

**BROOK FOREST WATER DISTRICT**

**ANNUAL FINANCIAL REPORT**

**AND SUPPLEMENTARY INFORMATION**

**FOR THE**

**YEAR ENDED DECEMBER 31, 2022**

# **BROOK FOREST WATER DISTRICT**

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## **ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2022**

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**BROOK FOREST WATER DISTRICT**

**ROSTER OF DISTRICT OFFICIALS  
DECEMBER 31, 2022**

**BOARD OF DIRECTORS**

Bill Weisenborn .....	President
Tony Langowski .....	Vice President
Bruce Nicklow .....	Treasurer
Steve Drucker.....	Director
Ted Schlaebitz .....	Director

**ADMINISTRATIVE STAFF**

Nickie Holder  
Administrator

Dominic Monard  
Water System Operator

**SCOTT C. WRIGHT**  
**CERTIFIED PUBLIC ACCOUNTANT**

9591 Mint Lane  
Salida, CO 81201  
(970) 471-9091  
scottwright.cpa@icloud.com

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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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In 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, 2022, 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***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary Information***

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Brook Forest Water District's basic financial statements. The supplementary budget comparison and debt service schedules identified in the table of contents are presented to supplement the basic financial statements and are presented for purposes 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 my opinion, the supplementary and other information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Scott Wright*

September 16, 2023  
Salida, Colorado

# BROOK FOREST WATER DISTRICT

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## STATEMENTS OF NET POSITION DECEMBER 31, 2022 AND 2021

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	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,444,089	\$ 1,304,986
Receivables:		
- Accounts Receivable	30,509	16,618
- Taxes Receivable	236,743	237,990
Prepaid Expenses	<u>6,342</u>	<u>43,204</u>
<b>Total Current Assets</b>	<u>1,717,683</u>	<u>1,602,798</u>
<b>Noncurrent Assets:</b>		
Capital Assets:		
- Land and Land Improvements	32,335	32,335
- Construction in Progress	20,900	-
- Water Systems	3,470,872	3,470,872
- Wells	566,004	566,004
- Machinery and Equipment	<u>47,541</u>	<u>47,541</u>
	4,137,652	4,116,752
Less: Accumulated Depreciation	<u>(2,126,603)</u>	<u>(2,041,723)</u>
<b>Net Capital Assets</b>	<u>2,011,049</u>	<u>2,075,029</u>
<b>Other Assets:</b>		
Water Rights	67,254	67,254
Noncurrent Receivables	<u>-</u>	<u>16,640</u>
<b>Total Other Assets</b>	<u>67,254</u>	<u>83,894</u>
<b>Total Noncurrent Assets</b>	<u>2,078,303</u>	<u>2,158,923</u>
<b>Total Assets</b>	<u><u>\$ 3,795,986</u></u>	<u><u>\$ 3,761,721</u></u>

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

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	<u>2022</u>	<u>2021</u>
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 11,970	\$ 11,784
Accrued Interest Payable	2,265	2,760
Current Portion of Long-term debt	40,824	48,126
Unearned Revenue	<u>-</u>	<u>16,640</u>
<b>Total Current Liabilities</b>	<u>55,059</u>	<u>79,310</u>
<b>Long-term Debt</b>	<u>580,848</u>	<u>621,671</u>
<b>Total Liabilities</b>	<u>635,907</u>	<u>700,981</u>
<b>Deferred Inflows of Resources:</b>		
Unavailable Revenue - Property Taxes	<u>235,693</u>	<u>236,954</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	1,389,377	1,405,232
Restricted for TABOR Emergency Reserve	13,659	12,320
Unrestricted	<u>1,521,350</u>	<u>1,406,234</u>
<b>Total Net Position</b>	<u><u>\$ 2,924,386</u></u>	<u><u>\$ 2,823,786</u></u>



