



WESTWOOD LAKES WATER DISTRICT

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

AND

SUPPLEMENTARY INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of Fund Net Position - Proprietary Fund	9
Statement of Revenue, Expense, and Changes in Fund Net Position - Proprietary Fund	10
Statement of Cash Flows - Proprietary Fund	11
Notes to Financial Statements	12
Supplementary Information	
Schedule of Revenue, Expenditure/Expense and Changes in Fund Net Position - Proprietary Fund, Budget (Non-GAAP Basis) and Actual	20

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Westwood Lakes Water District
Woodland Park, CO

Opinion

We have audited the accompanying financial statements of Westwood Lakes Water District (District), which comprise the statement of net position as of December 31, 2023 and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the business-type activities of the District as of December 31, 2023, and the changes in its revenue, expense, net position and, 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 ("GAAS"). 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.

CBIZ CPAs P.C.

90 South Cascade Avenue, Suite 200 Phone: 719.531.0445
Colorado Springs, CO 80903 cbizcpas.com

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenses, Budgetary Comparison Schedule – Budget to Actual (Budgetary Basis), and the Debt Service Covenant and Reserve Requirement Schedule are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CBIZ CPAs P.C.¹

Colorado Springs, Colorado
November 18, 2024

¹ In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WESTWOOD LAKES WATER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

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, 2023. 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
- 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 (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

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:

Assets	2023	2022	Increase (Decrease)
Current Assets	\$ 586,517	\$ 542,437	\$ 44,080
Capital Assets	396,006	382,668	13,338
Total Assets	<u>\$ 982,523</u>	<u>\$ 925,105</u>	<u>\$ 57,418</u>
Liabilities			
Current Liabilities	\$ 11,506	\$ 12,545	\$ (1,039)
Long-term Liabilities			
Due Within One Year	-	17,920	(17,920)
Total Liabilities	<u>11,506</u>	<u>30,465</u>	<u>(18,959)</u>
Deferred Inflow of Resources			
Property Tax	40,611	56,242	(15,631)
Fund Net Position			
Net Investment in Capital Assets	396,006	364,748	31,258
Restricted	5,392	5,288	104
Unrestricted	529,008	468,362	60,646
Total Net Position	<u>930,406</u>	<u>838,398</u>	<u>92,008</u>
Total Liabilities, Deferred Inflow of Resources and Fund Net Position	<u>\$ 982,523</u>	<u>\$ 925,105</u>	<u>\$ 57,418</u>

Assets

Capital assets changed because of capital expenditures of \$47,733 resulting from the capital improvement projects to extend a water main and replace residential meters throughout the district. However, depreciation expense for the year decreased capital assets by \$34,395.

Liabilities

Total liabilities decreased approximately \$20,000 primarily because of the final payment to the district's the debt.

**WESTWOOD LAKES WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

STATEMENT OF FUND NET POSITION – PROPRIETARY FUND – Continued

Fund Net Position

The increase in total fund net position of approximately \$90,000 is approximately \$20,000 greater than prior year and is the result of increases in revenues and paying off the CWRPDA loan.

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

Condensed comparative statements and comments relating to significant changes:

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Operating Revenue			
Water Sales	\$ 109,659	\$ 106,069	\$ 3,590
Fees	21,192	30,730	(9,538)
Total Operating Revenue	<u>130,851</u>	<u>136,799</u>	<u>(5,948)</u>
Operating Expense			
Cost of Sales	80,350	77,031	3,319
Office, Administration, and Insurance	65,353	65,980	(627)
Depreciation	34,395	32,775	1,620
Total Operating Expense	<u>180,098</u>	<u>175,786</u>	<u>4,312</u>
Operating Loss	<u>(49,247)</u>	<u>(38,987)</u>	<u>(10,260)</u>
Non-operating Revenue (Expense)			
Taxes	62,397	69,489	(7,092)
County Treasurer's Fees	(1,607)	(1,802)	195
Interest Income	14,096	4,630	9,466
Other Revenue	66,727	35,489	31,238
Interest Expense on Capital Debt	(358)	(1,532)	1,174
Total Non-operating Revenue (Expense)	<u>141,255</u>	<u>106,274</u>	<u>34,981</u>
Change in Fund Net Position	<u>\$ 92,008</u>	<u>\$ 67,287</u>	<u>\$ 24,721</u>

Operating and Non-operating Revenue (Expense)

Operating revenue decreased slightly in 2023 due to a decrease in fee revenue for sales to Woodland Park. Operating expenses also increased slightly due to a minor increase in several expense accounts. Non-operating revenue increased by approximately \$30,000 due primarily to tap fees.

