

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2022 AND 2021



Crady, Puca & Associates

Certified Public Accountants & Consultants

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

CONTENTS

	<u>Page</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-xiii
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	4-16
Other Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Funds Available - Budget and Actual (Budgetary Basis).....	17
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses And Changes in Net Position	18



Crady, Puca & Associates

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the business-type activities of the Bear Creek Water and Sanitation District as of and for the years ended December 31, 2022 and 2021, and related notes to the financial statements, which collectively comprise Bear Creek Water and Sanitation District's basic 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 respective financial position of the business-type activities of Bear Creek Water and Sanitation District as of December 31, 2022 and 2021, and the respective changes in financial position and its cash flows 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. 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 Bear Creek Water and Sanitation District (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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through xiii be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

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 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule and reconciliation on pages 17 and 18 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Crady, Puca & Associates

Aurora, Colorado
June 12, 2023



BEAR CREEK WATER AND SANITATION DISTRICT
2517 SOUTH FLOWER STREET
LAKWOOD, CO 80227-2912
(303) 986-3442 OFFICE
(303) 986-8213 FAX
[BearCreekWater@BearCreekWater.org](mailto: BearCreekWater@BearCreekWater.org)
<http://www.BearCreekWater.org/>

MANAGEMENT’S DISCUSSION AND ANALYSIS
OF THE ANNUAL AUDIT FOR YEARS ENDED 2022 AND 2021

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 2022 AND 2021

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, 2022 and 2021. 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 2022 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.

2022 Financial Highlights

The District is in a good financial position at the end of the reporting period. The District completed general and emergency repairs and maintenance to the water distribution and wastewater collections systems as well as restorative improvements to the systems from funds budgeted for those purposes. The reserves are sufficient to meet most emergency repair or replacement needs. The District maintains an adequate operating account balance to meet payroll, vendor, service and other obligations. Generally, the District’s financial position has remained steady from the previous year. However, a significant increase in the Metro Water Recovery sewage treatment fees and a significant decrease in investment income have been factors in the change in net position of the District from 2021. (See 2022 Financial Analysis for details)

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 statements provide information about the District's financial position as of December 31, 2022 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 statements 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			
	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current Assets			
Cash and cash equivalents, deposits and investments	\$ 5,992,787	\$ 6,134,941	\$ 8,540,627
Other current assets	1,575,483	1,479,695	1,425,769
Total Current Assets	<u>7,568,270</u>	<u>7,614,636</u>	<u>9,966,396</u>
Noncurrent Assets			
Deposits and investments	10,698,237	10,588,005	7,546,477
Capital assets, net	13,112,068	13,568,595	13,726,130
Other noncurrent assets	208,511	212,721	221,648
Total Noncurrent Assets	<u>24,018,816</u>	<u>24,369,321</u>	<u>21,494,255</u>
Total Assets	<u>31,587,086</u>	<u>31,983,957</u>	<u>31,460,651</u>
LIABILITIES			
Other liabilities	190,319	220,548	547,925
Total Liabilities	<u>190,319</u>	<u>220,548</u>	<u>547,925</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	911,964	863,432	816,629
Total Deferred Inflows of Resources	<u>911,964</u>	<u>863,432</u>	<u>816,629</u>
NET POSITION			
Net investment in capital assets	13,112,068	13,568,595	13,726,130
Restricted for emergencies (TABOR)	35,240	35,240	35,240
Unrestricted	17,337,495	17,296,142	16,334,727
Total Net Position	<u>\$ 30,484,803</u>	<u>\$ 30,899,977</u>	<u>\$ 30,096,097</u>

Condensed Comparative Financial Information			
Statement of Revenues, Expenses and Changes in Fund Net Position			
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 2,384,187	\$ 2,387,956	\$ 2,414,695
Less Operating Expenses	(2,747,955)	(2,104,020)	(2,092,149)
Less Depreciation	(490,020)	(480,290)	(456,377)
Net (Income) Loss from Operations	(853,788)	(196,354)	(133,831)
Non-operating Revenues	407,374	858,914	1,095,563
Capital Contributions	31,240	141,320	119,437
Change in Net Position	(415,174)	803,880	1,081,169
Net Position - Beginning of Year	30,899,977	30,096,097	29,014,928
Net Position - End of Year	\$ 30,484,803	\$ 30,899,977	\$ 30,096,097

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

2022 Financial Analysis

Cash, cash equivalents and investments of the District decreased \$31,922 from 16,722,946 in 2021 to \$16,691,024 at December 31, 2022, representing approximately 52.8 percent of the District's total assets in 2021. This change is due to a variety of factors including investment losses and increases in MWR sewage treatment fees.