# BROOK FOREST WATER DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Operating Revenues</b>		
Charges for Services	\$ 142,015	\$ 144,851
Late Charges	380	50
Miscellaneous	5,553	6,953
<b>Total Operating Revenues</b>	<b>147,948</b>	<b>151,854</b>
<b>Operating Expenses</b>		
Salaries - Maintenance	64,895	62,505
Administration	8,275	7,125
Contract Labor	12,897	-
Repairs and Maintenance	86,277	33,839
Utilities and Telephone	17,035	12,644
Lab and Testing	4,204	921
Audit and Accounting	4,500	4,500
Legal	16,117	10,432
Engineering	2,300	510
Director's Fees	5,500	6,600
Augmentation	4,377	9,245
Health & Life Insurance	8,464	7,630
Payroll Taxes	2,955	2,893
Insurance	6,600	4,249
Education	-	250
Dues and Memberships	1,431	953
Election Costs	213	-
Auto Expense	2,105	3,112
Conference and Meetings	1,606	550
Office Supplies and Expenses	5,282	3,734
Depreciation	84,880	89,334
<b>Total Operating Expenses</b>	<b>339,913</b>	<b>261,026</b>
<b>Operating Loss</b>	<b>(191,965)</b>	<b>(109,172)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest Earnings	24,734	556
Taxes	254,416	226,509
Readiness to Serve Fees	13,260	13,280
Connection Fees	17,000	34,000
Treasurer Fees	(3,572)	(3,162)
Interest Expense and Fiscal Charges	(13,273)	(14,503)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>292,565</b>	<b>256,680</b>
<b>Change in Net Position</b>	<b>100,600</b>	<b>147,508</b>
<b>Total Net Position, Beginning of Year</b>	<b>2,823,786</b>	<b>2,676,278</b>
<b>Total Net Position, End of Year</b>	<b>\$ 2,924,386</b>	<b>\$ 2,823,786</b>

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

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# BROOK FOREST WATER DISTRICT

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Cash Flows From Operating Activities</b>		
Cash Received From Customers	\$ 128,124	\$ 139,163
Cash Payments to Suppliers for Goods and Services	(177,981)	(80,271)
Cash Payments to Employees for Services	(81,814)	(79,628)
Other Operating Revenues	5,933	7,003
<b>Net Cash Used in Operating Activities</b>	<b>(125,738)</b>	<b>(13,733)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Cash Received From Property Taxes	238,112	209,890
Cash Received From Specific Ownership Taxes	16,290	16,967
Cash Received From Readiness-to-Serve Fees	13,260	13,280
Cash Received From Connection Fees	17,000	34,000
County Treasurer's Fees Paid	(3,562)	(3,162)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>281,100</b>	<b>270,975</b>
<b>Cash Flows From Capital Financing Activities</b>		
Acquisition and Construction of Capital Assets	20,900	-
Principal Paid on Bond and Note Payable Maturities	(48,125)	(46,911)
Interest Paid on Bonds and Notes Payable	(13,768)	(14,980)
<b>Net Cash Used in Capital Financing Activities</b>	<b>(40,993)</b>	<b>(61,891)</b>
<b>Cash Flows From Investing Activities</b>		
Earnings on Investments	24,734	556
<b>Net Cash Provided by Investing Activities</b>	<b>24,734</b>	<b>556</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>139,103</b>	<b>195,907</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,304,986</b>	<b>1,109,079</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,444,089</b>	<b>\$ 1,304,986</b>

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

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	<u>2022</u>	<u>2021</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Loss	<u>\$ (191,965)</u>	<u>\$ (109,172)</u>
<b>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</b>		
Depreciation	84,880	89,334
Change in Assets and Liabilities:		
Increase in Accounts Receivable	(13,891)	(4,989)
(Increase) Decrease In Prepaid Expense	(4,948)	2,697
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<u>186</u>	<u>8,397</u>
Total Adjustments	<u>66,227</u>	<u>95,439</u>
<b>Net Cash Used in Operating Activities</b>	<u><u>\$ (125,738)</u></u>	<u><u>\$ (13,733)</u></u>

# **BROOK FOREST WATER DISTRICT**

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## **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022**

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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

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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, Cash Equivalents, 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

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## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2022

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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 2022.

