



***WESTWOOD LAKES WATER DISTRICT***

***FINANCIAL STATEMENTS***

***AND***

***REQUIRED SUPPLEMENTARY INFORMATION***

***AND***

***SUPPLEMENTARY INFORMATION***

***WITH***

***INDEPENDENT AUDITORS' REPORT***

***DECEMBER 31, 2022***

**ERICKSON, BROWN & KLOSTER, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Westwood Lakes Water District  
Woodland Park, Colorado

### Opinion

We have audited the accompanying financial statements of the business-type activities and each major fund of Westwood Lakes Water District (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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, of Westwood Lakes Water District, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **INDEPENDENT AUDITORS' REPORT - CONTINUED**

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### **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 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, 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 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. 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.

## INDEPENDENT AUDITORS' REPORT - CONTINUED

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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 Revenue, Expenditure/Expense and Changes in Fund Net Position – Proprietary Fund, Budget (Non-GAAP) and Actual, is 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 our opinion, the Statement of Revenue, Expense, and Changes in Fund Net Position – Proprietary Fund, Budget (Non-GAAP) and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Erickson, Brown & Kloster, LLC*

Colorado Springs, Colorado  
July 12, 2023

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**WESTWOOD LAKES WATER DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

This management’s discussion and analysis (MD&A) of the Westwood Lakes Water District’s (District) financial performance provides an overall review of the District’s financial activities for the year ended December 31, 2022. The intent of this MD&A is to look at the District’s financial performance as a whole. The MD&A should be read in conjunction with the District’s financial statements with notes, to enhance understanding of the District’s financial performance. The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB).

The District is a special district organized under the Colorado Statutes to provide water and related services to property owners and residents located within the District. The District is a primary governmental agency.

**Overview of The Financial Statements**

The MD&A is intended to serve as an introduction to the District’s financial statements, which are comprised of:

- Statement of Fund Net Position – Proprietary Fund
- Statement of Revenue, Expense, and Changes in Fund Net Position – Proprietary Fund
- Statement of Cash Flows – Proprietary Fund
- Summary of Significant Accounting Policies and Notes to the Financial Statements
- Schedule of Revenue, Expenditure/Expense, and Changes in Fund Net Position – Proprietary Fund – Budget (Non-GAAP basis) and Actual

**Current Financial Issues**

The District receives revenue from two primary sources:

- The sale of water to the owners and residents whose property resides within the water district boundaries.
- Property taxes are collected and disbursed by the Teller County Treasurer’s Office. The levies are certified to the Assessor and the Colorado Property Tax Administrator by the Board of County Commissioners. The Board of County Commissioners authorizes the Assessor to extend the levies on property as assessed. The District is a constituted taxing authority.

Secondary sources of revenue are:

- Late fees
- Tap fees
- Capital reserve fees and bond payment fees
- Investment income

Major disbursements are the normal operating expenses of delivering water to the residents and the semi-annual debt service payments. These disbursements are detailed in the financial statements.

**WESTWOOD LAKES WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**STATEMENT OF FUND NET POSITION – PROPRIETARY FUND**

The statement of fund net position – proprietary fund conveys the financial health of the District and includes all assets, liabilities, and deferred inflow of resources, both financial and capital. The District uses the accrual basis of accounting.

Condensed comparative statements of net position and comments relating to significant changes follow:

