

Bow Mar Water and Sanitation District

**Annual Financial Report
and Independent Auditor's Report**

December 31, 2021 and 2020

Table of Contents

	Page
Independent Auditor's Report	I-III
Basic Financial Statements	
Statements of Net Position	1
Statements of Revenues, Expenses and Changes in Net Position	2
Statements of Cash Flows	3
Notes to Financial Statements	4
Supplementary Information	
Schedule of Revenue, Expenditures and Changes in Funds Available Budget and Actual (Budgetary Basis)	14
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position	15
Other Information	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	16



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086

FAX: 720.348.2920

Independent Auditor's Report

Board of Directors
Bow Mar Water and Sanitation District
Arapahoe and Jefferson Counties, Colorado

Opinions

We have audited the accompanying financial statements of Bow Mar Water and Sanitation District (District) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bow Mar Water and Sanitation District, as of December 31, 2021 and 2020, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information is comprised of the other information as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 19, 2022

Basic Financial Statements

Bow Mar Water and Sanitation District
Statements of Net Position
December 31, 2021 and 2020

Assets	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 618,206	\$ 626,808
Investments	106,625	106,625
Accounts receivable	64,805	45,653
Property taxes receivable	389,711	330,369
Prepaid expenses	23,257	21,149
Total current assets	<u>1,202,604</u>	<u>1,130,604</u>
Noncurrent Assets:		
Construction in progress	83,908	-
Water system	3,080,430	3,080,430
Sewer system	361,492	361,492
Total capital assets	3,525,830	3,441,922
Accumulated depreciation	<u>(1,809,867)</u>	<u>(1,724,458)</u>
Net capital assets	<u>1,715,963</u>	<u>1,717,464</u>
Total Assets	<u>2,918,567</u>	<u>2,848,068</u>
Liabilities		
Current Liabilities:		
Accounts payable	25,028	48,077
Accrued interest payable	631	921
Current portion of note payable	33,665	32,795
Unearned sewer revenue	5,448	5,355
Total current liabilities	<u>64,772</u>	<u>87,148</u>
Long-Term Liabilities:		
Note payable, net of current portion	142,016	175,681
Total long-term liabilities	<u>142,016</u>	<u>175,681</u>
Total liabilities	<u>206,788</u>	<u>262,829</u>
Deferred Inflow of Resources:		
Deferred property tax revenue	389,711	330,369
Total deferred inflow of resources	<u>389,711</u>	<u>330,369</u>
Net Position		
Net Investment in capital assets	1,540,282	1,508,988
Restricted		
Debt service reserve	19,160	15,328
Emergency reserve	26,000	26,000
Unrestricted	736,626	704,554
Total Net Position	<u>\$ 2,322,068</u>	<u>\$ 2,254,870</u>

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

Bow Mar Water and Sanitation District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Water Operations		
Revenues		
Water service fees	\$ 475,662	\$ 546,595
Direct water expenses		
Water purchases	491,936	589,304
Repairs and maintenance	56,782	26,653
Depreciation	83,910	84,492
Permits	155	155
Total operating expenses	<u>632,783</u>	<u>700,604</u>
Net water operations (loss)	<u>(157,121)</u>	<u>(154,009)</u>
Sewer Operations		
Revenue		
Sewer service fees	<u>64,265</u>	<u>63,734</u>
Direct sewer expenses		
Sewage treatment charges	58,507	62,417
Repairs and maintenance	39,425	34,722
Depreciation	1,499	1,499
Total operating expenses	<u>99,431</u>	<u>98,638</u>
Net sewer operations (loss)	<u>(35,166)</u>	<u>(34,904)</u>
Gross (Loss) From Operations	<u>(192,287)</u>	<u>(188,913)</u>
General and Administrative Expenses		
Accounting and audit	30,246	33,550
Insurance	2,946	2,872
Legal	1,703	1,631
Management fees	20,545	23,884
Intergovernmental contribution	19,366	19,342
Other	<u>10,122</u>	<u>12,372</u>
Total general and administrative expenses	<u>84,928</u>	<u>93,651</u>
Net (Loss) from Operations	<u>(277,215)</u>	<u>(282,564)</u>
Nonoperating Revenue and (Expense)		
Property taxes	330,369	328,929
Specific ownership taxes	23,447	23,684
Investment income	342	2,677
Miscellaneous	450	-
Interest expense	(5,235)	(7,292)
County Treasurers' fees	<u>(4,960)</u>	<u>(4,942)</u>
Total nonoperating revenue, net	<u>344,413</u>	<u>343,056</u>
Change in Net Position	67,198	60,492
Net Position—Beginning of Year	2,254,870	2,194,378
Net Position—End of Year	<u>\$ 2,322,068</u>	<u>\$ 2,254,870</u>

