

**BEAR CREEK WATER AND
SANITATION DISTRICT
JEFFERSON COUNTY, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2020 AND 2019



Crady, Puca & Associates

Certified Public Accountants & Consultants

**BEAR CREEK WATER AND SANITATION DISTRICT
JEFFERSON COUNTY, COLORADO**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bear Creek Water and Sanitation District

We have audited the accompanying financial statements of the Bear Creek Water and Sanitation District (District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bear Creek Water and Sanitation District, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through xiii be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Crady, Puca & Associates

Aurora, CO 80016
June 14, 2021



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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL AUDIT FOR YEARS ENDED 2020 AND 2019

MISSION STATEMENT

OUR MISSION IS TO PROVIDE PUBLIC WATER AND SANITARY SEWER SERVICES TO THE TAXPAYERS AND RATEPAYERS OF BEAR CREEK WATER AND SANITATION DISTRICT IN A SAFE, EFFICIENT, COST-EFFECTIVE AND SUSTAINABLE MANNER, WHILE MEETING ALL STATUTORY AND REGULATORY REQUIREMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE ANNUAL AUDIT FOR YEARS ENDED 2020 AND 2019

Introduction

As management of the Bear Creek Water and Sanitation District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the years ended December 31, 2020 and 2019. The District, comprised of roughly 2,600 acres, lies approximately 75 percent within the City of Lakewood and 25 percent in unincorporated Jefferson County. A daytime population of approximately 32,509 is served public water and sanitary sewer services by the District. The public water distribution and sanitary sewer transmission systems are owned, operated, and maintained by the District. The business of providing these services and operating these systems is accounted for in a single proprietary fund.

The District's Management's Discussion and Analysis is intended to provide you, the reader and user of our financial statements, with

- an understanding of the financial issues of the District.
- an overview of the District's financial activities.
- an explanation of the changes in the District's financial position.
- an explanatory analysis of the variations of the annual, approved budget.
- an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on the 2020 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with the accompanying audited financial statements and related notes to the financial statements beginning on Page 1.

Financial Highlights

2020 Financial Highlights Compared to 2019

- The District collected \$2,414,695 in operating revenue in 2020 which reflected a decrease of \$73,798 from 2019. This decrease is primarily due to a slight decrease in sewer billing revenue and Denver Water surcharge revenue. Due to the pandemic, the District and Denver Water waived late fees on past due accounts. There was also a decrease in reimbursement revenue and, respectively, reimbursement expenses also decreased in 2020.
- Property and specific ownership taxes increased by \$49,785 from 2019.
- Net investment income decreased by \$156,708 from \$395,900 in 2019 to \$239,192 in 2020 due to changes in unrealized gains and losses and a decrease in interest rates.
- The District billed \$2,078,768 in sanitary sewer use fees to its customers to cover both annual sewage treatment charges of \$874,697, related operations, maintenance costs of \$188,930 and billing costs of \$21,614 in 2020. The additional revenue collected will be added to the District's reserves to be used for future capital expenditures in accordance with the District's Master Plan.
- The District collected \$296,850 in 2020 from the water surcharge fee that was added to the Denver Water billing in 2018. This covered about 90% of the 2020 water billing costs of \$8,392 and related maintenance costs.
- Operations, preventative maintenance and repair of public water and sanitary sewer systems increased by \$50,255 in 2020 from 2019. The District repaired additional valves, a PRV and a water main break in 2020.
- Salaries, wages, contract services decreased by \$11,262 due to changes in staff schedules.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial condition. The District's basic financial statements are comprised of three components:

- 1) Management's Discussion and Analysis (Required Supplemental Information),
- 2) Financial Statements, and
- 3) Notes to the financial statements that explain in more detail some of the information in the financial statements.

To demonstrate compliance with state budget law, the District has included supplemental information consisting of a comparison of budgeted to actual revenue and expenses. Also included is a reconciliation of budgetary basis revenues and expenses compared to the statement of revenues, expenses and changes in fund net position.

Required Financial Statements

The financial statements of the District report information using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the District's overall financial position. The annual audit report includes the following information:

- 1) Statements of Net Position (Page 1)
- 2) Statements of Revenues, Expenses, and Changes in Net Position (Page 2)
- 3) Statements of Cash Flows (Page 3)
- 4) Notes to Financial Statements (Pages 4-16)
- 5) Supplemental Information
 - a. Schedule of Revenues, Expenditures and Changes in Funds Available - Budget and Actual (Budgetary Basis) (Page 17)
 - b. Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Net Position (Page 18)

The schedules provide information about the District's financial position as of December 31, 2020 with results of its operations, cash flows, and information comparing actual revenues and expenses with budgeted revenues and expenses for the year. Except for the Other Supplemental Information, these schedules are presented with current year and prior year comparison. The schedules are repeated below for further discussion:

1) The Statement of Net Position presents information on all of the District's assets, liabilities and deferred inflows of resources, with the difference reported as net position. This statement provides information about the nature and the amounts of investments in resources owned by the District (assets) and the obligations owed to the District creditors (liabilities). It provides one way to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. However, other non-financial factors should be considered, such as changes in economic conditions, population, growth, and the effects of new or changed government legislation.

2) The revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement provides information about the components of the District's annual operating activities and how those activities affected the net position.

3) The final, required financial statement is the Statement of Cash Flows. This statement provides an analysis of the sources and uses of District cash during the year and how the operating, financing and investment activities affected the District's cash balances.

4) The Notes to the Financial Statements provide additional disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required

information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

5) Supplemental Information: Though these schedules are not required as part of the basic financial statements, they are added for review as Supplemental Information.

- a) The Schedule of Revenues, Expenditures and Changes in Funds Available—Budget and Actual (Budgetary Basis) compares budgeted revenues and expenses with actual revenue and expense activities; and
- b) The Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Net Position provides a recapitulation of accounting activities that affect the Change in Net Position.

Condensed Comparative Financial Information

The following tables of Condensed Comparative Financial Information offer summaries of the financial information contained in the District’s financial statements.