| <b>Assets</b>  | <b>2022</b>       | <b>2021</b>       | <b>Increase<br/>(Decrease)</b> |
|--|-------------------|-------------------|--------------------------------|
| Current Assets   | \$ 542,437        | \$ 522,898        | \$ 19,539                      |
| Capital Assets   | 382,668           | 374,901           | 7,767                          |
| <b>Total Assets</b>  | <u>\$ 925,105</u> | <u>\$ 897,799</u> | <u>\$ 27,306</u>               |
| <br>   |                   |                   |                                |
| <b>Liabilities</b>   |                   |                   |                                |
| Current Liabilities  | \$ 12,545         | \$ 10,669         | \$ 1,876                       |
| Long-term Liabilities  |                   |                   |                                |
| Due Within One Year  | 17,920            | 34,792            | (16,872)                       |
| Due in More Than One Year  | -                 | 17,920            | (17,920)                       |
| <b>Total Liabilities</b>   | <u>30,465</u>     | <u>63,381</u>     | <u>(32,916)</u>                |
| <br>   |                   |                   |                                |
| <b>Deferred Inflow of Resources</b>  |                   |                   |                                |
| Property Tax   | <u>56,242</u>     | <u>63,307</u>     | <u>(7,065)</u>                 |
| <br>   |                   |                   |                                |
| <b>Fund Net Position</b>   |                   |                   |                                |
| Net Investment in Capital Assets   | 364,748           | 322,189           | 42,559                         |
| Restricted   | 5,288             | 4,541             | 747                            |
| Unrestricted   | <u>468,362</u>    | <u>444,381</u>    | <u>23,981</u>                  |
| <b>Total Net Position</b>  | <u>838,398</u>    | <u>771,111</u>    | <u>67,287</u>                  |
| <br>   |                   |                   |                                |
| <b>Total Liabilities, Deferred Inflow<br/>of Resources and Fund Net Position</b> | <u>\$ 925,105</u> | <u>\$ 897,799</u> | <u>\$ 27,306</u>               |

**Assets**

Capital assets changed because of capital expenditures of \$40,542 resulting from the capital improvement project to upgrade Well #3 and replace residential meters throughout the district. However, depreciation expense for the year decreased capital assets by \$32,775.

**WESTWOOD LAKES WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**STATEMENT OF FUND NET POSITION – PROPRIETARY FUND – Continued**

**Liabilities**

Total liabilities decreased approximately \$33,000 primarily because of payments made on the debt.

**Fund Net Position**

The increase in total fund net position of approximately \$67,000 is approximately \$25,000 greater than prior year and is the result of increases in water sales.

**STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION**

Condensed comparative statements and comments relating to significant changes:

|                                       | <u>2022</u>      | <u>2021</u>      | <u>Increase<br/>( Decrease )</u> |
|---------------------------------------|------------------|------------------|----------------------------------|
| Operating Revenue                     |                  |                  |                                  |
| Water Sales                           | \$ 106,069       | \$ 100,592       | \$ 5,477                         |
| Fees                                  | 30,730           | 30,642           | 88                               |
| Total Operating Revenue               | <u>136,799</u>   | <u>131,234</u>   | <u>5,565</u>                     |
| Operating Expense                     |                  |                  |                                  |
| Cost of Sales                         | 77,031           | 60,027           | 17,004                           |
| Refund of Water Deposit               | -                | 7,000            | (7,000)                          |
| Office, Administration, and Insurance | 65,980           | 59,382           | 6,598                            |
| Depreciation                          | 32,775           | 34,859           | (2,084)                          |
| Total Operating Expense               | <u>175,786</u>   | <u>161,268</u>   | <u>14,518</u>                    |
| Operating Loss                        | <u>(38,987)</u>  | <u>(30,034)</u>  | <u>(8,953)</u>                   |
| Non-operating Revenue (Expense)       |                  |                  |                                  |
| Taxes                                 | 69,489           | 67,740           | 1,749                            |
| County Treasurer's Fees               | (1,802)          | (1,752)          | (50)                             |
| Interest Income                       | 4,630            | 247              | 4,383                            |
| Other Revenue                         | 35,489           | 7,315            | 28,174                           |
| Interest Expense on Capital Debt      | (1,532)          | (2,892)          | 1,360                            |
| Total Non-operating Revenue (Expense) | <u>106,274</u>   | <u>70,658</u>    | <u>35,616</u>                    |
| Change in Fund Net Position           | <u>\$ 67,287</u> | <u>\$ 40,624</u> | <u>\$ 26,663</u>                 |

**WESTWOOD LAKES WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION –  
Continued**

**Operating and Non-operating Revenue (Expense)**

Operating revenue increased in 2022 due to increased fees and sales to Woodland Park. Operating expenses also increased because of water main repairs and increased utilities expense associated with the supply of water to the City of Woodland Park. Non-operating revenue increased primarily due to \$20,000 in tap fees and the return of a \$7,000 refund.