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

Bow Mar Water and Sanitation District
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Cash received from customers	\$ 520,868	\$ 612,586
Cash paid to vendors	<u>(756,890)</u>	<u>(780,113)</u>
Net cash used by operating activities	<u>(236,022)</u>	<u>(167,527)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(83,908)	-
Note principal payments	(32,795)	(31,949)
Interest payments	<u>(5,525)</u>	<u>(7,704)</u>
Net cash used by capital and related financing activities	<u>(122,228)</u>	<u>(39,653)</u>
Cash Flows from Noncapital Financing Activities		
Property taxes	330,369	328,929
Specific ownership taxes	23,447	23,684
Miscellaneous	450	-
County Treasurers' fees	<u>(4,960)</u>	<u>(4,942)</u>
Cash flows provided by noncapital and related financing activities	<u>349,306</u>	<u>347,671</u>
Cash Flows from Investing Activities:		
Investments purchased	-	(1,443)
Interest received	<u>342</u>	<u>2,677</u>
Net cash provided by investing activities	<u>342</u>	<u>1,234</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,602)	141,725
Cash and cash equivalents—beginning of year	<u>626,808</u>	<u>485,083</u>
Cash and cash equivalents—end of year	<u>\$ 618,206</u>	<u>\$ 626,808</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities		
Net (Loss) from operations	<u>\$ (277,215)</u>	<u>\$ (282,564)</u>
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities		
Depreciation	85,409	85,991
Effects of changes in program assets and liabilities:		
Accounts receivable	(19,152)	2,158
Unearned sewer revenues	93	99
Prepaid expenses	(2,108)	610
Accounts payable	<u>(23,049)</u>	<u>26,179</u>
Total adjustments	<u>41,193</u>	<u>115,037</u>
Net cash used by operating activities	<u>\$ (236,022)</u>	<u>\$ (167,527)</u>

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

Bow Mar Water and Sanitation District

Notes to Financial Statements

December 31, 2021 and 2020

1. Definition of Reporting Entity

Bow Mar Water and Sanitation District (the District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe and Jefferson Counties, Colorado, entirely within the Town of Bow Mar. The District was established to provide water and sanitation services.

The District has no employees and all operations and administrative functions are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

2. Summary of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The more significant accounting policies of the District are described as follows:

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets.

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

Bow Mar Water and Sanitation District

Notes to Financial Statements (continued)

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Cash and Cash Equivalents

The District considers cash deposits and highly liquid investments with an intended maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include the water system and sewer system, are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500. Such assets are recorded at historical cost if purchased or constructed. Additions to the systems which have been constructed by developers are recorded at fair value. Upon completion of developer constructed assets, title is conveyed to the District and the District assumes responsibility for maintenance and service.

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. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water system	35 years
Sewer system	35 years

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessors generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurers collect the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally tax sales of the tax liens on delinquent properties are held in November or December. The County Treasurers remit the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

3. Cash and Investments

Cash and investments as of December 31, 2021 and 2020 are classified in the accompanying financial statements as follows:

	<u>2021</u>	<u>2020</u>
Statement of net position:		
Cash and cash equivalents	\$ 618,206	\$ 626,808
Investments	<u>106,625</u>	<u>106,625</u>
	<u>\$ 724,831</u>	<u>\$ 733,433</u>

Cash and investments as of December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Deposits with financial institutions	\$ 154,612	\$ 263,280
Cash with County Treasurers	1,782	1,766
Local government investment pool	461,812	361,761
Certificate of deposit	<u>106,625</u>	<u>106,625</u>
Total cash and investments	<u>\$ 724,831</u>	<u>\$ 733,433</u>

Bow Mar Water and Sanitation District

Notes to Financial Statements (continued)

December 31, 2021 and 2020

3. Cash and Investments (continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial institutions are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2021 and 2020, the District's bank deposits, including certificates of deposit, had carrying balances of \$261,237 and \$369,905, respectively.