Condensed Comparative Financial Information			
Statement of Net Position			
	2020	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents, deposits and investments	\$ 8,540,627	\$ 5,848,949	\$ 5,348,515
Other current assets	1,425,769	1,447,177	1,522,044
Total Current Assets	9,966,396	7,296,126	6,870,559
Noncurrent Assets			
Deposits and investments	7,546,477	9,773,733	8,749,772
Capital assets, net	13,726,130	12,774,271	12,982,648
Other noncurrent assets	221,648	232,884	240,994
Total Noncurrent Assets	21,494,255	22,780,888	21,973,414
Total Assets	31,460,651	30,077,014	28,843,973
LIABILITIES			
Other liabilities	547,925	290,596	408,036
Total Liabilities	547,925	290,596	408,036
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	816,629	771,490	720,434
Total Deferred Inflows of Resources	816,629	771,490	720,434
NET POSITION			
Net investment in capital assets	13,726,130	12,774,271	12,982,648
Restricted for emergencies (TABOR)	35,240	35,240	28,370
Unrestricted	16,334,727	16,205,417	14,704,485
Total Net Position	\$ 30,096,097	\$ 29,014,928	\$ 27,715,503

Condensed Comparative Financial Information			
Statement of Revenues, Expenses and Changes in Fund Net Position			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 2,414,695	\$ 2,488,493	\$ 2,472,996
Less Operating Expenses	(2,092,149)	(2,035,577)	(2,002,247)
Less Depreciation	(456,377)	(452,076)	(436,294)
Net (Income) Loss from Operations	(133,831)	840	34,455
Non-operating Revenues	1,095,563	1,163,881	935,512
Capital Contributions	119,437	134,704	36,145
Change in Net Position	1,081,169	1,299,425	1,006,112
Net Position - Beginning of Year	29,014,928	27,715,503	26,709,391
Net Position - End of Year	\$ 30,096,097	\$ 29,014,928	\$ 27,715,503

For more information on the figures contained in these tables, a close review of the accompanying audited financial statements beginning on Page 1 is recommended.

Analysis of Financial Position and Operating Results

2020 Financial Analysis

Cash, cash equivalents and investments of the District increased from \$15,622,682 in 2019 to \$16,087,104 at December 31, 2020, representing approximately 51.1 percent of the District's total assets in 2020. This change is mostly due to the investment of collected tap fees and billing revenue. Additional revenue that is collected is added to the District's reserves to be used for future capital expenditures in accordance with the District's Master Plan.

The District signed a contract in 2020 with C&L Water Solutions, Inc. in the amount of \$551,801 to rehabilitate the sanitary sewer lines with CIPP (Cured in Place Pipe) and the sanitary sewer services with LMK technology within two areas of the Westgate area and one area located in the Bear Creek open space. The District also signed a contract in 2020 with Guildner Pipeline Maintenance, Inc. in the amount of \$203,828 to rehabilitate the sanitary sewer manholes in the two areas of Westgate and one area located in the Bear Creek open space. The sewer mains in these three areas have reached their fifty-year life expectancy. Lining the mains, service taps and manholes should add an additional fifty to seventy years of life expectancy to the sewer mains and should reduce flows to Metro Wastewater Reclamation District for sewage treatment.

Bear Creek Water and Sanitation District signed a contract on March 11, 2019 with Diaz Construction for \$286,321 to construct a water line in Morrison Road from South Kipling Street, going North through Hodgson Park, to connect and loop the water line located in the Country Village Estates subdivision. The completion of the water main loop will be a benefit to District customers by improving

water quality and reliability. Diaz Construction has also been contracted to install an additional fire hydrant to be located at 10075 Morrison Road to improve fire protection in the area. This installation of the fire hydrant for \$47,325 brings the amount of the contract for the Hodgson/Morrison Waterline to \$333,646. Due to delays in approval by the City of Lakewood, and in addition to, installation and weather issues, the Morrison Road Hodgson Park Waterline project that was scheduled to be installed in 2019 was completed in May of 2020.

The District signed a contract in 2020 with Ricor Services, LLC. in the amount of \$299,975.50 to install an extension of the Hodgson Park water line project to improve water service reliability and water quality within the District water distribution system. This project is the extension of the Hodgson Park water line. The water line will go north in South Hoyt Court to West Wesley Drive then east in West Wesley Drive to South Hoyt Street. This project will also replace an 8-inch main in West Wesley Place that will run from the intersection of West Wesley Place and South Hoyt Court then West for 200 feet.

Capital expenses of \$1,408,236 was added to the District's Fixed Assets as of December 31, 2020.

Property and specific ownership taxes increased by \$49,785 in 2020; from \$778,911 collected in 2019 to \$828,696 collected in 2020. An ad valorem property tax is levied on the assessed valuation of real and personal property within the District. Upon the 2020 assessed valuation of \$206,005,315, a total net mill levy rate of 3.745 mills was certified in 2019 to Jefferson County for collection of \$771,490 in 2020. This levy includes budgeted general property taxes of \$909,719, a temporary revenue reduction of (\$140,289) to protect the District's mill levy of 4.416 and an additional amount of \$2,160 for refunds and abatements. Specific ownership tax collected in 2020 was \$48,191. Property tax and specific ownership tax revenue is classified under General Government for the purposes of TABOR compliance.

Net position increased over the course of the year by \$1,081,169 to a total of \$30,096,097 at December 31, 2020.

The District's capital assets net of accumulated depreciation at December 31, 2020, totaled \$13,188,817 which represents 41.9 percent of the District's total assets.

Total Operating Revenue decreased from \$2,488,493 in 2019 to \$2,414,695 in 2020, or by approximately 3.0 percent. This decrease is primarily due to a slight decrease in sewer billing revenue and Denver Water surcharge revenue. Due to the pandemic, the District and Denver Water waived late fees on past due accounts.

The District billed \$2,078,768 in sanitary sewer use fees to its customers to cover both annual sewage treatment charges of \$874,697 and related combined operations, maintenance and billing costs of \$210,544 in 2020. The District collected \$296,850 in 2020 from the water surcharge fee that was added to the Denver Water billing in 2018. This covered most of the cost of water billing and O&M costs of \$329,641 in 2020. The additional revenue collected will be added to the District's reserves to be used for future capital expenditures in accordance with the District's Master Plan.

Investment income net of unrealized gains and losses income decreased by \$156,708 from \$395,300 in 2019 to \$239,192 in 2020 due to changes in unrealized gains and losses and the decrease in interest rates from 2019.

Tap permit sales decreased 11.3 percent from \$134,704 in 2019 to \$119,437 for 2020.

Expenses for operation and maintenance of public water and sanitary sewer systems increased from \$459,925 in 2019 to 510,180 in 2020. The District has a proactive, predictive, planned and preventative program for operations, maintenance and repair of the public systems. The entire public water system and a third of the public sanitary sewer system are inspected annually. The total expenses for this activity can fluctuate from year to year, due to the age and condition of the public systems and the number of components in each of the program areas in the District.

Salaries, wages and contract services and associated payroll expenses for 2020 were \$341,896 which is approximately 1.3 percent lower than in 2019 due to changes in staff schedules. These costs constitute approximately 16.3 percent of the District's \$2,092,149 Total Operating Expenses without depreciation for 2020.

2019 Financial Analysis

Cash, cash equivalents and investments of the District increased from \$14,098,287 in 2018 to \$15,622,682 at December 31, 2019, representing approximately 52.0 percent of the District's total assets in 2019. This change is mostly due to the investment of collected tap fees and billing revenue. Additional revenue that is collected is added to the District's reserves to be used for future capital expenditures in accordance with the District's Master Plan.