**SCHEDULE OF REVENUE AND EXPENDITURE/EXPENSE AND CHANGES IN FUND NET POSITION – BUDGET (NON-GAAP BASIS) AND ACTUAL**

An analysis of budgeted amounts follows:

|                             | <b>Budgeted Amounts</b> |                    | <b>Increase</b>     |
|-----------------------------|-------------------------|--------------------|---------------------|
|                             | <b>Original</b>         | <b>Final</b>       | <b>( Decrease )</b> |
| Revenue                     | \$ 199,842              | \$ 199,842         | \$ -                |
| Cost of Sales               | (76,700)                | (76,700)           | -                   |
| Expenditures/Expense        | (159,716)               | (159,716)          | -                   |
| Change in Fund Net Position | <u>\$ (36,574)</u>      | <u>\$ (36,574)</u> | <u>\$ -</u>         |

There were no changes to the budget as originally adopted.

A comparison of the final budget and actual schedule of revenue, expenditure/expense and changes in fund net position – proprietary fund, budget (non-GAAP basis) and actual:

|                                     | <b>Final</b>       | <b>Actual</b>    | <b>Variance</b>      |
|-------------------------------------|--------------------|------------------|----------------------|
|                                     | <b>Budget</b>      | <b>Budgetary</b> | <b>(Unfavorable)</b> |
|                                     |                    | <b>Basis</b>     | <b>Favorable</b>     |
| Operating and Non-operating Revenue | \$ 199,842         | \$ 246,407       | \$ 46,565            |
| Cost of Sales                       | 76,700             | 77,031           | (331)                |
| Operating Expenditures/Expense      | 124,924            | 109,856          | 15,068               |
| Note Principal Payment              | 34,792             | 34,792           | -                    |
| Total Expenditure/Expense           | <u>236,416</u>     | <u>221,679</u>   | <u>14,737</u>        |
| Change in Fund Net Position         |                    |                  |                      |
| Non-GAAP Basis                      | <u>\$ (36,574)</u> | <u>\$ 24,728</u> | <u>\$ 61,302</u>     |

**WESTWOOD LAKES WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2022**

**MANAGEMENT OF THE DISTRICT**

An elected Board of Directors manages the District. The Board has contracted with two outside vendors to perform specific duties. One of the vendors is a Class C water-treatment plant operator responsible for the technical operations of the District. The other is a CPA firm who handles the administrative duties for the District.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide readers with a general overview of the District's finances and to show the accountability for the money entrusted to it for the operation of the water delivery system. If you have questions about this report or need additional information, contact the District at: Westwood Lakes Water District, P.O. Box 4486, Woodland Park, CO 80866.

***FINANCIAL STATEMENTS***

**WESTWOOD LAKES WATER DISTRICT  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND  
DECEMBER 31, 2022**

**ASSETS**

**Current Assets**

|                                 |    |         |
|---------------------------------|----|---------|
| Cash                            | \$ | 196,646 |
| Investments                     |    | 262,587 |
| Property Tax Receivable         |    | 56,242  |
| Accounts Receivable - Customers |    | 17,229  |
| Prepaid Insurance               |    | 9,733   |
| <b>Total Current Assets</b>     |    | 542,437 |

**Capital Assets**

|                                  |  |           |
|----------------------------------|--|-----------|
| Land                             |  | 59,983    |
| Wells and Lakes                  |  | 132,478   |
| Machinery and Equipment          |  | 493,458   |
| Building                         |  | 541,788   |
| Accumulated Depreciation         |  | (845,039) |
| <b>Total Capital Assets, Net</b> |  | 382,668   |

|                     |    |         |
|---------------------|----|---------|
| <b>Total Assets</b> | \$ | 925,105 |
|---------------------|----|---------|

**LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND NET POSITION**

**Current Liabilities**

|   |    |        |
|---|----|--------|
| Accounts Payable and Other Accrued Expenses | \$ | 12,545 |
|---|----|--------|

**Long-term Liabilities**

|                                    |  |        |
|------------------------------------|--|--------|
| Due Within One Year                |  | 17,920 |
| <b>Total Long-term Liabilities</b> |  | 17,920 |

|                          |  |        |
|--------------------------|--|--------|
| <b>Total Liabilities</b> |  | 30,465 |
|--------------------------|--|--------|

