

BROOK FOREST WATER DISTRICT

ANNUAL FINANCIAL REPORT

AND SUPPLEMENTARY INFORMATION

FOR THE

YEAR ENDED DECEMBER 31, 2023

BROOK FOREST WATER DISTRICT

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2023

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BROOK FOREST WATER DISTRICT

**ROSTER OF DISTRICT OFFICIALS
DECEMBER 31, 2023**

BOARD OF DIRECTORS

Tony LangowskiPresident
Ted Schlaebitz.....Vice President
Bruce NicklowTreasurer
Steve DruckerSecretary
Bill MostonDirector

ADMINISTRATIVE STAFF

Nickie Holder
Administrator

Dominic Monard
Water System Operator

SCOTT C. WRIGHT
CERTIFIED PUBLIC ACCOUNTANT

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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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In 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, 2023, 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

August 29, 2024
Salida, Colorado

BROOK FOREST WATER DISTRICT

STATEMENTS OF NET POSITION DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,660,350	\$ 1,444,089
Receivables:		
- Accounts Receivable	41,906	30,509
- Taxes Receivable	306,900	236,743
Prepaid Expenses	5,747	6,342
Cash and Cash Equivalents - Restricted	<u>236,088</u>	<u>-</u>
Total Current Assets	<u>2,250,991</u>	<u>1,717,683</u>
Noncurrent Assets:		
Capital Assets:		
- Land and Land Improvements	32,335	32,335
- Construction in Progress	55,221	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>
	4,171,973	4,137,652
Less: Accumulated Depreciation	<u>(2,207,028)</u>	<u>(2,126,603)</u>
Net Capital Assets	<u>1,964,945</u>	<u>2,011,049</u>
Other Assets:		
Water Rights	<u>67,254</u>	<u>67,254</u>
Total Other Assets	<u>67,254</u>	<u>67,254</u>
Total Noncurrent Assets	<u>2,032,199</u>	<u>2,078,303</u>
Total Assets	<u>\$ 4,283,190</u>	<u>\$ 3,795,986</u>

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

	<u>2023</u>	<u>2022</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 4,280	\$ 11,970
Accrued Interest Payable	1,936	2,265
Developer Deposits	236,088	-
Current Portion of Long-term debt	34,903	40,824
Total Current Liabilities	<u>277,207</u>	<u>55,059</u>
Long-term Debt	<u>545,945</u>	<u>580,848</u>
Total Liabilities	<u>823,152</u>	<u>635,907</u>
Deferred Inflows of Resources:		
Unavailable Revenue - Property Taxes	<u>305,855</u>	<u>235,693</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,384,097	1,389,377
Restricted for TABOR Emergency Reserve	16,948	13,659
Unrestricted	<u>1,753,138</u>	<u>1,521,350</u>
Total Net Position	<u>\$ 3,154,183</u>	<u>\$ 2,924,386</u>

BROOK FOREST WATER DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Operating Revenues		
Charges for Services	\$ 143,858	\$ 142,015
Late Charges	(60)	380
Miscellaneous	7,299	5,553
Total Operating Revenues	<u>151,097</u>	<u>147,948</u>
Operating Expenses		
Salaries - Maintenance	70,250	64,895
Administration	8,609	8,275
Contract Labor	5,988	12,897
Repairs and Maintenance	73,316	86,277
Utilities and Telephone	15,133	17,035
Lab and Testing	634	4,204
Audit and Accounting	4,500	4,500
Legal	20,796	16,117
Engineering	3,680	2,300
Director's Fees	5,800	5,500
Augmentation	3,345	4,377
Health & Life Insurance	8,134	8,464
Payroll Taxes	3,587	2,955
Insurance	5,609	6,600
Education	170	-
Dues and Memberships	1,128	1,431
Election Costs	24	213
Auto Expense	3,461	2,105
Conference and Meetings	-	1,606
Office Supplies and Expenses	4,874	5,282
Depreciation	80,425	84,880
Total Operating Expenses	<u>319,463</u>	<u>339,913</u>
Operating Loss	<u>(168,366)</u>	<u>(191,965)</u>
Nonoperating Revenues (Expenses)		
Interest Earnings	80,572	24,734
Taxes	252,967	254,416
Readiness to Serve Fees	12,300	13,260
Connection Fees	68,000	17,000
Treasurer Fees	(3,541)	(3,572)
Interest Expense and Fiscal Charges	(12,135)	(13,273)
Net Nonoperating Revenues (Expenses)	<u>398,163</u>	<u>292,565</u>
Change in Net Position	229,797	100,600
Total Net Position, Beginning of Year	<u>2,924,386</u>	<u>2,823,786</u>
Total Net Position, End of Year	<u><u>\$ 3,154,183</u></u>	<u><u>\$ 2,924,386</u></u>