Bear Creek Water and Sanitation District signed a contract on March 11, 2019 with Diaz Construction for \$286,321.00 to construct a water line in Morrison Road from South Kipling Street, going North through Hodgson Park, to connect and loop the water line located in the Country Village Estates subdivision. The completion of the water main loop will be a benefit to District customers by improving water quality and reliability. Diaz Construction has also been contracted to install an additional fire hydrant to be located at 10075 Morrison Road to improve fire protection in the area. This installation of the fire hydrant for \$47,325 brings the amount of the contract for the Hodgson/Morrison Waterline to \$333,646

Property and specific ownership taxes increased by \$34,303 in 2019; from \$744,608 collected in 2018 to \$778,911 collected in 2019. An ad valorem property tax is levied on the assessed valuation of real and personal property within the District. Upon the 2019 assessed valuation of \$178,758,794, a total net mill levy rate of 4.03 mills was certified in 2018 to Jefferson County for collection of \$720,434 in 2019. This levy includes budgeted general property taxes of \$789,398, a temporary revenue reduction of **(\$69,001)** to protect the District's mill levy of 4.416 and an additional amount of \$37 for refunds and abatements. Specific ownership tax collected in 2019 was \$67,205. Property tax and specific ownership tax revenue is classified under General Government for the purposes of TABOR compliance.

Net position increased over the course of the year by \$1,299,425 to a total of \$29,014,928 at December 31, 2019.

The District's capital assets net of accumulated depreciation at December 31, 2019, totaled \$12,774,271 which represents 42.47 percent of the District's total assets.

Total Operating Revenue increased from \$2,472,996 in 2018 to \$2,488,493 in 2019, or by approximately 0.62 percent,

The District billed \$2,112,794 in sanitary sewer use fees to its customers to cover both annual sewage treatment charges of \$824,031 and related combined operations, maintenance and billing costs of \$173,880 in 2019. The District collected \$305,484 in 2019 from the water surcharge fee that was added to the Denver Water billing in 2018. This covered most of the cost of water billing and O&M costs of \$317,219 in 2019. The additional revenue collected will be added to the District's reserves to be used for future capital expenditures in accordance with the District's Master Plan.

Investment income net of unrealized gains and losses income increased by \$190,090 from \$205,810 in 2018 to \$395,900 in 2019 due to changes in unrealized gains and losses from 2018, an increase in interest rates from 2018 and the addition of investable funds from the transfer of additional revenue to reserves.

Tap permit sales increased to \$134,704 for 2019 from \$36,145 in 2018 due to the addition of two multi-family buildings.

Expenses for operation and maintenance of public water and sanitary sewer systems decreased from \$582,874 in 2018 to \$459,925 in 2019. The District has a proactive, predictive, planned and preventative program for operations, maintenance and repair of the public systems. The entire public water system and

a third of the public sanitary sewer system are inspected annually. The total expenses for this activity can fluctuate from year to year, due to the age and condition of the public systems and the number of components in each of the program areas in the District.

Salaries, wages and contract services and associated payroll expenses for 2019 were \$246,452 which is approximately 10 percent lower than in 2018 due to a temporary leave of absence for one of the employees. These costs constitute approximately 12.0 percent of the District's \$2,035,577 Total Operating Expenses without depreciation for 2019.

For more information about the changes in net position and the operating activities, please review the accompanying audited financial statements beginning on Page 1

Analysis of the Schedule of Revenues, Expenditures and Changes in Funds Available—Budget and Actual (Budgetary Basis) — for Year Ended December 31, 2020 (Page 17)

Anticipated expenditures of \$4,805,318 were budgeted for 2020. In addition to the anticipated revenue of \$3,689,332, use of reserves in the amount of **(\$1,115,986)** was planned to realize budgeted expenses. Actual revenues of \$3,867,103 were over budget by \$177,771 and actual expenditures of \$3,737,793 were under budget by \$1,067,525. At December 31, 2020, the District realized revenues over expenditures to transfer into reserves in the amount of \$129,310.

An amount of \$1,386,054 was used for 2020 capital water and sanitary sewer projects in accordance with the District's Master Plan. Capital funds are collected and reserved over time by the Water and Wastewater Activity Enterprise for replacement of capital water and sanitary sewer lines and other capital projects. An additional \$22,182 was spent on capital improvements in the District office which included \$12,220 for the replacement of the HVAC system and \$9,961 for the computer server.

Approximately \$1.068 million of operating and capital expense budgets were not spent in 2020. There are several capital projects that are scheduled to be done when determined necessary, upon receipt of easements, or when the projects can be coordinated with other governmental entities. These projects are included in the capital budget each year in the event they can be accomplished. Since 1986, property owners in the KEMO Country Area (KEMO) have approached the District for public water and sanitary sewer services. Many of the properties in KEMO have been included in the District's official boundaries and have connected to the water system. Since there is no developer responsible for KEMO properties, property owners would be required to include each lot in the District, provide necessary easements, deposit full funding for any public line extensions, and sign a Supplemental Inclusion Agreement before public water or sanitary sewer service could be provided.

A notable difference between the 2020 official budget and actual amounts collected was the collection of an additional \$175,280 of tap fee revenue due to the construction of four 5-6-unit townhome buildings within the District boundaries. Anticipated tap permit fee income was based on the sale of ten water and ten sanitary sewer tap permits. The District has used this conservative estimate for many years as tap sales had not been significant since 2009 due to slow growth of construction within the District's boundaries.

Public water and sanitary sewer lines serving properties in the District are generally constructed by developers and contributed to the District. The District takes ownership upon acceptable completion of construction and inspection, followed by a warranty. No public water or sanitary sewer systems were constructed for contribution to the District in 2020.

Investment Income received of \$239,192 was slightly higher than the budgeted amount of \$200,000 in 2020 due to changes in unrealized gains and losses and the addition of investable funds from the transfers of additional revenue into reserves. Increases and/or decreases from year-to-year results from the condition of the fixed markets and investment securities being placed for maturity for different periods of time.

Significant Capital Asset Activity

	2018	Changes	2019	Changes	2020
Capital Assets					
Land and Land Improvements	156,578	-	156,578	-	156,578
Construction in Progress	111,439	179,868	291,307	89,427	380,734
Water System	12,850,981	51,551	12,902,532	537,970	13,440,502
Sewer System	8,922,670	-	8,922,670	758,657	9,681,327
Building and Improvements	665,830	-	665,830	12,220	678,050
Office Furniture, Fixtures and Equipment	-	-	-	-	-
	92,130	12,280	104,410	9,962	114,372
Information Management Systems	510,013	-	510,013	-	510,013
Total Capital Assets	23,309,641	243,699	23,553,340	1,408,236	24,961,576
Accumulated Depreciation	(10,326,993)	(452,076)	(10,779,069)	(456,377)	(11,235,446)
Total Capital Assets, Net	12,982,648	(208,377)	12,774,271	951,859	13,726,130

For more information about capital asset activity, please review Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position in Note 1 of the Notes to Financial Statements beginning on Pages 5-6.