Investments

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes generally limit investment maturities to five years or less unless formally approved by the Board of Directors. Revenue bonds of U.S. local governments, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

- Obligations of the United States and certain U.S. government agency securities and securities of the World Bank
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

3. Cash and Investments (continued)

- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and reverse purchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- Local government investment pools.

COLOTRUST

As of December 31, 2021 and 2020, the District had invested \$461,812 and \$361,761, respectively, in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is measured at net asset value, equal to \$1.00 per share. The Trust is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method.

4. Capital Assets

An analysis of the changes in net capital assets for the year ended December 31, 2021 follows:

	Balance			Balance
	December 31,			December 31,
	2020	Increases	Decreases	2021
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Capital assets, not depreciated	-	83,908	-	83,908
Capital assets, being depreciated:				
Water system	3,080,430	-	-	3,080,430
Sewer system	361,492	-	-	361,492
Total capital assets, being depreciated	<u>3,441,922</u>	<u>-</u>	<u>-</u>	<u>3,441,922</u>
Less accumulated depreciation for:				
Water system	(1,404,409)	(83,910)	-	(1,488,319)
Sewer system	(320,049)	(1,499)	-	(321,548)
Total accumulated depreciation	<u>(1,724,458)</u>	<u>(85,409)</u>	<u>-</u>	<u>(1,809,867)</u>
Total capital assets, being depreciated, net	<u>1,717,464</u>	<u>(85,409)</u>	<u>-</u>	<u>1,632,055</u>
Capital assets, net	<u>\$ 1,717,464</u>	<u>\$ (1,501)</u>	<u>\$ -</u>	<u>\$ 1,715,963</u>

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

4. Capital Assets (continued)

An analysis of the changes in net capital asset for the year ended December 31, 2020 follows:

	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020
Capital assets, being depreciated:				
Water system	\$ 3,080,430	\$ -	\$ -	\$ 3,080,430
Sewer system	<u>361,492</u>	<u>-</u>	<u>-</u>	<u>361,492</u>
Total capital assets, being depreciated	<u>3,441,922</u>	<u>-</u>	<u>-</u>	<u>3,441,922</u>
Less accumulated depreciation for:				
Water system	(1,319,916)	(84,492)	-	(1,404,408)
Sewer system	<u>(318,551)</u>	<u>(1,499)</u>	<u>-</u>	<u>(320,050)</u>
Total accumulated depreciation	<u>(1,638,467)</u>	<u>(85,991)</u>	<u>-</u>	<u>(1,724,458)</u>
Total capital assets, being depreciated, net	<u>1,803,455</u>	<u>(85,991)</u>	<u>-</u>	<u>1,717,464</u>
Capital assets, net	<u>\$ 1,803,455</u>	<u>\$ (85,991)</u>	<u>\$ -</u>	<u>\$ 1,717,464</u>

5. Long-Term Liabilities

The following is an analysis of the changes in the District's long-term liability for the years ended December 31, 2021 and 2020:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Colorado Water Conservation Board Loan	<u>\$ 208,476</u>	<u>\$ -</u>	<u>\$ (32,795)</u>	<u>\$ 175,681</u>	<u>\$ 33,665</u>

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Colorado Water Conservation Board Loan	<u>\$ 240,425</u>	<u>\$ -</u>	<u>\$ (31,949)</u>	<u>\$ 208,476</u>	<u>\$ 32,795</u>

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

5. Long-Term Liabilities (continued)

The detail of the District's loan payable is:

Promissory Note, Colorado Water Conservation Board

A loan from the Colorado Water Conservation Board was received by installments, with the final being received in November 2016. The note has a stated interest rate of 2.65% and is due in annual installments of \$38,320 in principal and interest, over 10 years, beginning November 1, 2017. Proceeds of the loan were used for capital projects that consisted of the replacement of the metering system.