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, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Cash Received From Customers	\$ 149,461	\$ 128,124
Cash Payments to Suppliers for Goods and Services	(158,362)	(177,981)
Cash Payments to Employees for Services	(87,771)	(81,814)
Other Operating Revenues	7,239	5,933
Net Cash Used in Operating Activities	(89,433)	(125,738)
Cash Flows From Noncapital Financing Activities		
Cash Received From Property Taxes	236,100	238,112
Cash Received From Specific Ownership Taxes	16,872	16,290
Cash Received From Readiness-to-Serve Fees	12,300	13,260
Cash Received From Connection Fees	51,000	17,000
County Treasurer's Fees Paid	(3,541)	(3,562)
Net Cash Provided by Noncapital Financing Activities	312,731	281,100
Cash Flows From Capital Financing Activities		
Acquisition and Construction of Capital Assets	(34,321)	20,900
Developer Deposits Received	236,088	-
Principal Paid on Bond and Note Payable Maturities	(40,824)	(48,125)
Interest Paid on Bonds and Notes Payable	(12,464)	(13,768)
Net Cash Provided by (Used in) Capital Financing Activities	148,479	(40,993)
Cash Flows From Investing Activities		
Earnings on Investments	80,572	24,734
Net Cash Provided by Investing Activities	80,572	24,734
Net Increase in Cash and Cash Equivalents	452,349	139,103
Cash and Cash Equivalents, Beginning of Year	1,444,089	1,304,986
Cash and Cash Equivalents, End of Year	\$ 1,896,438	\$ 1,444,089

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

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	<u>\$ (168,366)</u>	<u>\$ (191,965)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	80,425	84,880
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	5,603	(13,891)
(Increase) Decrease In Prepaid Expense	595	(4,948)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<u>(7,690)</u>	<u>186</u>
Total Adjustments	<u>78,933</u>	<u>66,227</u>
Net Cash Used in Operating Activities	<u><u>\$ (89,433)</u></u>	<u><u>\$ (125,738)</u></u>

BROOK FOREST WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

The financial statements of the Brook Forest Water District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) generally accepted in the United States of America 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 following notes are an integral part of the District's financial statements.

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

As required by GAAP, these financial statements present the Brook Forest Water District (the primary government). The District does not have any component units for which the District is considered financially accountable.

Primary Government. The Brook Forest Water District was created on March 3, 1964, under the provisions of the Colorado Special District Act. The District was formed to provide for the financing and operation of a water distribution system delivering water to community residents in southwestern Evergreen, Colorado. The District is governed by a board consisting of five elected public officials and has authority to impose service fees and taxes and to adopt Rules and Regulations governing the use of the District's system.

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

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

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

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

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

C. Budgets

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

D. Cash and Cash Equivalents

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.

E. Capital Assets

The District's capital assets are recorded at cost if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of the donation. The District's capital assets consist of land, land improvements, buildings and improvements, vehicles and machinery and equipment. The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items less than \$5,000 in certain circumstances. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the assets.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred.

Depreciation of property, plant and equipment is computed using the straight-line method over the following estimated useful lives:

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

F. Deferred Outflows/Inflows of Resources

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

BROOK FOREST WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2023

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.

G. Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the Jefferson County Assessors, generally as of January 1 of each year. The levy is normally set by December 15, by certification to the County Commissioners to place the tax lien on the individual properties as of January 1, of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. Taxes are payable by April 30, or if at the taxpayer's election paid in equal installments, by February 28 and June 15, respectively.

Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes are recorded initially as deferred inflows in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are collected.

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 2023.