2020 Capital Asset Analysis

The District's inventory of public water and sanitary sewer systems and its Master Plan are in effect for projecting the time and costs for replacement of its infrastructure. In 2020, \$1,296,627 was spent for capital improvements to the existing public water and sanitary sewer systems and appurtenances thereto.

Public water and sanitary sewer lines serving properties in the District are generally constructed by developers and contributed to the District. The District takes ownership upon acceptable completion of construction and inspection, followed by a warranty period. The District then assumes responsibility for maintenance, repair and replacement of those lines. No public water or sanitary sewer systems were constructed for contribution to the District in 2020.

Depreciation of Assets

The District depreciates capital assets, excluding land, land improvements and construction in progress, using the straight-line method over various estimated useful lives. Please refer to the Notes to Financial Statements—Summary of Significant Accounting Policies-Capital Assets (Note 1, Page 6).

Long Term Debt

The District has no long-term debt as of December 31, 2020.

Known Present and Future Effects on District's Financial Condition

The District signed a contract in 2020 with Ricor Services, LLC. in the amount of \$299,975.50 to install an extension of the Hodgson Park water line project to improve water service reliability and water quality within the District water distribution system. Due to weather delays, the asphalt portion of the project was installed in April 2021. There were three Change orders added to the contract as follows:

- Change Order #1- in the amount of \$76,213.95- During construction, it was determined that the waterline could not be moved due to the discovery of solid bedrock in the area. The original asbestos concrete pipe had to be removed and the new 12" pipe was installed in the same trench as the original 8" pipe.
- Change Order #2, in the amount of \$25,139.35, included the cost of the necessary asphalt patching until the final asphalt mill and overlay work is completed.
- Change Order #3 for \$5,053.00 included the additional pavement milling and 1" asphalt overlay for street restoration required by the City of Lakewood.

The total adjusted contract amount was \$406,381.80.

Notification was received in 2020 that the annual sewage treatment charges to be billed by Metro Wastewater Reclamation District (MWRD) for 2021 were to be \$879,456 which represents a 1.89% increase from the 2020 sewage treatment charges of \$863,155. Following notification of the MWRD annual charges for 2021, the Board of Directors decided at the November 9, 2020 Board of Directors meeting not to increase the sanitary sewer rate for sewer utility fees over the 2020 sanitary sewer rate. It was determined that sewer billing rate is sufficient to recover 2020 Metro Wastewater Reclamation District (MWRD) sewage treatment charges, costs associated with billing, operations and maintenance expenses and planned capital improvement projects. Any additional revenue collected will be added to the District's reserves to be used for future capital expenditures in accordance with the District's Master Plan.

General Property taxes are subject to a 5.5 percent statutory limit under Colorado Revised Statutes §29-1-301, as well as revenue and mill levy rate limitations under Article X, Section 20 of the Colorado State Constitution, known as the Taxpayers' Bill of Rights (TABOR) Amendment. The most restrictive of those three limitations is applicable to property tax and General Government spending. TABOR also limits administrative expenses and the amount of local, state and federal grants received by enterprises.

Upon the passage of TABOR and under the enterprise provisions of TABOR and Colorado Revised Statutes §37-45.1 (aka, Senate Bill 93-130), the Board of Directors declared a Water and Wastewater Activity Enterprise as one of two classes of TABOR accounts in the District's single fund accounting system. The Water and Wastewater Enterprise class is generally exempt from TABOR.

An ad valorem property tax is levied on the assessed valuation of real and personal property within the District. Upon the 2020 assessed valuation of \$206,689,241, a total net mill levy rate of 3.951 mills was certified in 2020 to Jefferson County for collection of \$816,629 in 2021. This levy includes general property taxes of \$912,740, a temporary revenue reduction of **(\$99,625)** and an additional amount of \$3,514 for refunds and abatements. The most restrictive TABOR limit on 2021 property taxes was the statutory 5.5% limit which changes the rate and revenue based on a growth and consumer price index from the previous year. In order to protect the District's 4.416 mill levy rate, a revenue reduction in the amount of **(\$99,625)** has been certified for 2020, temporarily reducing the general mill levy rate to 3.951. Property tax revenue is classified under General Government for the purposes of TABOR compliance.

Property taxes have been affected by the 1982 Gallagher Amendment which limits the property tax burden to 45 percent for residential and 55 percent for commercial or industrial property. The District is comprised of mostly residential property. The residential assessment rate is adjusted during years of

reappraisal to maintain a consistent ratio between the total statewide assessed values of residential and non-residential property. The Property Tax Administrator is responsible for performing the residential assessment rate study, § 39-1-104.2(4), C.R.S. The General Assembly adjusts the residential assessment rate based on the findings of the study conducted by the Property Tax Administrator.

The combination of the TABOR and Gallagher Amendments has affected a slow but steady spiraling down of the increases needed in general property taxes and has impacted the District's need to increase its fees and charges for the operations and maintenance of its water and sanitary sewer systems.

Request for Information

This financial report is designed to provide a general overview of the Bear Creek Water and Sanitation District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the attention of Jan C. Walker, District Manager, Bear Creek Water and Sanitation District at 2517 South Flower Street, Lakewood, CO 80227-2912 or by Email to bearcreekwater@bearcreekwater.org. General information about the District is available at the Bear Creek Water and Sanitation District Website <http://www.bearcreekwater.org/>.

**Prepared by: Jan C. Walker,
District Manager and Secretary, Board of Directors
Bear Creek Water and Sanitation District
2517 South Flower Street
Lakewood, CO 80227-2912
janwalker@bearcreekwater.org**

OUR MISSION IS TO PROVIDE PUBLIC WATER AND SANITARY SEWER SERVICES TO THE TAXPAYERS AND RATEPAYERS OF BEAR CREEK WATER AND SANITATION DISTRICT IN A SAFE, EFFICIENT, COST-EFFECTIVE AND SUSTAINABLE MANNER, WHILE MEETING ALL STATUTORY AND REGULATORY REQUIREMENTS.

PHONE: (303) 986-3442 EMAIL: [BearCreekWater@BearCreekWater.org](mailto: BearCreekWater@BearCreekWater.org) WEBSITE: <http://BearCreekWater.org> FAX: (303) 986-8213

BASIC FINANCIAL STATEMENTS

BEAR CREEK WATER AND SANITATION DISTRICT
Statements of Net Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 6,796,423	\$ 3,784,104
Accounts receivable	586,211	640,286
Property taxes receivable	821,475	776,821
Accrued interest receivable	13,310	27,580
Prepaid expenses	4,773	2,490
Deposits and investments	1,744,204	2,064,845
Total current assets	<u>9,966,396</u>	<u>7,296,126</u>
Noncurrent assets:		
Deposits and investments	7,546,477	9,773,733
Prepaid conduit participation fees	221,648	232,884
Capital assets:		
Capital assets, not being depreciated	537,313	447,886
Capital assets, being depreciated, net	13,188,817	12,326,385
Total capital assets	<u>13,726,130</u>	<u>12,774,271</u>
Total noncurrent assets	<u>21,494,255</u>	<u>22,780,888</u>
Total assets	<u>31,460,651</u>	<u>30,077,014</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	433,048	142,314
Noncurrent liabilities:		
Deposits held for future capital projects	85,010	85,010
Imprest and KEMO projects held	29,867	63,272
Total noncurrent liabilities	<u>114,877</u>	<u>148,282</u>
Total liabilities	<u>547,925</u>	<u>290,596</u>
Deferred Inflows of Resources:		
Deferred property taxes	816,629	771,490
Net position:		
Net investment in capital assets	13,726,130	12,774,271
Restricted	35,240	35,240
Unrestricted	16,334,727	16,205,417
Total net position	<u>\$ 30,096,097</u>	<u>\$ 29,014,928</u>

The accompanying notes are an integral part of these statements.