The District has pledged all of its available resources for the repayment of the loan, including property taxes. Additionally, the District covenanted to establish, levy and collect rates, charges and fees in the amounts sufficient to pay the loan, to cover all expenditures for operation and maintenance and emergency repair services, and to maintain adequate debt service reserves. The loan agreement also contains a restrictive covenant which requires a reserve account equal to 10% of the annual debt service requirement, beginning November 1, 2017, and continuing annually for a total of 10 years.

Annual debt service requirement on the loan are as follows:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 33,665	\$ 4,655	\$ 38,320
2023	34,557	3,763	38,320
2024	35,473	2,847	38,320
2025	36,412	1,908	38,320
2026	<u>35,574</u>	<u>943</u>	<u>36,517</u>
	<u>\$ 175,681</u>	<u>\$ 14,116</u>	<u>\$ 189,797</u>

6. Net Position

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021 and 2020, the District had net investment in capital assets calculated as follows:

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

6. Net Position (continued)

	<u>2021</u>	<u>2020</u>
Capital assets, net	\$1,715,963	\$1,717,464
Note payable	<u>(175,681)</u>	<u>(208,476)</u>
Net investment in capital assets	<u>\$1,540,282</u>	<u>\$1,508,988</u>

The restricted component of net position includes assets that are restricted for use as imposed by external parties such as creditors, grantors or contributors, or as imposed by laws and regulations of other governments, or as imposed by law through constitutional provisions or enables legislation. The District had restricted net position of \$26,000 as of December 31, 2021 and 2020, for emergency reserves (see Note 9). Additionally, the District had restricted net position of \$19,160 and \$15,328 as of December 31, 2021 and 2020, respectively, for required debt service reserves (see Note 5).

7. Service Contracts

Water

The District purchases water from the Denver Water Board under a master meter distributor contract and bills users directly.

Sewer

The District has operating agreements with contiguous districts and cities for the transmission and processing of its sewage. The District incurs fees from these entities and bills its customers directly.

8. 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; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2021. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' 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.

Bow Mar Water and Sanitation District

Notes to Financial Statements (continued)

December 31, 2021 and 2020

8. Risk Management (continued)

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. 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.

9. 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, 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 increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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 the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. An amount of \$26,000 for the years ended December 31, 2021 and 2020, has been restricted for this requirement.

On November 2, 1999, voters approved the following election question:

Shall Bow Mar Water and Sanitation District property taxes be increased up to \$107,000 in the 2000 fiscal year, and by whatever additional amounts are raised annually thereafter from an increase in the District's property tax levy for operation and maintenance purposes of an additional 9.965 mills (increasing the total operating tax levy to 11.317 mills); and shall the District be authorized to collect, retain and spend all revenue and other funds collected from ad valorem property taxes and all other District revenue from sources not excluded from fiscal year spending, effective January 2000 and continuing thereafter; and shall the revenue which are the subject of this question be spent for general operation and maintenance purposes as a voter approved revenue change without further limitation under Article X, Section 20, of the Colorado Constitution?

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2021 and 2020

9. Tax, Spending and Debt Limitations (continued)

On November 3, 2015, voters approved the following election question:

Shall Bow Mar Water and Sanitation District debt be increased by up to \$360,000, with a repayment cost of up to \$400,000, but with no increase in District taxes, for the purpose of financing the costs of replacing and upgrading the water meters throughout the District's water distribution system, along with the District's billing software and other necessary improvements to the District's water distribution system such debt to consist of the issuance of bonds, notes, loan agreements or other multiple fiscal year obligations to be paid from legally available revenues of the District, which bonds, notes, loan agreements or other multiple fiscal year obligations shall bear interest at a maximum net effective interest rate not to exceed 3% per annum, and be issued at such time or times, at such prices (at, above or below par) and in such manner and containing such terms, not inconsistent herewith, as the board of directors may determine; and shall any earnings on the investment of proceeds of such bonds or obligations, (regardless of amount) constitute a voter approved revenue changes within the meaning of Article X, section 20 of the Colorado Constitution?