Note 3. Deposits and Investments

Deposits and investments as of December 31, 2023 are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	\$1,660,350
Cash and Cash Equivalents - Restricted	<u>236,088</u>
Total	<u>\$ 1,896,438</u>

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

Deposits with Financial Institutions	\$ 248,534
Undeposited Funds on Hand	1,010
Deposits with Local Government Investment Pools	<u>1,646,894</u>
Total	<u>\$ 1,896,438</u>

Deposits

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

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

Local Government Investment Pools

As of December 31, 2023, 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,

BROOK FOREST WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2023

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, 2023.

Ratings <u>S&P</u>	Local Government <u>Investment Pools</u>
AAAm	<u>\$ 1,646,894</u>

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

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer. The District invests in one local government investment pool – 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, 2023, the District had an investment of \$1,646,894 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, 2023 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>\$ 1,646,894</u>
Total	<u>\$ 1,646,894</u>

At December 31, 2023, there were no unrealized losses reflective of changes in the fair market value of investments.

Note 4. Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance January 1, <u>2023</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2023</u>
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 32,335	\$ -	\$ -	\$ 32,335
Construction in Progress	<u>20,900</u>	<u>34,321</u>	<u>-</u>	<u>55,221</u>
Total Capital Assets, Not Being Depreciated	<u>53,235</u>	<u>34,321</u>	<u>-</u>	<u>87,556</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	(1,717,970)	(60,365)	-	(1,778,335)
Wells	(373,446)	(13,883)	-	(387,329)
Machinery and Equipment	<u>(35,187)</u>	<u>(6,177)</u>	<u>-</u>	<u>(41,364)</u>
Total Accumulated Depreciation	<u>(2,126,603)</u>	<u>(80,425)</u>	<u>-</u>	<u>(2,207,028)</u>
Total Capital Assets Being Depreciated, Net	<u>1,957,814</u>	<u>(80,425)</u>	<u>-</u>	<u>1,877,389</u>
Total Capital Assets, Net	<u>\$ 2,011,049</u>	<u>\$ (46,104)</u>	<u>\$ -</u>	<u>\$ 1,964,945</u>

Depreciation expense was \$80,425 and \$84,880 for the years ended December 31, 2023, and 2022, respectively.

BROOK FOREST WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2023

Note 5. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1988, the District joined the Colorado Special Districts Property and Liability Pool. The Special Districts Pool is a public entity risk pool operating as a common risk management and insurance program. The District pays an annual premium to the Pool for property and liability coverage and workers compensation insurance coverage. The Agreement of Formation of the Special Districts Pool provides that it will be self-sustaining through member premiums and will reinsure through commercial companies. For property and automobile physical damage, the Pool is self-insured for losses and loss adjustment expenses up to the greater of \$300,000 or the sum of the individual member's deductible for each occurrence. For general, automobile, and public officials liability coverage, the Pool is self-insured for the first \$1,000,000 of each occurrence.

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

Note 6. Long-term Debt

Long-term debt at December 31, 2023, and 2022, consisted of the following:

	<u>2023</u>	<u>2022</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
• Colorado Water Resources & Power Development Authority loan of \$747,852. Principal and interest payable in semi-annual payments of \$23,173.	<u>580,848</u>	<u>615,063</u>
	580,848	621,672
Less Current Portion of Long-term Debt	<u>(34,903)</u>	<u>(40,824)</u>
Total Long-term Debt	<u>\$ 545,945</u>	<u>\$ 580,848</u>

Annual principal and interest requirements to maturity for loans outstanding at December 31, 2023, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	37,794	8,552	46,346
2029-2033	200,677	31,053	231,730
2034-2038	<u>198,500</u>	<u>10,056</u>	<u>208,556</u>
Total	<u>\$ 580,848</u>	<u>\$ 91,168</u>	<u>\$ 672,016</u>

Note 7. Commitments and Contingencies

Construction Commitments. At year-end the District had the following commitments on construction contracts:

<u>Project</u>	<u>Commitment</u>
Brook Forest Water Main Replacement Project	\$633,977

Agreements. The District has entered into an extension agreement with The Rocky Top Revocable Trust (Rocky Top), the owner and developer of six (6) lots on Lodgepole Circle, Evergreen, Colorado whereby the District agrees to allow an extension of its public water main in order to provide water service to the six lots. The extension and construction of the water main line(s) and related facilities will be performed by the District. Rocky Top is responsible for all costs incurred and will transfer all rights, title and interest in the main line(s) to the District upon completion of the project. As of December 31, 2023, the District maintains an escrow deposit from Rocky Top in the amount of \$236,088 that represents the total estimate of the cost of the project.