In 2022, the BCWSD spent \$221,121 from reserves to pay for capital improvement projects for the District's water and sanitary sewer systems.

Capital expenses of \$33,493 was added to the District's Fixed Assets as of December 31, 2022.

Property and specific ownership taxes increased by \$44,547 in 2022; from \$874,091 collected in 2021 to \$918,638 collected in 2022. An ad valorem property tax is levied on the assessed valuation of real and personal property within the District. Upon the 2021 assessed valuation of \$225,851,961, a total net mill levy rate of 3.823 mills was certified in 2021 to Jefferson County for collection of \$863,432 in 2022. This levy includes budgeted general property taxes of \$997,362 a temporary revenue reduction of (\$138,221) to protect the District's mill levy of 4.416 and an additional amount of \$4,291 for refunds and abatements. Specific ownership tax collected in 2022 was \$59,272. Property tax and specific ownership tax revenue is classified under General Government for the purposes of TABOR compliance.

Net position decreased over the course of the year by \$(415,174) to a total of \$30,484,803 at December 31, 2022.

The District's capital assets net of accumulated depreciation at December 31, 2022, totaled \$13,112,068 which represents 41.5 percent of the District's total assets.

Total Operating Revenue decreased from \$2,387,956 in 2021 to \$2,384,187 in 2022, or by approximately .158 percent. This decrease is primarily due to a decrease in fees, permits and reimbursement revenue.

The District billed \$2,062,541 in sanitary sewer use fees to its customers to cover both annual sewage treatment charges of \$1,442,951, related operations, maintenance costs of \$158,830 and billing costs of \$18,619 in 2022.

The District collected \$298,389 in 2022 from the water surcharge fee that was added to the Denver Water billing in 2018. This covered about 77% of the 2022 water billing costs of \$8,392 and related maintenance costs of \$378,834.

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.

Net investment income (loss) decreased by \$(493,529) from \$(4,679) in 2021 to (\$498,208) in 2022 due to significant unrealized losses of (\$698,599) which were offset by an increase in interest rates.

Tap permit sales decreased 52.17 percent from \$65,320 in 2021 to \$31,420 for 2022. Tap permit sales vary from year to year.

Expenses for operation and maintenance of public water and sanitary sewer systems decreased from \$614,596 in 2021 to \$537,664 in 2022. The District had repaired additional valves and repaired multiple water main breaks in 2021. 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 2022 were \$438,308 which is approximately 4.49 percent higher than in 2021 due to cost of living/merit pay increases for District staff. These costs constitute approximately 15.95 percent of the District's \$2,747,955 Total Operating Expenses without depreciation for 2022.

2021 Financial Analysis

Cash, cash equivalents and investments of the District increased \$635,842 from \$16,087,104 in 2020 to \$16,722,946 at December 31, 2021, representing approximately 52.2 percent of the District's total assets in 2021. 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.

In 2021, the BCWSD spent \$218,870 from reserves to pay for capital improvement projects for the District's water and sanitary sewer systems. The District also purchased the Central Square Enterprise Asset Management System in 2021. The Central Square Enterprise Asset Management software can integrate many of the O&M tracking processes, including the Operations and Maintenance program, GIS, tap permits and contractor's licenses into one system and can provide a progressive, streamlined approach to managing the data.

Capital expenses of \$322,755 was added to the District's Fixed Assets as of December 31, 2021.

Property and specific ownership taxes increased by \$45,395 in 2021; from \$828,696 collected in 2020 to \$874,091 collected in 2021. 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 budgeted general property taxes of \$912,740, a temporary revenue reduction of **(\$99,625)** to protect the District's mill levy of 4.416 and an additional amount of \$3,514 for refunds and abatements. Specific ownership tax collected in 2021 was \$62,517. 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 \$803,880 to a total of \$30,899,977 at December 31, 2021.

The District's capital assets net of accumulated depreciation at December 31, 2021, totaled \$13,568,595 which represents 42.4 percent of the District's total assets.