The District's management believes it is in compliance with the provisions of TABOR. 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 interpretation.

Supplementary Information

Bow Mar Water and Sanitation District
Schedule of Revenue, Expenditures and Changes in Funds
Available — Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2021

	<u>Budget Amounts Original</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenue			
Water sales	\$ 562,780	\$ 475,662	\$ (87,118)
Sewer charges	63,565	64,265	700
Property taxes	330,369	330,369	-
Specific ownership taxes	26,430	23,447	(2,983)
Net investment income	1,434	342	(1,092)
Miscellaneous	<u>3,000</u>	<u>450</u>	<u>(2,550)</u>
Total revenue	<u>987,578</u>	<u>894,535</u>	<u>(93,043)</u>
Expenditures			
Water purchases	571,632	491,936	79,696
Water main maintenance	47,218	56,782	(9,564)
Meter reading and permits	-	155	(155)
Sewage treatment charges	64,588	58,507	6,081
Sewer repairs and maintenance	44,407	39,425	4,982
Accounting and audit	34,546	30,246	4,300
Insurance	2,700	2,946	(246)
Legal	2,575	1,703	872
Management fees	30,000	20,545	9,455
Other	12,733	10,122	2,611
County Treasurers' fees	5,038	4,960	78
Debt service	38,320	38,320	-
Capital outlay	75,900	83,908	(8,008)
Contribution to other government entity	20,000	19,366	634
Contingency	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total expenditures	<u>974,657</u>	<u>858,921</u>	<u>115,736</u>
Excess of Revenue Over (Under) Expenditures	12,921	35,614	22,693
Funds Available — Beginning of Year	<u>767,860</u>	<u>746,803</u>	<u>(21,057)</u>
Funds Available — End of Year	<u>\$ 780,781</u>	<u>\$ 782,417</u>	<u>\$ 1,636</u>

Funds available at December 31, 2021 is computed as follows:

Current assets	\$ 1,202,604
Current liabilities (and deferred inflows of resources)	<u>(420,187)</u>
	<u>\$ 782,417</u>

Bow Mar Water and Sanitation District
Reconciliation of Budgetary Basis (Actual)
to Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021

Revenue (budgetary basis)	<u>\$ 894,535</u>
Revenue per statement of revenues, expenses and changes in net position	<u>894,535</u>
Expenditures (budgetary basis)	858,921
Capital outlay - capitalized portion	(83,908)
Depreciation	85,409
Change in accrued interest	(290)
Debt principal payments	<u>(32,795)</u>
Total expenses per statement of revenues, expenses and changes in net position	<u>827,337</u>
Change in net position per statement of revenues, expenses and changes in net position	<u>\$ 67,198</u>

Other Information

Bow Mar Water and Sanitation District
Summary of Assessed Valuation,
Mill Levy and Property Taxes Collected
For the Years Ended December 31

<u>Year Ended</u> <u>December 31,</u>	<u>Prior Year</u> <u>Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills</u> <u>Levied</u> <u>General</u>	<u>Total Property Taxes</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2012	\$ 21,066,813	15.774	\$ 332,308	\$ 332,238	99.98%
2013	\$ 21,076,732	15.774	\$ 332,464	\$ 332,464	100.00%
2014	\$ 20,563,697	11.317	\$ 232,719	\$ 232,716	100.00%
2015	\$ 20,634,395	11.317	\$ 233,519	\$ 233,520	100.00%
2016	\$ 23,696,700	11.317	\$ 268,176	\$ 266,587	99.41%
2017	\$ 23,643,920	11.317	\$ 267,578	\$ 267,133	99.83%
2018	\$ 25,078,212	11.317	\$ 283,810	\$ 283,996	100.07%
2019	\$ 25,513,078	11.317	\$ 288,732	\$ 288,731	100.00%
2020	\$ 29,105,294	11.317	\$ 329,385	\$ 328,929	99.86%
2021	\$ 29,192,285	11.317	\$ 330,369	\$ 330,369	100.00%
Estimated for the year ending 12/31/2022	\$ 34,435,915	11.317	\$ 389,711		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the county treasurer does not permit identification of specific year of assessment.