**WESTWOOD LAKES WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

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

An analysis of budgeted amounts follows:

	<u>Budgeted Amounts</u>		Increase
	<u>Original</u>	<u>Final</u>	(Decrease)
Revenue	\$ 254,441	\$ 254,441	\$ -
Cost of Sales	96,500	96,500	-
Expenditures/Expense	163,082	163,082	-
 Change in Fund Net Position	 <u>\$ (5,141)</u>	 <u>\$ (5,141)</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:

	Final	Actual	Variance
	Budget	Budgetary	(Unfavorable)
		Basis	Favorable
Operating and Non-operating Revenue	\$ 254,441	\$ 274,071	\$ 19,630
Cost of Sales	96,500	80,350	16,150
Operating Expenditures/Expense	145,162	115,051	30,111
Note Principal Payment	17,920	17,920	-
Total Expenditure/Expense	<u>259,582</u>	<u>213,321</u>	<u>46,261</u>
 Change in Fund Net Position			
Non-GAAP Basis	<u>\$ (5,141)</u>	<u>\$ 60,750</u>	<u>\$ 65,891</u>

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.

**WESTWOOD LAKES WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

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, 2023**

ASSETS

Current Assets

Cash	\$	244,031
Investments		276,619
Property Tax Receivable		40,611
Accounts Receivable - Customers		14,714
Prepaid Insurance		10,542
Total Current Assets		586,517

Capital Assets

Land		59,983
Wells and Lakes		132,478
Machinery and Equipment		541,191
Building		541,788
Accumulated Depreciation		(879,434)
Total Capital Assets, Net		396,006

Total Assets

\$ 982,523

LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND NET POSITION

Current Liabilities

Accounts Payable and Other Accrued Expenses	\$	11,506
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Deferred Inflow of Resources

Property Tax		40,611
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Fund Net Position

Net Investment in Capital Assets		396,006
Restricted		5,392
Unrestricted		529,008
Total Fund Net Position		930,406

Total Liabilities, Deferred Inflow of Resources, and Fund Net Position

\$ 982,523

**WESTWOOD LAKES WATER DISTRICT
STATEMENT OF REVENUE, EXPENSE,
AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2023**

Operating Revenue	
Water Sales	\$ 109,659
Capital Reserve Fee	21,192
Total Operating Revenue	130,851
 Operating Expense	
Cost of Sales	80,350
Office and Administration	55,699
Insurance	9,654
Depreciation	34,395
Total Operating Expense	180,098
Total Operating Loss	(49,247)
 Non-Operating Revenue (Expense)	
Property Tax	56,294
Specific Ownership Tax	6,103
County Treasurer's Fee	(1,607)
Interest Income	14,096
Other Revenue	66,727
Interest Expense on Capital Debt	(358)
Total Non-operating Revenue (Expense)	141,255
Change in Fund Net Position	92,008
Fund Net Position Beginning of Year	838,398
Fund Net Position End of Year	\$ 930,406

See Accompanying Notes to Financial Statements

**WESTWOOD LAKES WATER DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2023**

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 133,366
Cash Paid to Suppliers	(147,551)
Net Cash Used by Operating Activities	<u>(14,185)</u>
 Cash Flows from Non-Capital Financing Activities	
Collection of Taxes from Teller County	60,790
Collection of Other Revenue	66,727
Net Cash Provided by Non-Capital Financing Activities	<u>127,517</u>
 Cash Flows from Capital and Related Financing Activities	
Principal Payments on Debt	(17,920)
Interest Paid on Debt	(358)
Purchase of Fixed Assets	(47,733)
Net Cash Used by Capital and Related Financing Activities	<u>(66,011)</u>
 Cash Flows from Investing Activities	
Interest Received	14,096
Interest Reinvested	(14,032)
Net Cash Provided by Investing Activities	<u>64</u>
 Change in Cash	 47,385
 Cash	
Beginning	<u>196,646</u>
Ending	<u>\$ 244,031</u>

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

Operating Loss	\$ <u>(49,247)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Noncash Activity	
Depreciation	34,395
Changes in	
Accounts Receivable - Customers	2,515
Prepaid Insurance	(809)
Accounts Payable and Other Accrued Expenses	(1,039)
Total Adjustments	<u>35,062</u>
Net Cash Used by Operating Activities	<u>\$ (14,185)</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. This district has no component units.

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’, the ‘Statement of Revenue, Expense, and Changes in Fund Net Position – Proprietary Fund’, and the ‘Statement of Cash Flows – 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.

**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.

Going Concern - Management assesses the District's ability to continue as a going concern and provides related disclosures in certain circumstances. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Management has determined there is not substantial doubt about the District's ability to continue as a going concern.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 credit losses 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, 2023, reflect 2023 property taxes that will be collected in 2024 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 GAAP 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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2023, the District had no deposits exposed to custodial credit risk.

At December 31, 2023, the District's cashbook balance was \$244,031 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.

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

NOTE 2 – INVESTMENTS – Continued

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.

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, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Restriction</u>	<u>Amount</u>
COLOTRUST PLUS+	Weighted Average under 60 Days	None	<u>\$ 276,619</u>

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.

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

NOTE 2 – INVESTMENTS – Continued

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.

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.colotruster.com.