### Note 3. Deposits and Investments

Deposits and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	<u>\$ 1,444,089</u>
Total	<u>\$ 1,444,089</u>

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

Deposits with Financial Institutions	\$ 86
Undeposited Funds on Hand	2,371
Deposits with Local Government Investment Pools	<u>1,441,632</u>
Total	<u>\$ 1,444,089</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.

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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, 2022, 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, 2022.

Ratings <u>S&amp;P</u>	Local Government <u>Investment Pools</u>
AAAm	<u>\$ 1,444,632</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



# BROOK FOREST WATER DISTRICT

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## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2022

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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, 2022, the District had an investment of \$1,444,632 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>\$ 1,444,632</u>
Total	<u>\$ 1,444,632</u>

At December 31, 2022, 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.

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## Note 5. Capital Assets

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

	Balance January 1, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2022</u>
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 32,335	\$ -	\$ -	\$ 32,335
Construction in Progress	<u>-</u>	<u>20,900</u>	<u>-</u>	<u>20,900</u>
Total Capital Assets, Not Being Depreciated	<u>32,335</u>	<u>20,900</u>	<u>-</u>	<u>53,235</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	(1,653,151)	(64,819)	-	(1,717,970)
Wells	(359,563)	(13,883)	-	(373,446)
Machinery and Equipment	<u>(29,009)</u>	<u>(6,178)</u>	<u>-</u>	<u>(35,187)</u>
Total Accumulated Depreciation	<u>(2,041,723)</u>	<u>(84,880)</u>	<u>-</u>	<u>(2,126,603)</u>
Total Capital Assets Being Depreciated, Net	<u>2,042,694</u>	<u>(84,880)</u>	<u>-</u>	<u>1,957,814</u>
Total Capital Assets, Net	<u>\$ 2,075,029</u>	<u>\$ (63,980)</u>	<u>\$ -</u>	<u>\$ 2,011,049</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

Depreciation expense was \$84,880 and \$89,334 for the years ended December 31, 2022, and 2021, respectively.

## Note 6. 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

# BROOK FOREST WATER DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2022

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 7. Long-term Debt

Long-term debt at December 31, 2022, and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
• 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.	\$ 6,609	\$ 21,194
• Colorado Water Resources & Power Development Authority loan of \$747,852. Principal and interest payable in semi-annual payments of \$23,173.	<u>615,063</u>	<u>648,603</u>
	621,672	669,797
Less Current Portion of Long-term Debt	<u>(40,824)</u>	<u>(48,126)</u>
Total Long-term Debt	<u>\$ 580,848</u>	<u>\$ 621,671</u>

Annual principal and interest requirements to maturity for loans outstanding at December 31, 2022, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 40,824	\$ 12,419	\$ 53,243
2024	34,903	11,443	46,346
2025	35,604	10,742	46,346
2026	36,320	10,026	46,346
2027	37,050	9,296	46,346
2028-2032	196,723	35,007	231,730
2033-2037	217,305	14,425	231,730
2038	<u>22,943</u>	<u>230</u>	<u>23,173</u>
Total	<u>\$ 621,672</u>	<u>\$ 103,588</u>	<u>\$ 725,260</u>

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## **Note 8. 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 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 2022 is 3% of 2022 fiscal year spending. Emergency reserves in the amount of \$13,659 and \$12,230 have been established for the years ended December 31, 2022, and 2021 respectively.

