged to the Colorado Division of Banking. Based on the above, the Colorado State Auditor has concluded that there is no custodial risk for public deposits collateralized under PDPA.

Local Government Investment Pools

As of December 31, 2021, the District held investments in the Colorado Local Government Liquid Asset Trust (COLOTRUST). Local government investment pools are trusts established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trusts. The Trusts operate similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank serves as custodian pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trusts' investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the trusts. The Trusts may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies.

Investments

Credit Risk. Colorado State Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. These investments include local government investment pools and certain obligations of the United States government. State law limits investments in commercial paper, corporate bonds, and money market mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices.

Presented below is the minimum rating, as required by Colorado State Statutes, for investments held by the District as of December 31, 2021.

BROOK FOREST WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2021

Ratings <u>S&P</u>	Local Government <u>Investment Pools</u>
AAAm	<u>\$ 1,080,438</u>

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer. The District invests in one local government investment pool, the Colorado Local Government Liquid Asset Trust (COLOTRUST). The investment is not categorized because the investment is not evidenced by securities that exist in physical or book entry form. At December 31, 2021, the District had an investment of \$1,231,068 for both market and carrying value.

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At December 31, 2021 the District had no investments measured at fair value and had the following investments measured at net asset value:

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
Colotrust	<u>\$ 1,231,068</u>
Total	<u>\$ 1,231,068</u>

At December 31, 2021, there were no unrealized losses reflective of changes in the fair market value of investments.

Note 4. Property Taxes Receivable

No later than December 15, the Board of Directors must certify the mill levy to the county commissioners. Property taxes become due on January 1 of the succeeding year and are payable in full by April 30 or in two installments by February 28 and June 15. Property taxes are recorded as receivable when levied and offset to deferred revenue for financial reporting purposes. Property taxes are recognized as revenue when collected by the county treasurer.

Note 5. Noncurrent Receivables

Noncurrent receivables represent amounts paid by the District to a land-owner in order to cause a main water line extension to be constructed by the land-owner to be connected to a water reservoir on a site provided by the land-owner.

The amounts paid will be recovered from a connection fee surcharge in the amount of \$1,040 each from the 16 lots located in the Lodgepole water reservoir subdistrict in which the water reservoir is located.

Note 6. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 32,335	\$ -	\$ -	\$ 32,335
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>32,335</u>	<u>-</u>	<u>-</u>	<u>32,335</u>
Capital Assets, Being Depreciated:				
Water Systems	3,470,872	-	-	3,470,872
Wells	566,004	-	-	566,004
Machinery and Equipment	<u>47,541</u>	<u>-</u>	<u>-</u>	<u>47,541</u>
Total Capital Assets, Being Depreciated	<u>4,084,417</u>	<u>-</u>	<u>-</u>	<u>4,084,417</u>
Less: Accumulated Depreciation:				
Water Systems	(1,583,877)	(69,274)	-	(1,653,151)
Wells	(345,680)	(13,883)	-	(359,563)
Machinery and Equipment	<u>(22,832)</u>	<u>(6,177)</u>	<u>-</u>	<u>(29,009)</u>
Total Accumulated Depreciation	<u>(1,952,389)</u>	<u>(89,334)</u>	<u>-</u>	<u>(2,041,723)</u>
Total Capital Assets Being Depreciated, Net	<u>2,132,028</u>	<u>(89,334)</u>	<u>-</u>	<u>2,042,694</u>
Total Capital Assets, Net	<u>\$ 2,164,363</u>	<u>\$ (89,334)</u>	<u>\$ -</u>	<u>\$ 2,075,027</u>

The following estimated useful lives are used to compute depreciation:

Water Systems	33-50 Years
Wells	33-50 Years
Machinery and Equipment	3-10 Years

BROOK FOREST WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2021

Depreciation expense was \$89,334 and \$89,334 for the years ended December 31, 2021 and 2020, respectively.