Total Operating Revenue decreased from \$2,414,695 in 2020 to \$2,387,956 in 2021, or by approximately 1.1 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 \$2,062,083 in sanitary sewer use fees to its customers to cover both annual sewage treatment charges of \$800,701 and related combined operations, maintenance and billing costs of \$161,033 in 2021. The District collected \$298,121 in 2021 from the water surcharge fee that was added to the Denver Water billing in 2018. This covered about 70% of the cost of water billing and O&M costs of \$430,570 in 2021. The District repaired additional valves and repaired multiple water main breaks in 2021.

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.

Investment income net of unrealized gains and losses income decreased by \$243,871 from \$239,192 in 2020 to **(\$4,679)** in 2021 due to changes in unrealized gains and losses and the decrease in interest rates from 2019.

Tap permit sales decreased 45.31 percent from \$119,437 in 2020 to \$65,320 for 2021.

Expenses for operation and maintenance of public water and sanitary sewer systems increased from \$510,180 in 2020 to \$614,596 in 2021. The District repaired additional valves and repaired multiple water main breaks in 2021. 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 2021 were \$419,471 which is approximately 22.7 percent higher than in 2020 due to changes in staff schedules. These costs constitute approximately 19.9 percent of the District's \$2,104,020 Total Operating Expenses without depreciation for 2021.

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, 2022 (Page 17)

Anticipated expenditures of \$4,262,174 were budgeted for 2022. In addition to the anticipated revenue of \$3,587,382 use of reserves in the amount of (\$674,892) was planned to realize budgeted expenses. Actual revenues of \$2,859,407 were under budget by (\$727,875) and actual expenditures of \$2,818,054 were under budget by \$1,444,120. At December 31, 2022, the District realized revenues over expenditures to transfer into reserves in the amount of \$41,353.

An amount of \$58,673 was used for 2022 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.

Approximately \$1.566 million of operating and capital expense budgets were not spent in 2022. 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.

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. Tap fee revenue collected in 2022 was lower than expected with \$31,240 collected vs \$71,800 that was budgeted.

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. There were no developer contributions for 2022.

Net Investment Income (loss) of (\$498,208) was significantly lower than the budgeted amount of \$122,450 in 2022 due to changes in unrealized gains and losses. 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

	<u>2020</u>	<u>Changes</u>	<u>2021</u>	<u>Changes</u>	<u>2022</u>
Capital Assets					
Land and Land Improvements	156,578	-	156,578	-	156,578
Construction in Progress	380,735	(318,875)	61,860	2,683	64,543
Water System	13,440,501	575,945	14,016,446	(11,863)	14,004,583
Sewer System	9,681,328	37,800	9,719,128	42,673	9,761,801
Building and Improvements	678,050	-	678,050	-	678,050
Office Furniture, Fixtures and Equipment	114,372	-	114,372	-	114,372
Information Management Systems	510,013	27,885	537,898	-	537,898
Total Capital Assets	<u>24,961,577</u>	<u>322,755</u>	<u>25,284,332</u>	<u>33,493</u>	<u>25,317,825</u>
Accumulated Depreciation	<u>(11,235,447)</u>	<u>(480,290)</u>	<u>(11,715,737)</u>	<u>(490,020)</u>	<u>(12,205,757)</u>
Total Capital Assets, Net	<u><u>13,726,130</u></u>	<u><u>(157,535)</u></u>	<u><u>13,568,595</u></u>	<u><u>(456,527)</u></u>	<u><u>13,112,068</u></u>

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.

2022 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 2022, \$33,493 was spent for capital improvements to the existing public water and sanitary sewer systems and appurtenances thereto.

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, 2022.

Known Present and Future Effects on District's Financial Condition

In 2023, the District is budgeting \$1.693 million for capital improvements for the District owned water and sanitary sewer systems including the Garland Street Sewer Extension. BCWSD will also participate in the cost of the CIPP sewer lining of the Green Mountain Outfall line for the District's share of the outfall line shared with Green Mountain Water and Sanitation District.

Notification was received in 2022 that the annual sewage treatment charges to be billed by Metro Water Recovery (formerly Metro Wastewater Reclamation District) for 2023 were to be \$641,174 which represents an 55.32% decrease from the 2022 sewage treatment charges of \$1,435,177. Sewer treatment charges fluctuate significantly from year to year due to the 3-year cycle methodology followed by Metro Water Recovery (MWR). Bear Creek Water and Sanitation District tracks these charges on an annual basis and smooths and adjusts anticipated rates for sewer fees accordingly.