# BROOK FOREST WATER DISTRICT

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Original and Final	Actual Amounts	Variance Positive (Negative)
<b>Revenues</b>			
Taxes:			
Property Taxes	\$ 234,912	\$ 238,112	\$ 3,200
Specific Ownership Taxes	11,500	16,304	4,804
Charges for Service:			
Water Service Fees	143,500	142,015	(1,485)
Readiness to Serve Fees	13,500	13,260	(240)
Late Charges	5,000	380	(4,620)
Connection Fees	-	17,000	17,000
Interest Earnings	1,000	24,734	23,734
Other Revenue	4,500	5,553	1,053
<b>Total Revenues</b>	<b>413,912</b>	<b>457,358</b>	<b>43,446</b>
<b>Expenditures</b>			
Current:			
Salaries - Maintenance	64,000	64,895	(895)
Administration	10,500	8,275	2,225
Contract Labor	15,000	12,897	2,103
Repairs and Maintenance	55,000	86,277	(31,277)
Utilities and Telephone	17,050	17,035	15
Lab and Testing	4,000	4,204	(204)
Audit and Accounting	5,500	4,500	1,000
Legal	20,000	16,117	3,883
Engineering	2,500	2,300	200
Director's Fees	6,000	5,500	500
Augmentation	8,500	4,377	4,123
Health & Life Insurance	5,350	8,464	(3,114)
Payroll Taxes	5,350	2,955	2,395
Insurance	5,700	6,600	(900)
Education	1,000	-	1,000
Dues and Memberships	1,000	1,431	(431)
Election Costs	3,000	213	2,787
Auto Expense	3,050	2,105	945
Conference and Meetings	3,000	1,606	1,394
Office Supplies and Expenses	4,000	5,282	(1,282)
Miscellaneous Expense	500	-	500
Treasurer's Fees	3,524	3,572	(48)
Debt Service:			
CWCB Loan Principal	14,585	14,585	-
SRF Loan Principal	33,541	33,540	1
CWCB Loan Interest	913	468	445
SRF Loan Interest	12,804	12,805	(1)
Capital Improvements	379,500	20,900	358,600
<b>Total Expenditures</b>	<b>684,867</b>	<b>340,903</b>	<b>343,964</b>

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	<u>Budget</u> <u>Original and</u> <u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Net Change in Fund Balances</b>	\$ (270,955)	\$ 116,455	\$ 387,410
<b>Fund Balances, Beginning of Year</b>	<u>1,406,155</u>	<u>1,418,554</u>	<u>12,399</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 1,135,200</u></u>	<u><u>\$ 1,535,009</u></u>	<u><u>\$ 399,809</u></u>

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

<b>Net Change in Fund Balances (Budgetary Basis)</b>	<u><u>\$ 116,455</u></u>
<b>Adjustments to Reconcile Budgetary Basis to GAAP Basis</b>	
Principal Paid on Long-term Debt	48,125
Capitalization of Fixed Assets	20,900
Depreciation	<u>(84,880)</u>
<b>Total Adjustments</b>	<u>(15,855)</u>
<b>Change in Net Position (GAAP Basis)</b>	<u><u>\$ 100,600</u></u>

# BROOK FOREST WATER DISTRICT

## DEBT SCHEDULE DECEMBER 31, 2022

PURPOSE	SCHEDULE OF INDEBTEDNESS					PAYMENTS DUE IN 2023	
	DATE ISSUED	INTEREST RATE	MATURITY DATE	AMOUNT ISSUED	AMOUNT OUT- STANDING	PRINCIPAL	INTEREST
LOANS:							
Colorado Water Conserv. Board #153379	4/1/1982	4.351%	4/1/2023	\$ 130,500	\$ 6,609	\$ 6,609	\$ 288
Colorado Water Resources & Power Development Authority	1/17/2018	2.000%	5/1/2038	747,852	615,063	34,215	12,131
TOTAL LOANS					621,672	40,824	12,419
TOTAL LONG-TERM DEBT					\$ 621,672	\$ 40,824	\$ 12,419