BEAR CREEK WATER AND SANITATION DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Sewer fees	\$ 2,078,768	\$ 2,112,794
Water surcharge fees	296,850	305,484
Fees and permits	23,550	16,850
Reimbursements	15,527	53,365
Total operating revenues	<u>2,414,695</u>	<u>2,488,493</u>
Operating expenses:		
Sewage treatment	874,697	824,031
Repairs and maintenance - water and sewer systems	510,180	459,925
Repairs and maintenance - buildings and grounds	16,335	14,039
Salaries, wages and contract services	235,190	246,452
Payroll taxes and employee benefits	106,706	99,972
Engineering	191,975	180,013
Conferences, training, and public relations	4,543	13,472
Legal	15,429	22,439
Memberships, dues, and miscellaneous	6,345	4,006
Election	813	16
Bank service charges	11,245	8,429
Insurance	12,824	13,656
Telephone and utilities	15,914	16,151
Office supplies and expenses	22,252	20,836
Directors' fees	6,900	7,700
Audit expense	8,815	8,552
Rate study	6,355	19,000
Billing expense	30,006	31,174
Reimbursable expenses	15,625	45,714
Total operating expenses	<u>2,092,149</u>	<u>2,035,577</u>
Operating income (loss) before depreciation	<u>322,546</u>	<u>452,916</u>
Depreciation	456,377	452,076
Net income (loss) from operations	<u>(133,831)</u>	<u>840</u>
Non-operating revenues:		
Property taxes and specific ownership taxes	828,696	778,911
Net investment income	239,192	395,900
County treasurer's fees	(11,729)	(10,930)
KEMO supplementary fees	39,404	-
Connection fees - MWRD/Lakehurst	225,680	119,560
Reimbursements - MWRD/Lakehurst	(225,680)	(119,560)
Total non-operating revenues	<u>1,095,563</u>	<u>1,163,881</u>
Income before capital contributions	<u>961,732</u>	<u>1,164,721</u>
Capital Contributions:		
Tap fees	119,437	134,704
Change in net position	1,081,169	1,299,425
Net position, beginning of year	<u>29,014,928</u>	<u>27,715,503</u>
Net position, end of year	<u>\$ 30,096,097</u>	<u>\$ 29,014,928</u>

The accompanying notes are an integral part of these statements.

BEAR CREEK WATER AND SANITATION DISTRICT**Statements of Cash Flows**

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,468,770	\$ 2,611,536
Cash paid to suppliers of goods and services	(1,458,545)	(1,812,320)
Cash paid to employees	(345,154)	(354,104)
Net cash provided by operating activities	<u>665,071</u>	<u>445,112</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,408,236)	(243,699)
Prepaid conduit participation fees reimbursed	11,236	8,110
Acquisition (repayment) of deposits held	(33,405)	14,407
Tap and participation fees collected	158,841	134,704
Net cash used in capital and related financing activities	<u>(1,271,564)</u>	<u>(86,478)</u>
Cash flows from non-capital financing activities:		
Property taxes and specific ownership taxes received	829,181	778,859
County treasurer's fees	(11,729)	(10,930)
Net cash provided by non-capital financing activities	<u>817,452</u>	<u>767,929</u>
Cash flows from investing activities:		
Purchases of investments	(6,670,000)	(5,099,573)
Maturity of investments	9,263,439	4,593,007
Interest received	207,921	247,730
Net cash provided by (used in) investing activities	<u>2,801,360</u>	<u>(258,836)</u>
Net increase in cash and cash equivalents	3,012,319	867,727
Cash and cash equivalents, beginning of year	<u>3,784,104</u>	<u>2,916,377</u>
Cash and cash equivalents, end of year	<u>\$ 6,796,423</u>	<u>\$ 3,784,104</u>
Reconciliation of operating income to net cash provided by operations		
Net income from operations	<u>\$ (133,831)</u>	<u>\$ 840</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	456,377	452,076
(Increase) decrease in:		
Receivables	54,075	123,043
Prepaid expenses	(2,283)	999
(Decrease) increase in:		
Accounts payable and accrued expenses	<u>290,733</u>	<u>(131,846)</u>
Total adjustments	<u>798,902</u>	<u>444,272</u>
Net cash provided by operating activities	<u>\$ 665,071</u>	<u>\$ 445,112</u>
Noncash investing activities:		
Fair value increase in investments	<u>\$ 45,541</u>	<u>\$ 150,102</u>

The accompanying notes are an integral part of these statements.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Bear Creek Water and Sanitation District, Jefferson County, Colorado, (the "District"), conform to accounting principles generally accepted in the United States of America (US GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies consistently applied in the preparation of the accompanying financial statements.

Reporting Entity

The District was created on August 2, 1962 as a quasi-municipal corporation and political subdivision of the State of Colorado and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District's purpose is to provide public water and sanitary sewer services to the citizens of the District. The District's primary revenues are property taxes, investment income and sewage treatment service fees. The District is governed by an elected Board of Directors and managed by a full-time District Manager.

The District complies with GASB 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*" and GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*". These statements establish standards for defining and reporting on the financial reporting entity. It defines component units as legally separate entities for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

At December 31, 2020 and 2019, the District had no authorized but unissued debt.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's 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 flows. Property taxes are recognized as revenues in the year for which they are collected.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. Enterprise funds are used by governments to report any activity for which a fee is charged to external users for goods or services.

The District distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for the District include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions. Tap fees and contributed assets from developers are recorded as capital contributions when received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then use unrestricted resources as they are needed.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

The District reports certain investments at fair value and are classified as current or non-current based on their maturity date. Investments held in the local government investment pools are reported at net asset value as allowed under US GAAP.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Receivables

Accounts receivable consists primarily of sewer user fees earned at December 31, 2020 and 2019. The District considers all receivables collectible at December 31, 2020 and 2019, and therefore no allowance has been recorded.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Capital expenditures for projects are capitalized as constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. The District has recorded purchased capacity, which are water lines purchased or constructed by the District that are the property of the Denver Water Board, but in which the District has capacity.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)

Capital Assets (continued)

Capital assets, excluding land, land improvements and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water system	50
Sewer system	50-80
Buildings and improvements	20-40
Office furniture, fixtures, and equipment	5-10
Information management systems	10-50

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* be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any items in this reporting category in either 2020 or 2019.