The Board of Directors has identified and engaged in a deliberative process to prepare the budget annually and considers the following factors in the process of setting appropriate water and sanitary sewer rates:

- The District engaged an external consultant to perform the 2019 Rate Study Update, provided by Raftelis Financial Consultants. The District implemented a financial planning tool in 2020, developed by Gemsbok Consulting.
- Operations and Maintenance needs of the District-owned water and sanitary sewer systems which includes such projects as replacement or relining of sanitary sewer lines and the major repair or replacement of water distribution lines.
- The District's Master Plan which was updated in 2018.
- Capital Improvement Projects and Long-Term Planning
- Historical considerations

Following notification of the Metro Water Recovery (MWR) annual charges for 2023, the Board of Directors decided at the November 14, 2022 Board of Directors meeting not to increase the sanitary sewer rate for sewer utility fees over the 2022 sanitary sewer rate. It was determined that sewer billing rate is sufficient to recover 2023 MWR 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.

On November 14, 2022, the Bear Creek Water and Sanitation District Board of Directors voted unanimously to increase the \$6.00 water surcharge to \$7.00 per single family residential equivalent (SFRE) water surcharge to the Denver Water monthly billing beginning on January 1, 2023 to contribute towards the Operations and Maintenance (O&M) of the water distribution lines owned by the District. This was the first increase to the water surcharge since 2018 due to the rising costs of the operations and maintenance of the water system.

The District will continue to review the sewer rates and the water surcharge amount each year to determine if a rate increase is necessary. Due to the rising costs of services and materials, the District may be considering increases in water and sewer fees as they prepare the 2024 budget.

Each year, an ad valorem property tax is levied on the assessed valuation of real and personal property within the District. Upon the 2022 assessed valuation of \$222,321,833, a total net mill levy rate of 4.102 mills was certified in 2022 to Jefferson County for collection of \$911,964 in 2023. This levy includes general property taxes of \$981,773, a temporary revenue reduction of **(\$72,255)** and an additional amount of \$2,446 for refunds and abatements. The most restrictive TABOR limit on 2022 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 **(\$72,255)** has been certified for 2022, temporarily reducing the general mill levy rate to 4.102. Property tax revenue is classified under General Government for the purposes of TABOR compliance.

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.