Note 7. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1988, the District joined the Colorado Special Districts Property and Liability Pool. The Special Districts Pool is a public entity risk pool operating as a common risk management and insurance program.

The District pays an annual premium to the Pool for property and liability coverage and workers compensation insurance coverage. The Agreement of Formation of the Special Districts Pool provides that it will be self-sustaining through member premiums and will reinsure through commercial companies. For property and automobile physical damage, the Pool is self-insured for losses and loss adjustment expenses up to the greater of \$300,000 or the sum of the individual member's deductible for each occurrence. For general, automobile, and public officials liability coverage, the Pool is self-insured for the first \$1,000,000 of each occurrence.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

Note 8. Long-term Debt

Long-term debt at December 31, 2021, and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
<ul style="list-style-type: none">Colorado Water Conservation Board loans for \$130,500 and \$164,500, respectively. Principal and interest payable in annual payments of \$6,942 and \$8,603, respectively.	\$ 21,194	\$ 35,225
<ul style="list-style-type: none">Colorado Water Resources & Power Development Authority loan of \$747,852. Principal and interest payable in semi-annual payments of \$23,173.	<u>648,603</u>	<u>681,484</u>
	669,797	716,709
Less Current Portion of Long-term Debt	<u>(48,126)</u>	<u>(46,911)</u>
Total Long-term Debt	<u>\$ 621,671</u>	<u>\$ 669,798</u>

Annual principal and interest requirements to maturity for loans outstanding at December 31, 2021, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 48,126	\$ 13,718	\$ 61,844
2023	40,823	12,419	53,242
2024	34,903	11,443	46,346
2025	35,604	10,742	46,346
2026	36,320	10,026	46,346
2027-2031	192,847	38,882	231,730
2032-2036	213,023	18,707	231,730
2037-2038	<u>68,151</u>	<u>3,397</u>	<u>1,368</u>
Total	<u>\$ 669,797</u>	<u>\$ 119,334</u>	<u>\$ 718,982</u>

Note 9. Commitments and Contingencies

Tax, Spending and Debt Limitations. On November 3, 1992, the voters of Colorado approved Amendment 21, commonly known as the Taxpayers Bill of Rights or TABOR, to the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and local governments, including special districts.

The District's financial activity for 1992 provided the basis for calculation of future spending limitations adjusted for allowable increases tied to inflation and local "growth". Subsequent to 1992, revenue in excess of the District's "spending limit" must be refunded unless voters approve to retain such excess revenue. TABOR also generally requires 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.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The Brook Forest Water Activity Enterprise (the "Enterprise") was created in 1995 pursuant to C.R.S. 37-47.1-101 et seq. and Colorado Constitution Article X, Section 20 as a statutory, government-owned business. The Enterprise provides water activity services for and receives revenue from non-recurring projects in such proportion as the Board provides from time-to-time. These services and revenues include but are not limited to new residential and commercial construction and associated fees, new water taps and associated fees, and water system development and associated special assessments and fees. Also, the Enterprise does not receive tax revenue or any revenue specifically tied to general obligation indebtedness, such as any portion of availability of service or facilities charges.

In November, 2008, voters within the District approved a ballot question which permanently authorizes the District, without an election, to take action on all spending and revenue raising

BROOK FOREST WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2021

measures, including property tax rate increases, which are limited by TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is extremely complex and subject to interpretation. The ultimate impact and implementation of TABOR may depend upon litigation and legislative guidance. The tax and spending limitations contained in TABOR may impact future financial activity.

The TABOR Amendment requires that an emergency reserve be established for 1993 and subsequent years based on the District's level of fiscal year spending. The amount that is required to be reserved for emergencies for 2020 is 3% of 2020 fiscal year spending. Emergency reserves in the amount of \$12,230 and \$11,846 have been established for the years ended December 31, 2021 and 2020 respectively.