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.

BROOK FOREST WATER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED DECEMBER 31, 2023

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 2023 is 3% of 2023 fiscal year spending. Emergency reserves in the amount of \$16,948 and \$13,659 have been established for the years ended December 31, 2023, and 2022 respectively.

Note 8. Use of Estimates

The preparation of financial statements in conformity with GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates. District management has estimated the useful lives of the District's capital assets as reflected in the Statement of Net Position.

SUPPLEMENTARY INFORMATION

BROOK FOREST WATER DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget Original and Final	Actual Amounts	Variance Positive (Negative)
Revenues			
Taxes:			
Property Taxes	\$ 234,912	\$ 236,100	\$ 1,188
Specific Ownership Taxes	11,500	16,867	5,367
Charges for Service:			
Water Service Fees	143,500	143,858	358
Readiness to Serve Fees	13,500	12,300	(1,200)
Late Charges	5,000	(60)	(5,060)
Connection Fees	-	68,000	68,000
Interest Earnings	1,000	80,572	79,572
Other Revenue	4,500	7,299	2,799
Total Revenues	413,912	564,936	151,024
Expenditures			
Current:			
Salaries - Maintenance	70,250	70,250	-
Administration	11,000	8,609	2,391
Contract Labor	17,500	5,988	11,512
Repairs and Maintenance	55,000	73,316	(18,316)
Utilities and Telephone	18,000	15,133	2,867
Lab and Testing	4,000	634	3,366
Audit and Accounting	5,500	4,500	1,000
Legal	20,000	20,796	(796)
Engineering	2,500	3,680	(1,180)
Director's Fees	6,000	5,800	200
Augmentation	8,500	3,345	5,155
Health & Life Insurance	5,350	8,134	(2,784)
Payroll Taxes	5,350	3,587	1,763
Insurance	5,700	5,609	91
Education	1,000	170	830
Dues and Memberships	1,000	1,128	(128)
Election Costs	3,000	24	2,976
Auto Expense	3,050	3,461	(411)
Conference and Meetings	3,000	-	3,000
Office Supplies and Expenses	4,000	4,874	(874)
Miscellaneous Expense	500	-	500
Treasurer's Fees	3,524	3,541	(17)
Debt Service:			
CWCB Loan Principal	14,585	6,609	7,976
SRF Loan Principal	33,541	34,215	(674)
CWCB Loan Interest	913	4	909
SRF Loan Interest	12,804	12,131	673
Capital Improvements	335,670	34,321	301,349
Total Expenditures	651,237	329,859	321,378

	Budget Original and Final	Actual Amounts	Variance Positive (Negative)
Net Change in Fund Balances	\$ (237,325)	\$ 235,077	\$ 472,402
Fund Balances, Beginning of Year	<u>1,570,258</u>	<u>1,535,009</u>	<u>(35,249)</u>
Fund Balances, End of Year	<u><u>\$ 1,332,933</u></u>	<u><u>\$ 1,770,086</u></u>	<u><u>\$ 437,153</u></u>

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

Net Change in Fund Balances (Budgetary Basis)	<u>\$ 235,077</u>
Adjustments to Reconcile Budgetary Basis to GAAP Basis	
Principal Paid on Long-term Debt	40,824
Capitalization of Fixed Assets	34,321
Depreciation	<u>(80,425)</u>
Total Adjustments	<u>(5,280)</u>
Change in Net Position (GAAP Basis)	<u><u>\$ 229,797</u></u>

BROOK FOREST WATER DISTRICT

DEBT SCHEDULE DECEMBER 31, 2023

PURPOSE	SCHEDULE OF INDEBTEDNESS					PAYMENTS DUE IN 2024	
	DATE ISSUED	INTEREST RATE	MATURITY DATE	AMOUNT ISSUED	AMOUNT OUT- STANDING	PRINCIPAL	INTEREST
LOANS:							
Colorado Water Resources & Power Development Authority	1/17/2018	2.000%	5/1/2038	\$ 747,852	\$ 580,848	\$ 34,903	\$ 11,443
TOTAL LOANS					580,848	34,903	11,443
TOTAL LONG-TERM DEBT					\$ 580,848	\$ 34,903	\$ 11,443