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Tax/Consulting/Audit

Certified Public Accountants

Board of Directors
Pueblo West Metropolitan District
Pueblo West, Colorado

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pueblo West Metropolitan District (the District) as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we identified certain deficiencies in internal control that we consider to be material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We considered the following deficiencies in internal control to be material weaknesses.

A significant amount of material adjustments were necessary to correct year-end financial statement balances to be in accordance with generally accepted accounting principles.

These adjustments (complete schedule attached) included a range of accounting areas and funds as follows:

- Mis-classification of expenditures
- Utility accounts receivable and revenue
- Proprietary fixed assets
- Proprietary retainage payable and net position
- Deferred inflows of resources and fund balance
- Recording of market value changes in investments
- Debt service fees and related accruals
- Land inventory and sales
- Prepaid expenses and water assessment expenses
- Inventory in the general fund related to fleet, roads and facilities
- Federal grant revenue and fund balance

These adjustments were the result of insufficient internal controls over financial reporting. Staff turnover appeared to have a significant impact along with a lack of written policies and procedures covering year-end financial statement adjustments. In several cases, prior year-end adjustments were not properly reversed.

We recommend that staff obtain relevant training to gain a better understanding of the financial reporting model and goals. Year-end procedures should be written to ensure consistency in reporting and reduce turnover risk.

Inventory, used within the internal services function, was not properly monitored or reported.

As noted above, adjustments were necessary to record year-end inventory used in fleet, roads and facilities. These inventories had not been recorded as required under generally accepted accounting policies. There were no appropriate tracking or physical inventory counting procedures in place that would provide accurate end of period inventory values necessary to properly record financial statement amounts. Counts were only performed during the audit and adjustments were necessary to estimate amounts as of year-end.

There were no accurate counts performed on these inventories as of December 31, 2020, however, management elected to adjust the beginning balance to agree with adjusted year-end balances and post a prior period adjustment. It appears that this would more accurately record the additional inventory rather than recording the full change against current year expenses. Management has made the assumption that the overall value would have not been substantially different from the year-end inventory value.

We recommend that procedures be put in place to contemporaneously monitor inventory levels and to require periodic physical counts to verify the accuracy of the inventory monitoring system. These physical counts should, at a minimum, occur at or near year-end.

This communication is intended solely for the information and use of management, the board of directors, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

McPherson Goodwin, Paulini & Mitchell, P.C.

August 2, 2022

ATTACHMENT
SCHEDULE OF AUDIT ADJUSTMENTS POSTED 12/31/2021

Account	Description	Debit	Credit	Net Income Effect
001				
Reclassify outside services to capital outlay as these relate to design fees for new fire station				
05-403-6520	Outside Services	0.00	97,262.00	
05-403-9899	Capital Projects	97,262.00	0.00	
Total		97,262.00	97,262.00	0.00
002				
Correct A/R in Water due to error in year-end journal entry				
20-100-1105	Customers Accounts Receivable	0.00	369,935.00	
20-300-4301	Metered Sales Gen Customers	369,935.00	0.00	
Total		369,935.00	369,935.00	(369,935.00)
003				
To adjust Depreciation expense and Accum Depreciation				
22-999-9000	Depreciation Expense	0.00	10,033.00	
22-100-3000	Fund Balance	10,033.00	0.00	
22-100-3000	Fund Balance	10,033.00	0.00	
22-100-1650	Accum Prov for Depreciation	0.00	10,033.00	
Total		20,066.00	20,066.00	10,033.00
004				
To adjust Internal Service Fund fixed assets				
07-100-1550	Machinery & Equipment	13,547.00	0.00	
07-100-1540	Buildings & Improvements	0.00	13,547.00	
07-999-9000	Depreciation Expense	0.00	23,253.00	
07-100-3000	Fund Balance	23,253.00	0.00	
07-100-1650	Accum Prov for Depreciation	0.00	5,663.00	
07-100-3000	Fund Balance	5,663.00	0.00	
Total		42,463.00	42,463.00	23,253.00
005				
To adjust Water Fund Fixed Assets				
20-100-3000	Fund Balance	2,311,220.00	0.00	
20-999-9000	Depreciation Expense	0.00	2,311,220.00	
20-100-1550	Machinery & Equipment	0.00	0.00	
20-100-1560	Trucks & Autos	35,587.00	0.00	
20-100-1650	Accum Prov for Depreciation	0.00	35,587.00	
20-100-3000	Fund Balance	0.00	0.00	
20-410-9899	Capital Projects	151,339.00	0.00	
20-441-9898	Capital Equipment	108,518.00	0.00	
20-441-9899	Capital Projects	1,191,948.00	0.00	
20-100-3000	Fund Balance	0.00	1,509,110.00	
20-410-9899	Capital Projects	57,305.00	0.00	
Total		3,855,917.00	3,855,917.00	802,110.00
006				
Correct beginning fund balance to agree with prior year				
20-100-3000	Fund Balance	0.00	108,178.00	
20-100-2003	Retainage Payable	108,178.00	0.00	
21-100-3000	Fund Balance	0.00	84,210.00	
21-100-2003	Retainage Payable	84,210.00	0.00	
Total		192,388.00	192,388.00	0.00
007				
Additional accrual for fees relating to WWRLF loans, 47,501 due on 2/1 for 6 months (5/6) adjust existing balance to \$39,584				
21-921-8801	Debt Service - Fees	13,325.00	0.00	
21-100-2021	WWRLF Admin Fee Payable	0.00	13,325.00	
Total		13,325.00	13,325.00	(13,325.00)