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BROOK FOREST WATER DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget Original and Final	Actual Amounts	Variance Positive (Negative)
Revenues			
Taxes:			
Property Taxes	\$ 217,211	\$ 209,890	\$ (7,321)
Specific Ownership Taxes	11,500	16,619	5,119
Charges for Service:			
Water Service Fees	143,500	144,851	1,351
Readiness to Serve Fees	13,500	13,280	(220)
Late Charges	5,000	50	(4,950)
Connection Fees	-	34,000	34,000
Interest Earnings	10,000	556	(9,444)
Other Revenue	4,500	6,953	2,453
Total Revenues	405,211	426,199	20,988
Expenditures			
Current:			
Salaries - Maintenance	62,000	62,505	(505)
Contract Labor	10,000	-	10,000
Health & Life Insurance	5,230	7,630	(2,400)
Repairs and Maintenance	30,000	33,839	(3,839)
Utilities and Telephone	15,500	12,644	2,856
Legal	20,000	10,432	9,568
Engineering	2,500	510	1,990
Augmentation	8,500	9,245	(745)
Audit and Accounting	5,500	4,500	1,000
Administration	12,000	7,125	4,875
Lab and Testing	2,500	921	1,579
Office Supplies and Expenses	3,800	3,734	66
Director's Fees	6,000	6,600	(600)
Insurance	5,260	4,249	1,011
Payroll Taxes	5,500	2,893	2,607
Auto Expense	3,500	3,112	388
Miscellaneous Expense	500	-	500
Education	1,000	250	750
Conference and Meetings	3,000	550	2,450
Dues and Memberships	1,000	953	47
Election Costs	3,000	-	3,000
Treasurer's Fees	3,300	3,162	138
Debt Service:			
CWCB Loan Principal	14,031	14,032	(1)
SRF Loan Principal	32,880	32,880	-
CWCB Loan Interest	1,514	1,037	477
SRF Loan Interest	13,466	13,466	-
Capital Improvements	100,000	-	100,000
Total Expenditures	371,481	236,269	135,212

	Budget Original and Final	Actual Amounts	Variance Positive (Negative)
Net Change in Fund Balances	\$ 33,730	\$ 189,930	\$ 156,200
Fund Balances, Beginning of Year	1,401,095	1,228,624	(172,471)
Fund Balances, End of Year	<u>\$ 1,434,825</u>	<u>\$ 1,418,554</u>	<u>\$ (16,271)</u>

**RECONCILIATION OF NET CHANGE IN FUND BALANCES (BUDGETARY BASIS)
TO CHANGE IN NET POSITION (GAAP BASIS)**

Net Change in Fund Balances (Budgetary Basis)	<u>\$ 189,930</u>
Adjustments to Reconcile Budgetary Basis to GAAP Basis	
Principal Paid on Long-term Debt	46,912
Capitalization of Fixed Assets	-
Depreciation	<u>(89,334)</u>
Total Adjustments	<u>(42,422)</u>
Change in Net Position (GAAP Basis)	<u><u>\$ 147,508</u></u>

BROOK FOREST WATER DISTRICT

DEBT SCHEDULE DECEMBER 31, 2021

PURPOSE	SCHEDULE OF INDEBTEDNESS					PAYMENTS DUE IN 2022	
	DATE ISSUED	INTEREST RATE	MATURITY DATE	AMOUNT ISSUED	AMOUNT OUT- STANDING	PRINCIPAL	INTEREST
LOANS:							
Colorado Water Conserv. Board #153349	7/15/1981	4.234%	7/1/2022	\$ 164,500	\$ 8,208	\$ 8,208	\$ 348
Colorado Water Conserv. Board #153379	4/1/1982	4.351%	4/1/2023	130,500	12,986	6,377	565
Colorado Water Resources & Power Development Authority	1/17/2018	2.000%	5/1/2038	747,852	648,603	33,541	12,803
TOTAL LOANS					669,797	48,126	13,716
TOTAL LONG-TERM DEBT					\$ 669,797	\$ 48,126	\$ 13,716