**Deferred Inflow of Resources**

|              |  |        |
|--------------|--|--------|
| Property Tax |  | 56,242 |
|--------------|--|--------|

**Fund Net Position**

|                                  |  |         |
|----------------------------------|--|---------|
| Net Investment in Capital Assets |  | 364,748 |
| Restricted                       |  | 5,288   |
| Unrestricted                     |  | 468,362 |
| <b>Total Fund Net Position</b>   |  | 838,398 |

|   |    |         |
|---|----|---------|
| <b>Total Liabilities, Deferred Inflow of Resources, and Fund Net Position</b> | \$ | 925,105 |
|---|----|---------|

**WESTWOOD LAKES WATER DISTRICT  
STATEMENT OF REVENUE, EXPENSE,  
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2022**

|  |                              |
|--|------------------------------|
| <b>Operating Revenue</b>                       |                              |
| Water Sales                                    | \$ 106,069                   |
| Capital Reserve Fee                            | 21,084                       |
| Bond Payment Fee                               | 9,646                        |
| <b>Total Operating Revenue</b>                 | <u>136,799</u>               |
| <br><b>Operating Expense</b>                   |                              |
| Cost of Sales                                  | 77,031                       |
| Office and Administration                      | 57,604                       |
| Insurance                                      | 8,376                        |
| Depreciation                                   | 32,775                       |
| <b>Total Operating Expense</b>                 | <u>175,786</u>               |
| <br><b>Total Operating Loss</b>                | <br><u>(38,987)</u>          |
| <br><b>Non-Operating Revenue (Expense)</b>     |                              |
| Property Tax                                   | 63,013                       |
| Specific Ownership Tax                         | 6,476                        |
| County Treasurer's Fee                         | (1,802)                      |
| Interest Income                                | 4,630                        |
| Other Revenue                                  | 35,489                       |
| Interest Expense on Capital Debt               | (1,532)                      |
| <b>Total Non-operating Revenue (Expense)</b>   | <u>106,274</u>               |
| <br><b>Change in Fund Net Position</b>         | <br>67,287                   |
| <br><b>Fund Net Position Beginning of Year</b> | <br><u>771,111</u>           |
| <br><b>Fund Net Position End of Year</b>       | <br><u><u>\$ 838,398</u></u> |

See Accompanying Notes to Financial Statements

**WESTWOOD LAKES WATER DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
YEAR ENDED DECEMBER 31, 2022**

|   |                   |
|---|-------------------|
| <b>Cash Flows from Operating Activities</b>                         |                   |
| Cash Received from Customers  | \$ 131,148        |
| Cash Paid to Suppliers  | (142,001)         |
| <b>Net Cash Used by Operating Activities</b>                        | <u>(10,853)</u>   |
| <br><b>Cash Flows from Non-Capital Financing Activities</b>         |                   |
| Collection of Taxes from Teller County                              | 67,687            |
| Collection of Other Revenue   | 35,489            |
| <b>Net Cash Provided by Non-Capital Financing Activities</b>        | <u>103,176</u>    |
| <br><b>Cash Flows from Capital and Related Financing Activities</b> |                   |
| Principal Payments on Debt  | (34,792)          |
| Interest Paid on Debt   | (1,532)           |
| Purchase of Fixed Assets  | (40,542)          |
| <b>Net Cash Used by Capital and Related Financing Activities</b>    | <u>(76,866)</u>   |
| <br><b>Cash Flows from Investing Activities</b>                     |                   |
| Interest Received   | 4,630             |
| Interest Reinvested   | (4,515)           |
| <b>Net Cash Provided by Investing Activities</b>                    | <u>115</u>        |
| <br><b>Change in Cash</b>   | <br>15,572        |
| <br><b>Cash</b>   |                   |
| <b>Beginning</b>  | <u>181,074</u>    |
| <b>Ending</b>   | <u>\$ 196,646</u> |