The TABOR Amendment 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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 3,992,313	\$ 4,979,853
Accounts receivable	631,195	589,948
Property taxes receivable	915,772	867,330
Accrued interest receivable	27,423	15,993
Prepaid expenses	1,093	6,424
Deposits and investments	2,000,474	1,155,088
Total current assets	<u>7,568,270</u>	<u>7,614,636</u>
Noncurrent assets:		
Deposits and investments	10,698,237	10,588,005
Prepaid conduit participation fees	208,511	212,721
Capital assets:		
Capital assets, not being depreciated	221,121	218,438
Capital assets, being depreciated, net	12,890,947	13,350,157
Total capital assets	<u>13,112,068</u>	<u>13,568,595</u>
Total noncurrent assets	<u>24,018,816</u>	<u>24,369,321</u>
Total assets	<u>31,587,086</u>	<u>31,983,957</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	<u>73,445</u>	<u>102,925</u>
Noncurrent liabilities:		
Deposits held for future capital projects	86,874	86,874
Imprest and KEMO projects held	30,000	30,749
Total noncurrent liabilities	<u>116,874</u>	<u>117,623</u>
Total liabilities	<u>190,319</u>	<u>220,548</u>
Deferred Inflows of Resources:		
Deferred property taxes	<u>911,964</u>	<u>863,432</u>
Net position:		
Net investment in capital assets	13,112,068	13,568,595
Restricted	35,240	35,240
Unrestricted	<u>17,337,495</u>	<u>17,296,142</u>
Total net position	<u>\$ 30,484,803</u>	<u>\$ 30,899,977</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Sewer fees	\$ 2,062,541	\$ 2,062,083
Water surcharge fees	298,389	298,121
Fees and permits	5,700	6,050
Reimbursements	17,557	21,702
Total operating revenues	<u>2,384,187</u>	<u>2,387,956</u>
Operating expenses:		
Sewage treatment	1,442,951	800,701
Repairs and maintenance - water and sewer systems	537,664	614,596
Repairs and maintenance - buildings and grounds	17,941	14,145
Salaries, wages and contract services	300,974	285,953
Payroll taxes and employee benefits	137,334	133,518
Engineering	143,863	95,453
Conferences, training, and public relations	12,193	7,589
Legal	22,749	22,313
Memberships, dues, and miscellaneous	6,866	6,549
Election	446	-
Bank service charges	10,243	11,357
Insurance	21,594	18,301
Telephone and utilities	18,804	17,538
Office supplies and expenses	24,800	26,342
Directors' fees	6,200	6,500
Audit expense	9,172	9,166
Rate study	4,905	-
Billing expense	27,012	31,746
Reimbursable expenses	2,244	2,253
Total operating expenses	<u>2,747,955</u>	<u>2,104,020</u>
Operating income before depreciation	<u>(363,768)</u>	<u>283,936</u>
Depreciation	490,020	480,290
Net loss from operations	<u>(853,788)</u>	<u>(196,354)</u>
Non-operating revenues (expenses):		
Property taxes and specific ownership taxes	918,638	874,091
Net investment loss	(498,208)	(4,679)
County treasurer's fees	(13,056)	(12,298)
KEMO supplementary fees	-	1,800
Connection fees - MWR/Lakehurst	23,550	22,750
Reimbursements - MWR/Lakehurst	(23,550)	(22,750)
Total non-operating revenues	<u>407,374</u>	<u>858,914</u>
Income before capital contributions	<u>(446,414)</u>	<u>662,560</u>
Capital Contributions:		
Tap fees	31,240	65,320
Developer contributions of assets	-	76,000
Total capital contributions	<u>31,240</u>	<u>141,320</u>
Change in net position	<u>(415,174)</u>	<u>803,880</u>
Net position, beginning of year	<u>30,899,977</u>	<u>30,096,097</u>
Net position, end of year	<u>\$ 30,484,803</u>	<u>\$ 30,899,977</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,342,940	\$ 2,384,219
Cash paid to suppliers of goods and services	(2,341,096)	(2,016,782)
Cash paid to employees	(431,008)	(419,011)
Net cash used in operating activities	<u>(429,164)</u>	<u>(51,574)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(33,496)	(246,756)
Prepaid conduit participation fees reimbursed	4,210	8,927
Acquisition (repayment) of deposits held	(749)	882
Tap and participation fees collected	31,240	67,120
Net cash provided by (used in) capital and related financing activities	<u>1,205</u>	<u>(169,827)</u>
Cash flows from non-capital financing activities:		
Property taxes and specific ownership taxes received	918,728	875,039
County treasurer's fees	(13,056)	(12,298)
Net cash provided by non-capital financing activities	<u>905,672</u>	<u>862,741</u>
Cash flows from investing activities:		
Purchases of investments	(3,477,953)	(6,367,430)
Proceeds from sales and maturities of investments	1,819,000	3,789,000
Interest received	193,700	120,520
Net cash used in investing activities	<u>(1,465,253)</u>	<u>(2,457,910)</u>
Net decrease in cash and cash equivalents	(987,540)	(1,816,570)
Cash and cash equivalents, beginning of year	4,979,853	6,796,423
Cash and cash equivalents, end of year	<u>\$ 3,992,313</u>	<u>\$ 4,979,853</u>
Reconciliation of operating loss to net cash used in operations		
Net loss from operations	<u>\$ (853,788)</u>	<u>\$ (196,354)</u>
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation expense	490,020	480,290
(Increase) decrease in:		
Receivables	(41,247)	(3,737)
Prepaid expenses	5,331	(1,651)
(Decrease) increase in:		
Accounts payable and accrued expenses	(29,480)	(330,123)
Total adjustments	<u>424,624</u>	<u>144,779</u>
Net cash used in operating activities	<u>\$ (429,164)</u>	<u>\$ (51,575)</u>
Noncash investing activities:		
Fair value decrease in investments	<u>\$ (698,599)</u>	<u>\$ (131,593)</u>
Noncash capital activities:		
Developer contributions	<u>\$ -</u>	<u>\$ 76,000</u>

The accompanying notes are an integral part of these statements.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

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 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 accounting pronouncements which provide guidance for defining and reporting on the financial reporting entity. It defines component units as legally separate entities for which the elected 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. 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 as defined by the GASB.

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 services 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.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

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 US GAAP. 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, 2022 and 2021. The District considers all receivables collectible at December 31, 2022 and 2021, 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, 2022 and 2021

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 2022 or 2021.

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 an 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.

Long-Term Debt

At December 31, 2022 or 2021, the District had no authorized but unissued debt.