Account	Description	Debit	Credit	Net Income Effect
008				
Post prior year entry relating to deferred inflows not posted by client				
03-100-3000	Fund Balance	286,104.00	0.00	
03-100-2660	Deferred Revenue	0.00	286,104.00	
Total		286,104.00	286,104.00	0.00
009				
Correct beginning fund balance in capital projects and retainage, relates to entry from prior year not posted				
03-100-2003	Retainage Payable	16,183.00	0.00	
03-100-3000	Fund Balance	0.00	16,183.00	
Total		16,183.00	16,183.00	0.00
010				
Entry from prior year to correct fund balance				
01-100-3000	Fund Balance	61,954.00	0.00	
01-100-2660	Deferred Revenue	0.00	61,954.00	
Total		61,954.00	61,954.00	0.00
011				
Record investment market value change				
20-300-4105	Gain/Loss on Investments	123,452.00	0.00	
20-100-1999	Due from General Fund	0.00	123,452.00	
21-300-4105	Gain/Loss on Investments	34,976.00	0.00	
21-100-1999	Due from General Fund	0.00	34,976.00	
05-300-4105	Gain/Loss in Investments	10,484.00	0.00	
05-100-1999	Due from General Fund	0.00	10,484.00	
04-300-4105	Gain/Loss on Investments	2,189.00	0.00	
04-100-1999	Due from General Fund	0.00	2,189.00	
01-300-4105	Gain/Loss on Investments	39,814.00	0.00	
01-100-2920	Due to Water Fund	123,452.00	0.00	
01-100-2921	Due to Wastewater Fund	34,976.00	0.00	
01-100-2905	Due to Fire Sales Tax Fund	10,484.00	0.00	
01-100-2904	Due to Conservation Trust	2,189.00	0.00	
01-100-1205	Market Value Adjustment	0.00	210,915.00	
Total		382,016.00	382,016.00	(210,915.00)
012				
To adjust fixed assets to fund balance.				
21-999-9000	Depreciation Expense	0.00	1,119,450.00	
21-100-1650	Accum Prov for Depreciation	1,119,450.00	0.00	
21-530-9899	Capital Projects	61,855.00	0.00	
21-531-9899	Capital Projects	150,691.00	0.00	
21-530-9898	Capital Equipment	12,850.00	0.00	
21-531-9899	Capital Projects	48,840.00	0.00	
21-530-9899	Capital Projects	25,847.00	0.00	
21-100-3000	Fund Balance	0.00	300,083.00	
21-530-9899	Capital Projects	0.00	25,847.00	
21-531-9899	Capital Projects	19,544.00	0.00	
21-530-6556	Contracted Maintenance	6,303.00	0.00	
21-100-3000	Fund Balance	1,012,731.00	0.00	
21-100-1650	Accum Prov for Depreciation	0.00	1,012,731.00	
Total		2,458,111.00	2,458,111.00	819,367.00
013				
To remove vehicles sold in 2020				
06-100-1650	Accum Prov for Depreciation	32,412.00	0.00	
06-100-1560	Trucks & Autos	0.00	32,412.00	
Total		32,412.00	32,412.00	0.00