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 future period(s) and so will *not* be recognized as inflow of resources (revenue) until that time frame. The District has only one type of item that qualifies for reporting in this category, *deferred property taxes*. This amount is deferred and recognized as an inflow of resources in the period the amount is collected.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at estimated fair market value when received.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)

Net Position

The District classifies net position into three components:

- Net position invested in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position - consists of assets that are restricted by the District's creditors, by state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted net position – all remaining items of net position are reported in this category.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioner to put 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. The taxes are payable by April or in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

Property taxes are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. These amounts are recorded as revenue in the subsequent year when they are collected.

Reclassifications

Certain amounts have been reclassified in the prior year for comparative purposes.

2. Stewardship, Compliance and Accountability

Budgetary Information

The District's budget is adopted on a basis consistent with generally accepted accounting principles (US GAAP) with the following exceptions: depreciation expense is not budgeted, and capital outlays are treated as expenses for budget purposes. State law requires the District to adopt annual appropriated budgets for all funds.

2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

Prior to October 15 of each year, the District Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing the following January 1 to the Board of Directors (elected officials). The operating budget, for the fund, includes proposed expenses and the means of financing them.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

Tax, Spending and Debt Limitations

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains, tax, spending, and revenue and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's "fiscal year spending" adjusted for allowable increases based upon inflation and local growth. "Fiscal year spending" is generally defined as expenditures plus reserve increase with certain exceptions. Revenue in excess of the "fiscal year spending" limit must be refunded unless the voters approve retention of such revenue.

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 District established a Water and Wastewater Activity Enterprise in 1993, which conducts the business of water and sanitary sewer operations and invests and reinvests the District's reserve funds.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of "fiscal year spending" (excluding bonded debt service). Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR, based upon its interpretation of the Amendment's language. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate "fiscal year spending" limits will require judicial review.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

3. Detailed Notes Concerning the Fund

Cash and Investments

Cash and investments are classified in the accompanying financial statements as follows at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,796,423	\$ 3,784,104
Current assets:		
Certificates of deposit	939,000	1,065,623
U.S. Government Obligations and GSEs	<u>805,204</u>	<u>999,222</u>
Total current	<u>1,744,204</u>	<u>2,064,845</u>
Noncurrent assets:		
Certificates of deposit	3,013,007	2,182,007
U.S. Government Obligations and GSEs	<u>4,533,470</u>	<u>7,591,726</u>
Total non-current	<u>7,546,477</u>	<u>9,773,733</u>
Total cash and investments	<u>\$ 16,087,104</u>	<u>\$ 15,622,682</u>

Cash and investments consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deposits with financial institutions	\$ 8,190,917	\$ 4,344,322
Investments	<u>7,896,187</u>	<u>11,278,360</u>
	<u>\$ 16,087,104</u>	<u>\$ 15,622,682</u>

Custodial Credit Risk: 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. PDPA allows the 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 equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

None of the District's deposits were exposed to custodial credit risk.

Interest Rate Risk: The District's investment policy specifies that the maturity for any investment shall be consistent with the non-cash requirements of the District, except for liquid investments for which the average duration shall not exceed three years and the maximum duration shall not exceed five years. In addition to liquid investments, time deposit investments and obligations of the U.S. Government shall be laddered to ensure regular flow of maturing proceeds each month.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

3. Detailed Notes Concerning the Fund (continued)

Cash and Investments (continued)

Credit Risk: The District has adopted a formal investment policy, which is more restrictive than the Colorado Revised Statutes (CRS), that specifies investment instruments meeting defined rating and risk criteria in which the District may invest. The allowed investment instruments may include:

- United States Obligations – Treasury notes, bills, and bonds
- Government-Sponsored Agencies (GSEs) – Federal Farm Credit Bureau, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association
- Certificates of deposit in Colorado PDPA approved banks or savings banks (for financial reporting purposes these are included in deposits)
- Negotiable certificates of deposit (for financial reporting purposes these are included in investments)
- Colorado Local Government Liquid Asset Trust (COLOTRUST)
- Colorado Surplus Asset Fund Trust (CSAFE)

At December 31, 2020 and 2019, the District's investments in GSEs and U.S. Obligations were rated AA+ by Standard and Poor's. The District's negotiable certificates of deposit were unrated. The investments in U.S. Obligations (U.S. Treasury Notes) are categorized as Level 1 investments and are valued using quoted market prices. The investments in GSEs and negotiable certificates of deposit are categorized as Level 2 investments and are valued using a matrix pricing technique.

The District invests in COLOTRUST, a local government investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers two investment options: COLOTRUST PRIME and COLOTRUST PLUS+. At December 31, 2020 and 2019, the District had invested \$878,820 and \$874,981, respectively in COLOTRUST PRIME. At December 31, 2020 and 2019, the District had invested \$250,199 and \$0, respectively in COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. Both investment options consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in U.S. Treasuries, government agencies, the highest rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by participating governments.

COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments and there is no redemption notice period. At December 31, 2020 and 2019, COLOTRUST PRIME and COLOTRUST PLUS+ had a Standard and Poor's rating of AAAm.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

3. Detailed Notes Concerning the Fund (continued)

Cash and Investments (continued)

CSAFE is an investment vehicle established by state statute for local governmental entities to pool surplus assets. As an investment pool, CSAFE operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. CSAFE offers two accounts, CSAFE Cash and CSAFE Colorado Core (Colorado Core). At December 31, 2020 and 2019, the District had invested \$1,428,494 and \$1,416,808, respectively, in Colorado Core. Colorado Core records its investments at fair value and the District records its investment in Colorado Core at net asset value (NAV). Purchases and redemptions are available daily at a NAV of \$2.00 per share with redemptions limited to three per month. CSAFE limits its investments to those allowed by state statute; the portfolio has a weighted average maturity of 180 days or less. A designated custodial bank provides safekeeping and depository services to CSAFE in connection with the direct investment and withdrawal function of CSAFE. The custodian's internal records segregate investments owned by the participating governments. At December 31, 2020 and 2019, Colorado Core had a credit rating of AA+ by Fitch.

Concentration of Credit Risk: In 2018, the District changed its investment policy to follow that of CRS. Currently, the District's policy is to diversify its holdings but there are no limits for investment type.