Estimates

The preparation of financial statements in conformity with US GAAP 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.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

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 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 US GAAP with the following exceptions: depreciation expense and developer contributions are 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, 2022 and 2021

3. Detailed Notes Concerning the Fund

Cash and Investments

Cash and investments are classified in the accompanying financial statements as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,992,313	\$ 4,979,853
Current assets:		
Certificates of deposit	745,007	345,000
U.S. Government Obligations and GSEs	<u>1,255,467</u>	<u>810,088</u>
Total current	<u>2,000,474</u>	<u>1,155,088</u>
Noncurrent assets:		
Certificates of deposit	1,988,052	3,412,007
U.S. Government Obligations and GSEs	<u>8,710,185</u>	<u>7,175,998</u>
Total non-current	<u>10,698,237</u>	<u>10,588,005</u>
Total cash and investments	\$ <u>16,691,024</u>	\$ <u>16,722,946</u>

Cash and investments consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Deposits with financial institutions	\$ 3,879,881	\$ 6,177,815
Investments	<u>12,811,143</u>	<u>10,545,131</u>
	\$ <u>16,691,024</u>	\$ <u>16,722,946</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, 2022 and 2021

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 Enterprise (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, 2022 and 2021, the District's investments in GSEs and U.S. Obligations were rated AA+ by Standard and Poor's and/or Aaa by Moody's. However, one of the District's U.S. Obligations was unrated by either rating agency at December 31, 2021. At December 31, 2022, the District's negotiable certificate of deposit was 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.

Government investment pools: The District invests in COLOTRUST, a local government investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options: COLOTRUST PRIME, COLOTRUST PLUS+ and COLOTRUST EDGE. At December 31, 2022 and 2021, the District had invested \$891,345 and \$878,938, respectively in COLOTRUST PRIME. At December 31, 2022 and 2021, the District had invested \$254,699 and \$250,319, 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 may invest in U.S. Treasury securities, U.S. government agencies, and repurchase agreements. COLOTRUST PLUS+ may also invest in 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. The weighted average maturity is 60 days or less. At December 31, 2022 and 2021, 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, 2022 and 2021

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, 2022 and 2021, the District had invested \$1,454,395 and \$1,429,788, 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, 2022 and 2021, Colorado Core had a credit rating of AA+/S1 by Fitch.

Concentration of Credit Risk: 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, 2022:

Investment Type	Maturities			Total Fair Value	% of Total Portfolio Held
	Less Than 1 Year	1-3 Years	3-5 Years		
Government investment pools	\$ 2,600,439	\$ --	\$ --	\$ 2,600,439	20.3%
Negotiable CD	--	245,052	--	245,052	1.9%
US Treasury Notes	741,425	1,855,259	--	2,596,684	20.3%
Federal Home Loan Bank	--	4,717,491	747,636	5,465,127	42.7%
Federal Natl Mortgage Assoc	275,040	463,927	--	738,967	5.8%
Federal Home Loan Mortgage Corp	239,002	925,872	--	1,164,874	9.0%
	<u>\$ 3,855,906</u>	<u>\$ 8,207,601</u>	<u>\$ 747,636</u>	<u>\$ 12,811,143</u>	<u>100.0%</u>

The District held the following investments and concentrations as defined by GASB 40 at December 31, 2021:

Investment Type	Maturities			Total Fair Value	% of Total Portfolio Held
	Less Than 1 Year	1-3 Years	3-5 Years		
Government investment pools	\$ 2,559,045	\$ --	\$ --	\$ 2,559,045	24.3%
US Treasury Notes	810,088	501,611	709,514	2,021,213	19.2%
Federal Home Loan Bank	--	1,229,047	3,007,467	4,236,514	40.2%
Federal Natl Mortgage Assoc	--	494,942	--	494,942	4.7%
Federal Home Loan Mortgage Corp	--	1,233,417	--	1,233,417	11.6%
	<u>\$ 3,369,133</u>	<u>\$ 3,459,017</u>	<u>\$ 3,716,981</u>	<u>\$ 10,545,131</u>	<u>100.0%</u>