Account	Description	Debit	Credit	Net Income Effect
014				
To adjust accrued admin fees recorded twice.				
21-921-8801	Debt Service - Fees	0.00	40,201.00	
21-100-2022	WWRLF Interest Payable	40,201.00	0.00	
Total		40,201.00	40,201.00	40,201.00
015				
To adjust accrued interest payable/				
20-920-8802	Debt Service - Interest	796.00	0.00	
20-100-2010	Accrued Interest Payable	0.00	796.00	
Total		796.00	796.00	(796.00)
016				
Recorded prepaid water assessment, 8/1/21 to 7/31/22 \$1209795.60 *7/12				
20-100-1053	Prepaid Expense	705,714.00	0.00	
20-410-7425	Water Rights & Assessments	0.00	705,714.00	
Total		705,714.00	705,714.00	705,714.00
017				
To adjust land inventory.				
06-999-9005	Cost of Sales	0.00	362,229.00	
06-100-3000	Fund Balance	362,229.00	0.00	
06-100-1156	Inventory Land	0.00	138,000.00	
06-100-1997	Due From Water Fund	138,000.00	0.00	
06-100-3000	Fund Balance	0.00	49,540.00	
06-100-1156	Inventory Land	49,540.00	0.00	
20-100-1500	Land	138,000.00	0.00	
20-100-2998	Due to Community Developmen	0.00	138,000.00	
Total		687,769.00	687,769.00	362,229.00
018				
Adjust prepaid water storage and correct prepaid IT consulting				
20-100-1053	Prepaid Expense	377,430.00	0.00	
20-410-7425	Water Rights & Assessments	0.00	377,430.00	
07-100-1053	Prepaid Expense	6,180.00	0.00	
07-417-6552	IT Costs (Software)	0.00	6,180.00	
Total		383,610.00	383,610.00	383,610.00
019				
Correct capital outlay accounts				
01-407-7010	PC Hardware	5,470.00	0.00	
01-407-9898	Capital Equipment	0.00	5,470.00	
01-403-7010	PC Hardware	5,122.50	0.00	
01-403-9898	Capital Equipment	0.00	5,122.50	
Total		10,592.50	10,592.50	0.00
020				
Record inventory in general fund, prior period adjustment, has never been recorded, allocate prior period to water 35% and sewer 17.5% of fleet and facilities onlyfund at				
01-100-1150	Inventory - Fleet	127,332.00	0.00	
01-100-1151	Inventory - Roads	254,976.00	0.00	
01-100-1152	Inventory - Facilities	40,245.00	0.00	
01-100-2920	Due to Water Fund	0.00	47,150.00	
01-100-2921	Due to Wastewater Fund	0.00	16,761.00	
01-100-3000	Fund Balance	0.00	358,642.00	
20-100-1999	Due from General Fund	47,150.00	0.00	
20-100-3000	Fund Balance	0.00	47,150.00	
21-100-1999	Due from General Fund	16,761.00	0.00	
21-100-3000	Fund Balance	0.00	16,761.00	
Total		486,464.00	486,464.00	0.00

Account	Description	Debit	Credit	Net Income Effect
021				
	Record prior period adjustment related to over accrual of revenue in the prior year.			
03-409-5001	CDOT Grant (Fed Passthru)	0.00	66,879.00	
03-100-3000	Fund Balance	66,879.00	0.00	
Total		66,879.00	66,879.00	66,879.00
022				
	To record to Water Fund			
06-100-3000	Fund Balance	138,000.00	0.00	
06-300-5600	Land Sales	0.00	138,000.00	
Total		138,000.00	138,000.00	138,000.00
22				
	Amount recorded as lease income s/b gain in sale, should be gain on sale			
06-300-4713	Land Lease	300,000.00	0.00	
06-300-5600	Land Sales	0.00	300,000.00	
Total		300,000.00	300,000.00	0.00
023				
	Adjust water/sewer A/R to analysis - after AJE 002			
20-100-1105	Customers Accounts Receivable	28,538.00	0.00	
20-300-4301	Metered Sales Gen Customers	0.00	28,538.00	
21-100-1105	Customers Accounts Receivable	32,339.00	0.00	
21-300-4401	Sewer Usage	0.00	32,339.00	
Total		60,877.00	60,877.00	60,877.00