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES**

|   |                    |
|---|--------------------|
| Operating Loss  | \$ <u>(38,987)</u> |
| Adjustments to Reconcile Operating Loss to<br>Net Cash Used by Operating Activities |                    |
| Noncash Activity  |                    |
| Depreciation  | 32,775             |
| Changes in  |                    |
| Accounts Receivable - Customers   | (5,651)            |
| Prepaid Insurance   | (866)              |
| Accounts Payable and Other Accrued Expenses   | 1,876              |
| <b>Total Adjustments</b>  | <u>28,134</u>      |
| <b>Net Cash Used by Operating Activities</b>  | <u>\$ (10,853)</u> |

***NOTES TO FINANCIAL STATEMENTS***

## WESTWOOD LAKES WATER DISTRICT NOTES TO FINANCIAL STATEMENTS

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**History and Organization** - Westwood Lakes Water District (District) was established by a decree of the District Court of Teller County, Colorado, in April 1957. The District is a special district governed by an elected five-member board.

As required by generally accepted accounting principles, the District includes, if applicable, component units in its financial statements based upon financial accountability. Inasmuch as no component unit meets the criteria for inclusion, no component unit financial statements have been included.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

**Government-wide Financial Statements** - The government-wide financial statements (i.e., the ‘Statement of Fund Net Position – Proprietary Fund’, and the ‘Statement of Revenue, Expense, and Changes in Fund Net Position – Proprietary Fund’) report information on all of the non-fiduciary activities of the government.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flow.

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

The District uses a proprietary fund to account for all financial resources except those required to be accounted for in another fund.

**Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as a net current asset. Taxpayer assessed revenue and gross receipts are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are reported as liabilities and reductions of revenue when they are measurable and validity seems certain.

**WESTWOOD LAKES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of Accounting (Continued)** - The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in fund net position (or cost recovery), fund net position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as fund net position. All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

**Budget Accounting** - Budgets are prepared in accordance with the requirements of Colorado Revised Statutes and accordingly include anticipated income and other means of financing proposed expenditures. Expenditures also include, in addition to those shown in the operating statements, debt redemptions, and capital expenditures.

**Budgets** - The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

1. Budgets are required by State law for all funds. The proposed budget is submitted to the Board of Directors on or before October 15 by the budget officer for the fiscal year commencing the following January 1. The budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
3. Prior to December 31, the budget is adopted, and appropriations made by formal resolution.
4. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund or changes in project or department budgets. Budget amounts included in the financial statements are based on the final, legally amended budget.
5. Budget appropriations lapse at the end of each year.

Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. Encumbrances are neither recorded on the books of the District nor included in the budget. The Board of Directors has the authority to make budget amendments.

**Definition of Cash** - For the purpose of the statement of cash flows, the District defines cash as all cash on hand, demand deposits, and money market accounts held for three months or less.

**Investments** – Investments for the District are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment.

**WESTWOOD LAKES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Accounts Receivable - Customers** - The District's Accounts Receivable - Customers consists of amounts due from customers for water usage and other service-related fees. Management believes that all accounts receivable - customers are collectible and no allowance for doubtful accounts is deemed necessary.

**Capital Assets** - Capital assets are reported in the proprietary fund financial statements. Capital assets are defined as assets having an estimated life in excess of one year and cost over \$1,000. Such assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Depreciable capital assets are depreciated using the straight-line method over estimated useful lives of 5-30 years.

**Property Taxes Receivable and Deferred Inflow of Resources** - Property taxes are levied by December 15 of each year based on the assessed value of property as certified by the Teller County Assessor. Assessed values are a percentage of actual values.

The taxes levied by December 15, 2022, reflect 2022 property taxes that will be collected in 2023 by Teller County. Taxes collected by Teller County are remitted to the District on a monthly basis. Teller County also acts as the billing and collection agency for the District. A lien is attached to the property taxes on January 1 and may be paid in full by April 30 or, in equal installments, by February 28 and June 15.

The District records the tax as a receivable when measurable and an enforceable legal claim attaches to the property. The tax is recognized as a deferred inflow of resources in the year levied and as revenue when the money is received in the following year.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimate made in the accompanying financial statements is the useful lives of capital assets used to compute depreciation expense. Actual results could differ from those estimates.

**WESTWOOD LAKES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fund Net Position** - In the financial statements, fund net position is classified in the following categories:

*Net Investment in Capital Assets* - this classification consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of capital assets.

*Restricted* - this classification consists of restrictions created by external creditors, grantors, contributors, laws, or regulations of other governments, enabling legislation and constitutional provisions.