The District held the following investments and concentrations as defined by GASB 40 at December 31, 2020:

Investment Type	Maturities			Total Fair Value	% of Total Portfolio Held
	Less Than 1 Year	1-3 Years	3-5 Years		
Government investment pools	\$ 2,557,513	\$ -	\$ -	\$ 2,557,513	32.4%
US Treasury Notes	453,437	1,083,652	-	1,537,089	19.5%
Federal Farm Credit Bank	-	499,914	-	499,914	6.3%
Federal Home Loan Bank	-	250,204	200,230	450,434	5.7%
Federal Natl Mortgage Assoc	351,767	250,181	500,500	1,102,448	14.0%
Federal Home Loan Mortgage Corp	-	1,499,569	249,220	1,748,789	22.1%
	<u>\$ 3,362,717</u>	<u>\$ 3,583,520</u>	<u>\$ 949,950</u>	<u>\$ 7,896,187</u>	<u>100.0%</u>

The District held the following investments and concentrations as defined by GASB 40 at December 31, 2019:

Investment Type	Maturities			Total Fair Value	% of Total Portfolio Held
	Less Than 1 Year	1-3 Years	3-5 Years		
Certificates of Deposit - negotiable	\$ 395,623	\$ -	\$ -	\$ 395,623	3.5%
Government investment pools	2,291,789	-	-	2,291,789	20.3%
US Treasury Notes	250,205	1,507,739	-	1,757,944	15.6%
Federal Farm Credit Bank	-	749,524	650,117	1,399,641	12.4%
Federal Home Loan Bank	-	698,069	497,203	1,195,272	10.6%
Federal Natl Mortgage Assoc	499,155	2,089,307	-	2,588,462	23.0%
Federal Home Loan Mortgage Corp	249,862	999,402	400,365	1,649,629	14.6%
	<u>\$ 3,686,634</u>	<u>\$ 6,044,041</u>	<u>\$ 1,547,685</u>	<u>\$ 11,278,360</u>	<u>100.0%</u>

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

3. Detailed Notes Concerning the Fund (continued)

Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance, December 31, 2019	Increases	Decreases	Balance, December 31, 2020
Capital assets not being depreciated:				
Land and land improvements	\$ 156,578	\$ --	\$ --	\$ 156,578
Construction in progress	291,308	296,869	(207,442)	380,735
Total capital assets, not being depreciated	<u>447,886</u>	<u>296,869</u>	<u>(207,442)</u>	<u>537,313</u>
Capital assets being depreciated:				
Water system	12,902,531	537,970	--	13,440,501
Sewer system	8,922,671	758,657	--	9,681,328
Building and improvements	665,830	12,220	--	678,050
Office furniture, fixtures and equipment	104,410	9,962	--	114,372
Information management systems	510,013	--	--	510,013
	<u>23,105,455</u>	<u>1,318,809</u>	<u>--</u>	<u>24,424,264</u>
Less accumulated depreciation for:				
Water system	(6,442,463)	(256,573)	--	(6,699,036)
Sewer system	(3,790,835)	(169,373)	--	(3,960,208)
Building and improvements	(248,546)	(16,105)	--	(264,651)
Office furniture, fixtures and equipment	(77,162)	(7,178)	--	(84,340)
Information management systems	(220,064)	(7,148)	--	(227,212)
	<u>(10,779,070)</u>	<u>(456,377)</u>	<u>--</u>	<u>(11,235,447)</u>
Total capital assets being depreciated, net	<u>12,326,385</u>	<u>862,432</u>	<u>--</u>	<u>13,188,817</u>
Total capital assets, net	\$ <u>12,774,271</u>	\$ <u>1,159,301</u>	\$ <u>(207,442)</u>	\$ <u>13,726,130</u>

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

3. Detailed Notes Concerning the Fund (continued)

Capital Assets (continued)

Capital asset activity for the year ended December 31, 2019, was as follows:

	<u>Balance, December 31, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2019</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 156,578	\$ --	\$ --	\$ 156,578
Construction in progress	111,439	183,721	(3,852)	291,308
Total capital assets, not being depreciated	<u>268,017</u>	<u>183,721</u>	<u>(3,852)</u>	<u>447,886</u>
Capital assets being depreciated:				
Water system	12,850,981	51,550	--	12,902,531
Sewer system	8,922,671	--	--	8,922,671
Building and improvements	665,830	--	--	665,830
Office furniture, fixtures and equipment	92,130	12,280	--	104,410
Information management systems	510,013	--	--	510,013
	<u>23,041,625</u>	<u>63,830</u>	<u>--</u>	<u>23,105,455</u>
Less accumulated depreciation for:				
Water system	(6,187,754)	(254,709)	--	(6,442,463)
Sewer system	(3,623,769)	(167,066)	--	(3,790,835)
Building and improvements	(232,572)	(15,974)	--	(248,546)
Office furniture, fixtures and equipment	(69,983)	(7,179)	--	(77,162)
Information management systems	(212,916)	(7,148)	--	(220,064)
	<u>(10,326,994)</u>	<u>(452,076)</u>	<u>--</u>	<u>(10,779,070)</u>
Total capital assets being depreciated, net	<u>12,714,631</u>	<u>(388,246)</u>	<u>(3,852)</u>	<u>12,326,385</u>
Total capital assets, net	\$ <u>12,982,648</u>	\$ <u>(204,525)</u>	\$ <u>(3,852)</u>	\$ <u>12,774,271</u>

Net Position

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of \$35,240 for each year at December 31, 2020, and 2019, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 2).

4. Other Information

Retirement Plan

The District participates in the Colorado Retirement Association's (CRA), formerly the Colorado County Officials and Employees Retirement Association, two retirement plans: a 401(a) defined contribution plan (401a plan) and a 457 deferred compensation plan (457 plan). For both plans, all employees are qualified unless the employee customarily works less than twenty hours a week or less than five months in any calendar year. Employees are eligible to participate upon date of hire.

4. Other Information (continued)

Retirement Plan (continued)

401a plan

The 401a plan is a defined contribution money purchase pension plan which requires that each employee contribute 6% of compensation. The District is required to match that contribution each year. Employee contributions are 100% vested while the District's contributions for each employee (and earnings allocated to these contributions) are vested 20% for each twelve full months of participation in the plan. District contributions for, and earnings forfeited by, employees who leave employment prior to full vesting are used to reduce the District's subsequent contributions requirements.

Voluntary after-tax contributions by the employee are allowed up to a maximum of 100% of compensation, subject to the annual 401a limit. For 2020, employee-required and voluntary contributions cannot exceed the lesser of \$57,000 or 100% of gross compensation. During the years ended December 31, 2020 and 2019, the District contributed \$14,256 and \$14,602, respectively.

457 plan

The 457 plan is an employer-sponsored retirement plan that allows employees to defer receiving a portion of their current compensation until retirement or separation from service. Employees may defer up to 100% of their gross compensation, not to exceed a maximum annual dollar limit which was \$19,500 in 2020. The District currently matches employee contributions up to 3%. Employees are immediately vested in both the District's contributions as well as their own. At December 31, 2020 and 2019, the District had five employees participating in the plan. During the years ended December 31, 2020 and 2019, the District contributed \$7,128 and \$7,301, respectively.

Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; and natural disasters for which the District carries commercial insurance.