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

3. Detailed Notes Concerning the Fund (continued)

Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance, December 31, 2021	Increases	Decreases	Balance, December 31, 2022
Capital assets not being depreciated:				
Land and land improvements	\$ 156,578	\$ --	\$ --	\$ 156,578
Construction in progress	61,860	27,863	(25,180)	64,543
Total capital assets, not being depreciated	<u>218,438</u>	<u>27,863</u>	<u>(25,180)</u>	<u>221,121</u>
Capital assets being depreciated:				
Water system	14,016,446	--	(11,863)	14,004,583
Sewer system	9,719,128	42,673	--	9,761,801
Building and improvements	678,050	--	--	678,050
Office furniture, fixtures and equipment	114,372	--	--	114,372
Information management systems	537,898	--	--	537,898
	<u>25,065,894</u>	<u>42,673</u>	<u>(11,863)</u>	<u>25,096,704</u>
Less accumulated depreciation for:				
Water system	(6,970,636)	(274,027)	--	(7,244,663)
Sewer system	(4,136,829)	(183,505)	--	(4,320,334)
Building and improvements	(280,938)	(16,288)	--	(297,226)
Office furniture, fixtures and equipment	(92,835)	(8,495)	--	(101,330)
Information management systems	(234,499)	(7,705)	--	(242,204)
	<u>(11,715,737)</u>	<u>(490,020)</u>	<u>--</u>	<u>(12,205,757)</u>
Total capital assets being depreciated, net	<u>13,350,157</u>	<u>(447,347)</u>	<u>--</u>	<u>12,890,947</u>
Total capital assets, net	\$ <u>13,568,595</u>	\$ <u>(419,484)</u>	\$ <u>(37,043)</u>	\$ <u>13,112,068</u>

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

3. Detailed Notes Concerning the Fund (continued)

Capital Assets (continued)

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Balance, December 31, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2021</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 156,578	\$ --	\$ --	\$ 156,578
Construction in progress	380,735	36,583	(355,458)	61,860
Total capital assets, not being depreciated	<u>537,313</u>	<u>36,583</u>	<u>(355,458)</u>	<u>218,438</u>
Capital assets being depreciated:				
Water system	13,440,501	575,945	--	14,016,446
Sewer system	9,681,328	37,800	--	9,719,128
Building and improvements	678,050	--	--	678,050
Office furniture, fixtures and equipment	114,372	--	--	114,372
Information management systems	510,013	27,885	--	537,898
	<u>24,424,264</u>	<u>641,630</u>	<u>--</u>	<u>25,065,894</u>
Less accumulated depreciation for:				
Water system	(6,699,036)	(271,600)	--	(6,970,636)
Sewer system	(3,960,208)	(176,621)	--	(4,136,829)
Building and improvements	(264,651)	(16,287)	--	(280,938)
Office furniture, fixtures and equipment	(84,340)	(8,495)	--	(92,835)
Information management systems	(227,212)	(7,287)	--	(234,499)
	<u>(11,235,447)</u>	<u>(480,290)</u>	<u>--</u>	<u>(11,715,737)</u>
Total capital assets being depreciated, net	<u>13,188,817</u>	<u>161,340</u>	<u>--</u>	<u>13,350,157</u>
Total capital assets, net	\$ <u>13,726,130</u>	\$ <u>197,923</u>	\$ <u>(355,458)</u>	\$ <u>13,568,595</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, 2022, and 2021, 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.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

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. During the years ended December 31, 2022 and 2021, the District contributed \$17,666 and \$17,122, 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 a portion of their gross compensation. 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, 2022 and 2021, the District had five employees participating in the plan. During the years ended December 31, 2022 and 2021, the District contributed \$8,202 and \$8,565, 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, 2022 and 2021.

BEAR CREEK WATER AND SANITATION DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

5. Intergovernmental Agreements

Service Contract - Metro Water Recovery (MWR)

The District has an agreement with MWR, formerly the Metro Wastewater Reclamation District, 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>2022</u>	<u>2021</u>
Estimate for current year	\$ 1,054,929	\$ 879,456
Adjustments (positive) negative:		
Final second preceding year estimate to actual	186,911	(45,935)
Preliminary preceding year estimate to actual	<u>193,337</u>	<u>(44,362)</u>
Total annual charges	\$ <u>1,435,177</u>	\$ <u>789,159</u>

The 2023 sewage treatment estimate is \$953,713. The total net annual charge for 2023 is expected to be \$641,174 which includes a favorable 2021 final adjustment of \$171,859 and a favorable 2022 preliminary adjustment of \$140,680.

In addition, the District collects MWR tap connection fees for new connections, which are remitted to MWR quarterly. For the years ended, December 31, 2022 and 2021, the tap connection fees were \$23,550 and \$22,750, 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, 2022 and 2021.