*Unrestricted* - this classification represents the remainder of net positions that do not meet the definition of “invested in capital assets net of related debt” or “restricted net positions.”

In circumstances where an expenditure is incurred, for which amounts are available in multiple fund net position classifications, fund net position is reduced in the order restricted for emergencies and unrestricted.

**NOTE 1 – DEPOSITS**

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

**Custodial Credit Risk Deposits** - Custodial credit risk is the risk that in the event of bank failure, the District’s deposits will not be returned to it. The District does not currently have a policy related to custodial credit risk. As of December 31, 2022, the District had no deposits exposed to custodial credit risk.

At December 31, 2022, the District's cashbook balance was \$196,646 and was fully insured by the FDIC.

**NOTE 2 – INVESTMENTS**

The District is subject to the provisions of the Colorado Revised statutes 24-75-601, which is entitled “Concerning Investments in Securities by Public Entities.” The District has not adopted a formal investment policy but does follow state statutes regarding investments.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**WESTWOOD LAKES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – INVESTMENTS – Continued**

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain securities lending agreements
- Certain certificates of participation
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The COLOTRUST PLUS+ is rated AAAM by Standard and Poor's and the weighted average maturity to reset (WAM)(R) is kept under 60 days.

As of December 31, 2022, the District had the following investments:

| <b>Investment</b> | <b>Maturity</b>                | <b>Restriction</b> | <b>Amount</b> |
|-------------------|--------------------------------|--------------------|---------------|
| COLOTRUST PLUS+   | Weighted Average under 60 Days | None               | \$ 262,587    |

Certain investments are required to be measured at fair value on a recurring basis and categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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.

**WESTWOOD LAKES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – INVESTMENTS – Continued**

The District’s investments are not categorized within the fair value hierarchy. Instead, the District’s investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at year-end for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1 per share. The investment pool financial statements can be obtained at [www.colotrust.com](http://www.colotrust.com).

**NOTE 3 – CAPITAL ASSETS**

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

|  | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Deletions</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|------------------|------------------|---------------------------|
| Proprietary Fund                         |                              |                  |                  |                           |
| Land                                     | \$ 59,983                    | \$ -             | \$ -             | \$ 59,983                 |
| Wells and Lakes                          | 132,478                      | -                | -                | 132,478                   |
| Machinery and Equipment                  | 504,427                      | 40,542           | (51,511)         | 493,458                   |
| Building                                 | 542,964                      | -                | (1,176)          | 541,788                   |
| Total Capital Assets at Historical Cost  | <u>1,239,852</u>             | <u>40,542</u>    | <u>(52,687)</u>  | <u>1,227,707</u>          |
| Less Accumulated Depreciation for        |                              |                  |                  |                           |
| Wells and Lake Improvements              | (132,478)                    | -                | -                | (132,478)                 |
| Machinery and Equipment                  | (415,253)                    | (14,715)         | 51,511           | (378,457)                 |
| Building                                 | (317,220)                    | (18,060)         | 1,176            | (334,104)                 |
| Total Accumulated Depreciation           | <u>(864,951)</u>             | <u>(32,775)</u>  | <u>52,687</u>    | <u>(845,039)</u>          |
| Proprietary Fund,<br>Capital Assets, Net | <u>\$ 374,901</u>            | <u>\$ 7,767</u>  | <u>\$ -</u>      | <u>\$ 382,668</u>         |

Depreciation expense for the year was \$32,775.

**WESTWOOD LAKES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – LONG-TERM DEBT**

In 2003, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA). The loan was for a total of \$500,000 with interest at 4% and a term of twenty years. Loan proceeds were used for the construction of a water treatment plant with a storage tank and a booster pump station.

The loan constitutes a general obligation secured by the District’s full faith and credit payable from any available moneys of the District including, but not limited to, ad valorem taxes on all taxable real property within its boundaries, unlimited as to rate in an amount that does not exceed \$42,000 annually.