NOTE 3 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Proprietary Fund				
Land	\$ 59,983	\$ -	\$ -	\$ 59,983
Wells and Lakes	132,478	-	-	132,478
Machinery and Equipment	493,458	47,733	-	541,191
Building	541,788	-	-	541,788
Total Capital Assets at Historical Cost	<u>1,227,707</u>	<u>47,733</u>	<u>-</u>	<u>1,275,440</u>
Less Accumulated Depreciation for				
Wells and Lake Improvements	(132,478)	-	-	(132,478)
Machinery and Equipment	(378,458)	(16,336)	-	(394,794)
Building	(334,103)	(18,059)	-	(352,162)
Total Accumulated Depreciation	<u>(845,039)</u>	<u>(34,395)</u>	<u>-</u>	<u>(879,434)</u>
Proprietary Fund, Capital Assets, Net	<u>\$ 382,668</u>	<u>\$ 13,338</u>	<u>\$ -</u>	<u>\$ 396,006</u>

Depreciation expense for the year was \$34,395.

**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. In 2023, the final loan payment was made.

A summary of changes in long-term debt is:

	Beginning Balance	Additions	Payments & Reductions	Ending Balance
Long-Term Debt				
Note Payable	\$ 17,920	\$ -	\$ (17,920)	\$ -

The interest expense for 2023 was \$358.

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 \$5,392 has been established.

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.

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

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 \$13,788 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 issued. In January 2024, the District suffered a water main break which cost a total of approximately \$19,000 to repair. The District has budgeted \$40,000 for repairs and maintenance in the 2024 fiscal year.

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, 2023**

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue				
Water Sales	\$ 117,027	\$ 117,027	\$ 109,659	\$ (7,368)
Capital Reserve Fee	21,312	21,312	21,192	(120)
Property Tax	57,742	57,742	56,294	(1,448)
Specific Ownership Tax	3,300	3,300	6,103	2,803
Interest Income	5,060	5,060	14,096	9,036
Other Revenue	50,000	50,000	66,727	16,727
Total Revenue	<u>254,441</u>	<u>254,441</u>	<u>274,071</u>	<u>19,630</u>
Cost of Sales				
Operator-in-charge	35,000	35,000	36,660	(1,660)
Utilities	18,000	18,000	12,095	5,905
Water Meter Hosting/Reading	700	700	662	38
Repairs and Maintenance	25,000	25,000	19,941	5,059
Tank Maintenance	1,000	1,000	-	1,000
Lake Maintenance	9,000	9,000	7,226	1,774
Chemicals	3,800	3,800	2,746	1,054
Water Testing	4,000	4,000	1,020	2,980
Total Cost of Sales	<u>96,500</u>	<u>96,500</u>	<u>80,350</u>	<u>16,150</u>
Expenditures/Expense				
Office and Administration				
Legal, Accounting, and Consulting	20,500	20,500	9,395	11,105
Bank Charges	50	50	33	17
Bookkeeping/Secretarial	22,000	22,000	22,218	(218)
Compliance	500	500	338	162
Courier	4,500	4,500	4,715	(215)
Publication	350	350	70	280
Director Fees	12,000	12,000	5,900	6,100
Election	7,000	7,000	315	6,685
Membership/Registration	2,000	2,000	1,548	452
Miscellaneous	144	144	-	144
Office Supplies/Postage	3,000	3,000	2,837	163
Rent Expense/Record Retention	1,090	1,090	1,020	70
Software	1,500	1,500	1,082	418
State Required Reporting	2,000	2,000	2,760	(760)
Telephone	875	875	873	2
Travel	875	875	-	875
Website	800	800	425	375
Education	4,400	4,400	2,170	2,230
Meeting Expense	300	300	-	300
Total Office and Administration	<u>\$ 83,884</u>	<u>\$ 83,884</u>	<u>\$ 55,699</u>	<u>\$ 28,185</u>

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, 2023**

Continued from Previous Page

Expenditures/Expense (Continued)	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Insurance				
Insurance	\$ 9,500	\$ 9,500	\$ 9,654	\$ (154)
Total Insurance	9,500	9,500	9,654	(154)
Interest Expense				
Interest on Capital Debt	358	358	358	-
Total Interest Expense	358	358	358	-
Capital Improvement Expense				
Capital Improvement Fund Disbursement	50,000	50,000	47,733	2,267
Total Capital Improvement	50,000	50,000	47,733	2,267
Treasurers Fees				
Treasurers Fees	1,420	1,420	1,607	(187)
Total Treasurers Fees	1,420	1,420	1,607	(187)
Term Debt Expenditures				
Debt Principal Payment	17,920	17,920	17,920	-
Total Term Debt Expenditures	17,920	17,920	17,920	-
Total Expenditure/Expense	163,082	163,082	132,971	30,111
Change in Fund Net Position				
Non-GAAP Basis	\$ (5,141)	\$ (5,141)	60,750	\$ 65,891
GAAP Adjustments				
Capital Outlay			47,733	
Depreciation			(34,395)	
Debt Principal Payment			17,920	
Change in Fund Net Position GAAP Basis			\$ 92,008	

See Accompanying Independent Auditors' Report