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the "Pool") which is sponsored by the Special District Association of Colorado. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, general liability, public official's liability coverage and workers compensation coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula. No distributions were made during the years ended December 31, 2020 and 2019.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

4. Commitments and Contingencies

Service Contract - Metro Wastewater Reclamation District (MWRD)

The District has an agreement with MWRD for final treatment and disposal of the District's sewage. The agreement provides for annual estimated charges that are assessed through the application of a predetermined formula. Adjustments to the estimated charge will be based on meter flows, content, and actual costs. The adjustments are billed or credited to the District during the two succeeding years. The District retains responsibility for the maintenance and future construction costs of all public sanitary sewer lines and retains title to all public sanitary sewer lines in the District.

The composition of the charges included in sewage treatment is as follows:

	<u>2020</u>	<u>2019</u>
Estimate for current year	\$ 940,028	\$ 956,995
Adjustments (positive) negative:		
Final second preceding year estimate to actual	(39,609)	(71,643)
Preliminary preceding year estimate to actual	<u>(37,264)</u>	<u>(70,650)</u>
Total annual charges	<u>\$ 863,155</u>	<u>\$ 814,702</u>

The 2021 sewage treatment estimate is \$879,456. The total net annual charge for 2021 is expected to be \$789,159 which includes a favorable 2019 final adjustment of \$45,935 and a favorable 2020 preliminary adjustment of \$44,362.

In addition, the District collects MWRD tap connection fees for new connections, which are remitted to MWRD quarterly. For the years ended, December 31, 2020 and 2019, the tap connection fees were \$225,680 and \$119,560, respectively.

Service Contract - Denver Board of Water Commissioners (DBWC)

The District has a water service agreement with DBWC. Under this agreement, DBWC provides water services to the District's citizens. Water services include meter reading, billing, and collections. These amounts are not reflected in the financial statements for the years ended December 31, 2020 and 2019.

The District retains title and responsibility for the maintenance and future construction costs of all public water distribution lines in the District. Also, the District has reserved capacity in lines owned by DBWC, either purchased from or constructed and contributed to DBWC by the District.

On November 13, 2017, the Bear Creek Water and Sanitation District Board of Directors voted unanimously to add a \$6.00 per single family residential equivalent (SFRE) water surcharge to the Denver Water monthly billing to pay for capital improvement projects and the operations and maintenance of the water system which is owned by the District. An Intergovernmental Agreement (IGA) was signed with Denver Water to collect the surcharge on behalf of Bear Creek Water and Sanitation District. This IGA was approved on December 13, 2017 by the Denver Board of Water Commissioners. For the years ended December 31, 2020 and 2019, the amounts earned under this agreement were \$296,850 and \$305,484, respectively. This revenue is included in service fees in the Statement of Revenues, Expenses and Changes in Net Position.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2020 and 2019

5. Commitments and Contingencies (continued)

Prepaid Water Participation Fees

During 2001, the District paid \$418,600 to Denver Water for participation charges as provided by a Conduit Participation Agreement. Prepayment of the participation charges secured an additional 700 single family residential equivalent water tap capacity without having to participate in construction of additional facilities. During 2020 and 2019, \$11,237 and \$8,110, respectively, were collected which reduced the prepaid asset to \$221,647 and \$232,884, respectively.

Future Replacements and Resources

The District is accumulating funds to replace the public water and sanitary sewer lines and develop future water resources to preserve the future of the District. The Board projects that the District will need all unexpended reserves for these purposes. The funds are not restricted or set aside in any manner and are available for the general use of the District.

OTHER SUPPLEMENTAL INFORMATION

BEAR CREEK WATER AND SANITATION DISTRICT
Schedule of Revenues, Expenditures and Changes in Funds Available - Budget
and Actual (Budgetary Basis)
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance with Final
Revenues:			
Sewer fees	\$ 2,166,942	\$ 2,078,768	\$ (88,174)
Water surcharge fees	310,000	296,850	(13,150)
Property taxes and specific ownership taxes	833,490	828,696	(4,794)
Net investment income	200,000	239,192	39,192
Fees and permits	11,600	23,550	11,950
KEMO construction and supplementary fees	15,200	39,404	24,204
Reimbursements	24,200	15,527	(8,673)
Connection fees - MWRD/Lakehurst	50,400	225,680	175,280
Tap fees	77,500	119,436	41,936
Total Revenues	3,689,332	3,867,103	177,771
Expenditures:			
Sewage treatment	874,697	874,696	1
Repairs and maintenance - water and sewer systems	550,000	510,180	39,820
Repairs and maintenance - buildings and grounds	16,000	16,335	(335)
Salaries, wages and contract services	284,000	235,190	48,810
Payroll taxes and employee benefits	139,000	106,706	32,294
Engineering	242,700	191,975	50,725
Conferences, training, and public relations	19,000	4,543	14,457
Legal	25,250	15,429	9,821
Memberships, dues, and miscellaneous	8,500	6,345	2,155
Election expense	15,100	813	14,287
Bank service charges	20,000	11,245	8,755
Insurance	15,000	12,824	2,176
Telephone and utilities	18,050	15,914	2,136
Office supplies and expenses	34,500	22,252	12,248
Directors' fees	8,000	6,900	1,100
Audit expense	9,000	8,815	185
Rate study	8,000	6,355	1,645
Billing expense	34,000	30,006	3,994
Reimbursable expenses	24,000	15,625	8,375
County treasurer's fees	12,000	11,729	271
MWRD/Lakehurst tap fees paid	50,400	225,680	(175,280)
Capital outlay:			
Building and grounds improvements	70,000	22,182	47,818
Water capital improvements	236,440		236,440
Sewer capital improvements	151,450		151,450
Engineering and special studies	446,350		446,350
General water and sewer	1,054,000	751,720	302,280
KEMO capital and engineering	415,000	634,334	(219,334)
TABOR contingency	24,881	-	24,881
Total Expenditures	4,805,318	3,737,793	1,067,525
Revenues over (under) expenditures	\$ (1,115,986)	\$ 129,310	\$ 1,245,296
Funds Available, Beginning of Year	4,103,454	16,240,657	12,137,203
Funds Available, End of Year	\$ 2,987,468	\$ 16,369,967	\$ 13,382,499
Funds available is computed as follows:			
Current assets		\$ 9,966,396	
Noncurrent assets, excluding capital assets		7,768,125	
Current liabilities		(433,048)	
Noncurrent liabilities		(114,877)	
Deferred inflows of resources		(816,629)	
		\$ 16,369,967	

The accompanying notes are an integral part of these statements.

BEAR CREEK WATER AND SANITATION DISTRICT
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes
in Net Position
For the Year Ended December 31, 2020

Revenue (budgetary basis)	\$ 3,867,103
Revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>3,867,103</u>
Expenditures (budgetary basis)	3,737,793
Depreciation	456,377
Capital outlay	<u>(1,408,236)</u>
Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>2,785,934</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u>\$ 1,081,169</u>

The accompanying notes are an integral part of these statements.