As part of a covenant, the District has agreed to maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses, excluding depreciation, of the system as set forth in the annual budget for the current fiscal year. Said reserve may be in the form of unobligated fund balances or other unobligated cash or securities (i.e., capital reserves) or may be in a separate segregated fund. If the operations and maintenance reserve fall below this requirement, the shortfall shall be made up in 24 substantially equal monthly installments beginning the second month after such shortfall. As of December 31, 2022, the District was in compliance with the covenant.

A summary of changes in long-term debt is:

|                | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Payments &amp;<br/>Reductions</b> | <b>Ending<br/>Balance</b> |
|----------------|------------------------------|------------------|--------------------------------------|---------------------------|
| Long-Term Debt |                              |                  |                                      |                           |
| Note Payable   | \$ 52,712                    | \$ -             | \$ (34,792)                          | \$ 17,920                 |

The interest expense for 2022 was \$1,532.

The following schedule reflects the District’s payments to maturity:

|                                  | <b>Loan</b>  |                 |                  |
|----------------------------------|--------------|-----------------|------------------|
| <b>Years Ending December 31,</b> | <b>Total</b> | <b>Interest</b> | <b>Principal</b> |
| 2023 (Total)                     | \$ 18,278    | \$ 358          | \$ 17,920        |

**NOTE 5 – TAX SPENDING AND DEBT LIMITATIONS**

In November 1992, Colorado voters approved the Taxpayer’s Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all local governments.

TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District believes it has complied with all aspects of the TABOR amendment and an emergency reserve of \$5,288 has been established.

**WESTWOOD LAKES WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**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 and natural disasters for which the District carries commercial insurance.

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 7 – RECONCILIATION OF BUDGET TO ACTUAL**

The District has prepared its budget on a basis of accounting other than generally accepted accounting principles (GAAP). A reconciliation of the budgetary basis to GAAP is provided on the 'schedule of revenue, expenditure/expense and changes in fund net position - proprietary fund, budget (non-GAAP basis) and actual'.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

The District incurred expenses of \$11,193 in consulting and courier fees from the relative of a board member.

**NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the independent auditors' report, the date on which the financial statements were available to be released.

***SUPPLEMENTARY INFORMATION***

**WESTWOOD LAKES WATER DISTRICT  
SCHEDULE OF REVENUE, EXPENDITURE/EXPENSE  
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

|  | Budgeted Amounts |           | Actual<br>Budgetary<br>Basis | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--|------------------|-----------|------------------------------|---|
|  | Original         | Final     |                              |   |
| <b>Revenue</b>                         |                  |           |                              |   |
| Water Sales                            | \$ 72,000        | \$ 72,000 | \$ 106,069                   | \$ 34,069   |
| Capital Reserve Fee                    | 21,024           | 21,024    | 21,084                       | 60  |
| Bond Payment Fee                       | 9,618            | 9,618     | 9,646                        | 28  |
| Property Tax                           | 61,407           | 61,407    | 63,013                       | 1,606   |
| Specific Ownership Tax                 | 6,300            | 6,300     | 6,476                        | 176   |
| Interest Income                        | 93               | 93        | 4,630                        | 4,537   |
| Other Revenue                          | 29,400           | 29,400    | 35,489                       | 6,089   |
| <b>Total Revenue</b>                   | 199,842          | 199,842   | 246,407                      | 46,565  |
| <b>Cost of Sales</b>                   |                  |           |                              |   |
| Operator-in-charge                     | 32,000           | 32,000    | 32,143                       | (143)   |
| Utilities                              | 9,500            | 9,500     | 13,891                       | (4,391)   |
| Water Meter Hosting/Reading            | 700              | 700       | 623                          | 77  |
| Repairs and Maintenance                | 21,000           | 21,000    | 19,733                       | 1,267   |
| Tank Maintenance                       | 1,000            | 1,000     | -                            | 1,000   |
| Lake Maintenance                       | 6,000            | 6,000     | 5,027                        | 973   |
| Chemicals                              | 2,500            | 2,500     | 2,897                        | (397)   |
| Water Testing                          | 4,000            | 4,000     | 2,717                        | 1,283   |
| <b>Total Cost of Sales</b>             | 76,700           | 76,700    | 77,031                       | (331)   |
| <b>Expenditures/Expense</b>            |                  |           |                              |   |
| Office and Administration              |                  |           |                              |   |
| Legal, Accounting, and Consulting      | 20,500           | 20,500    | 16,559                       | 3,941   |
| Bank Charges                           | 50               | 50        | 9                            | 41  |
| Bookkeeping/Secretarial                | 20,700           | 20,700    | 20,828                       | (128)   |
| Compliance                             | 1,000            | 1,000     | 100                          | 900   |
| Courier                                | 4,000            | 4,000     | 4,334                        | (334)   |
| Publication                            | 300              | 300       | 315                          | (15)  |
| Director Fees                          | 12,000           | 12,000    | 6,500                        | 5,500   |
| Election                               | 7,000            | 7,000     | 231                          | 6,769   |
| Membership/Registration                | 2,000            | 2,000     | 1,838                        | 162   |
| Miscellaneous                          | 100              | 100       | 170                          | (70)  |
| Office Supplies/Postage                | 1,500            | 1,500     | 2,277                        | (777)   |
| Rent Expense/Record Retention          | 1,000            | 1,000     | 1,055                        | (55)  |
| Software                               | 1,500            | 1,500     | 984                          | 516   |
| State Required Reporting               | 1,000            | 1,000     | -                            | 1,000   |
| Telephone                              | 850              | 850       | 843                          | 7   |
| Travel                                 | 3,600            | 3,600     | -                            | 3,600   |
| Website                                | 800              | 800       | 200                          | 600   |
| Education                              | 4,400            | 4,400     | 1,361                        | 3,039   |
| Meeting Expense                        | 300              | 300       | -                            | 300   |
| <b>Total Office and Administration</b> | \$ 82,600        | \$ 82,600 | \$ 57,604                    | \$ 24,996   |