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, 2022 and 2021, the amounts earned under this agreement were \$298,389 and \$298,121, respectively. This revenue is included in water surcharge fees in the Statement of Revenues, Expenses and Changes in Net Position.

5. Intergovernmental Agreements (continued)

Green Mountain Water and Sanitation District

The District entered into agreements with Green Mountain Water and Sanitation District (Green Mountain) dated April 9, 1973 and June 12, 1989, related to the construction and maintenance of certain outfall sewer lines and the sale of outflow capacity. Under the terms of the agreements, the District was granted the right to purchase flow capacity and ownership of certain outflow sewer lines constructed by Green Mountain. Green Mountain is responsible for the ongoing maintenance of these lines, the costs for which are shared with the District in accordance with the respective flow capacity ownership percentages.

Bancroft-Clover Water and Sanitation District

The District has a formal agreement with Bancroft-Clover Water and Sanitation District (Bancroft-Clover) dated April 11, 2011 for the shared use of a District sewer line. Based on the agreement, Bancroft-Clover is to reimburse the District for a pro-rata share of the District's fees charged by MWR together with the pro-rata share of the costs of operations and maintenance attributable to the provision of sanitary sewer services.

6. Commitments and Contingencies

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 2022 and 2021, \$2,990 and \$8,926, respectively, were collected which reduced the prepaid asset to \$208,511 and \$212,721, 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, 2022

	Original and Final Budget	Actual	Variance with Final
Revenues:			
Sewer fees	\$ 2,103,000	\$ 2,062,541	\$ (40,459)
Water surcharge fees	300,000	298,389	(1,611)
Property taxes and specific ownership taxes	923,432	918,638	(4,794)
Net investment income	122,450	(498,208)	(620,658)
Fees and permits	12,200	5,700	(6,500)
KEMO construction and supplementary fees	-	-	-
Reimbursements	4,000	17,557	13,557
Connection fees - MWR/Lakehurst	50,400	23,550	(26,850)
Tap fees	71,800	31,240	(40,560)
Total Revenues	<u>3,587,282</u>	<u>2,859,407</u>	<u>(727,875)</u>
Expenditures:			
Sewage treatment	1,063,703	1,442,951	(379,248)
Repairs and maintenance - water and sewer systems	623,000	537,664	85,336
Repairs and maintenance - buildings and grounds	18,540	17,941	599
Salaries, wages and contract services	297,434	300,974	(3,540)
Payroll taxes and employee benefits	157,667	137,334	20,333
Engineering	222,700	143,863	78,837
Conferences, training, and public relations	19,000	12,193	6,807
Legal	25,000	22,749	2,251
Memberships, dues, and miscellaneous	5,750	6,866	(1,116)
Election expense	15,100	446	14,654
Bank service charges	12,000	10,243	1,757
Insurance	22,275	21,594	681
Telephone and utilities	19,325	18,804	521
Office supplies and expenses	32,780	24,800	7,980
Directors' fees	8,000	6,200	1,800
Audit expense	9,100	9,172	(72)
Rate study	8,000	4,905	3,095
Billing expense	31,500	27,012	4,488
Reimbursable expenses	6,000	2,244	3,756
County treasurer's fees	14,500	13,056	1,444
MWR/Lakehurst tap fees paid	50,400	23,550	26,850
Capital outlay:			
Building and grounds improvements	10,000	-	10,000
Office furniture and equipment	50,000	-	50,000
Service Expansion Expense	1,347,740	-	1,347,740
KEMO capital and engineering	-	(25,180)	25,180
Sewer system capital improvements	192,660	58,673	133,987
Total Expenditures	<u>4,262,174</u>	<u>2,818,054</u>	<u>1,444,120</u>
Revenues over (under) expenditures	<u>\$ (674,892)</u>	<u>\$ 41,353</u>	<u>\$ 716,245</u>
Funds Available, Beginning of Year	<u>2,965,308</u>	<u>17,331,382</u>	<u>14,366,074</u>
Funds Available, End of Year	<u>\$ 2,290,416</u>	<u>\$ 17,372,735</u>	<u>\$ 15,082,319</u>

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, 2022

Revenue (budgetary basis)	\$ 2,859,407
Revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>2,859,407</u>
Expenditures (budgetary basis)	2,818,054
Depreciation	490,020
Disposal of Construction in progress	25,180
Capital outlay	<u>(58,673)</u>
Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>3,274,581</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ (415,174)</u></u>

The accompanying notes are an integral part of these statements.