Continued on Next Page

**WESTWOOD LAKES WATER DISTRICT  
SCHEDULE OF REVENUE, EXPENDITURE/EXPENSE  
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

Continued from Previous Page

| Expenditures/Expense (Continued)                  | Budgeted Amounts |             | Actual<br>Budgetary<br>Basis | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|------------------|-------------|------------------------------|---|
|   | Original         | Final       |                              |   |
| <b>Insurance</b>                                  |                  |             |                              |   |
| Insurance   | \$ 8,850         | \$ 8,850    | \$ 8,376                     | \$ 474  |
| <b>Total Insurance</b>                            | 8,850            | 8,850       | 8,376                        | 474   |
| <b>Interest Expense</b>                           |                  |             |                              |   |
| Interest on Capital Debt                          | 1,764            | 1,764       | 1,532                        | 232   |
| <b>Total Interest Expense</b>                     | 1,764            | 1,764       | 1,532                        | 232   |
| <b>Capital Improvement Expense</b>                |                  |             |                              |   |
| Capital Improvement Fund Disbursement             | 30,000           | 30,000      | 40,542                       | (10,542)  |
| <b>Total Capital Improvement</b>                  | 30,000           | 30,000      | 40,542                       | (10,542)  |
| <b>Treasurers Fees</b>                            |                  |             |                              |   |
| Treasurers Fees                                   | 1,710            | 1,710       | 1,802                        | (92)  |
| <b>Total Treasurers Fees</b>                      | 1,710            | 1,710       | 1,802                        | (92)  |
| <b>Term Debt Expenditures</b>                     |                  |             |                              |   |
| Debt Principal Payment                            | 34,792           | 34,792      | 34,792                       | -   |
| <b>Total Term Debt Expenditures</b>               | 34,792           | 34,792      | 34,792                       | -   |
| <b>Total Expenditure/Expense</b>                  | 159,716          | 159,716     | 144,648                      | 15,068  |
| <b>Change in Fund Net Position</b>                |                  |             |                              |   |
| Non-GAAP Basis                                    | \$ (36,574)      | \$ (36,574) | 24,728                       | \$ 61,302   |
| <b>GAAP Adjustments</b>                           |                  |             |                              |   |
| Capital Outlay                                    |                  |             | 40,542                       |   |
| Depreciation                                      |                  |             | (32,775)                     |   |
| Debt Principal Payment                            |                  |             | 34,792                       |   |
| <b>Change in Fund<br/>Net Position GAAP Basis</b> |                  |             | \$ 67,287                    |   |

See Accompanying Independent Auditors' Report