

Bow Mar Water and Sanitation District

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

December 31, 2023 and 2022

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



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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, 2023 and 2022, 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, 2023 and 2022, 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 Opinion

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 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 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

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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 11, 2024

Basic Financial Statements

Bow Mar Water and Sanitation District
Statements of Net Position
December 31, 2023 and 2022

Assets	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 649,463	\$ 566,504
Investments	-	106,625
Accounts receivable	60,114	53,512
Property taxes receivable	471,862	379,027
Prepaid expenses	19,450	14,391
Total current assets	<u>1,200,889</u>	<u>1,120,059</u>
Noncurrent Assets:		
Water system	3,421,022	3,421,022
Sewer system	560,292	361,492
Total capital assets	<u>3,981,314</u>	<u>3,782,514</u>
Accumulated depreciation	(2,003,757)	(1,904,887)
Net capital assets	<u>1,977,557</u>	<u>1,877,627</u>
Total Assets	<u><u>3,178,446</u></u>	<u><u>2,997,686</u></u>
Liabilities		
Current Liabilities:		
Accounts payable	34,571	31,839
Accrued interest payable	475	627
Current portion of note payable	35,472	34,557
Unearned sewer revenue	5,448	5,448
Total current liabilities	<u>75,966</u>	<u>72,471</u>
Long-Term Liabilities:		
Note payable, net of current portion	71,987	107,459
Total long-term liabilities	<u>71,987</u>	<u>107,459</u>
Total Liabilities	<u>147,953</u>	<u>179,930</u>
Deferred Inflow of Resources:		
Deferred property tax revenue	471,862	379,027
Total deferred inflow of resources	<u>471,862</u>	<u>379,027</u>
Net Position		
Net Investment in capital assets	1,870,098	1,735,611
Restricted		
Debt service reserve	26,824	22,992
Emergency reserve	26,000	26,000
Unrestricted	635,709	654,126
Total Net Position	<u><u>\$ 2,558,631</u></u>	<u><u>\$ 2,438,729</u></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, 2023 and 2022

Water Operations	<u>2023</u>	<u>2022</u>
Revenues		
Water service fees	\$ 461,311	\$ 567,276
Direct water expenses		
Water purchases	446,076	565,988
Repairs and maintenance	49,661	51,132
Depreciation	93,521	93,521
Permits	155	-
Total operating expenses	<u>589,413</u>	<u>710,641</u>
Net water operations (loss)	<u>(128,102)</u>	<u>(143,365)</u>
Sewer Operations		
Revenue		
Sewer service fees	66,962	66,134
Direct sewer expenses		
Sewage treatment charges	68,955	71,420
Repairs and maintenance	29,274	38,089
Depreciation	5,349	1,499
Total operating expenses	<u>103,578</u>	<u>111,008</u>
Net sewer operations (loss)	<u>(36,616)</u>	<u>(44,874)</u>
Gross (Loss) From Operations	<u>(164,718)</u>	<u>(188,239)</u>
General and Administrative Expenses		
Accounting and audit	65,409	36,179
Insurance	3,214	3,166
Legal	5,205	4,223
Management fees	28,702	27,514
Intergovernmental contribution	20,134	20,134
Other	10,146	14,164
Total general and administrative expenses	<u>132,810</u>	<u>105,380</u>
Net (Loss) from Operations	<u>(297,528)</u>	<u>(293,619)</u>
Nonoperating Revenue and (Expense)		
Property taxes	377,779	388,145
Specific ownership taxes	25,484	25,213
Investment income	23,448	6,953
Miscellaneous	-	450
Interest expense	(3,611)	(4,652)
County Treasurers' fees	(5,670)	(5,829)
Total nonoperating revenue, net	<u>417,430</u>	<u>410,280</u>
Change in Net Position	119,902	116,661
Net Position—Beginning of Year	<u>2,438,729</u>	<u>2,322,068</u>
Net Position—End of Year	<u>\$ 2,558,631</u>	<u>\$ 2,438,729</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, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Cash received from customers	\$ 521,670	\$ 644,703
Cash paid to vendors	(729,257)	(816,332)
Net cash used by operating activities	(207,587)	(171,629)
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(198,800)	(256,684)
Note principal payments	(34,557)	(33,665)
Interest payments	(3,762)	(4,656)
Net cash used by capital and related financing activities	(237,119)	(295,005)
Cash Flows from Noncapital Financing Activities		
Property taxes	377,779	388,145
Specific ownership taxes	25,484	25,213
Miscellaneous	-	450
County Treasurers' fees	(5,670)	(5,829)
Cash flows provided by noncapital and related financing activities	397,593	407,979
Cash Flows from Investing Activities:		
Proceeds from maturity of investments	106,625	-
Interest received	23,448	6,953
Net cash provided by investing activities	130,073	6,953
Net Increase (Decrease) in Cash and Cash Equivalents	82,959	(51,702)
Cash and cash equivalents—beginning of year	566,504	618,206
Cash and cash equivalents—end of year	\$ 649,463	\$ 566,504
Reconciliation of operating (loss) to net cash provided (used) by operating activities		
Net (Loss) from operations	\$ (297,528)	\$ (293,619)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities		
Depreciation	98,870	95,020
Effects of changes in program assets and liabilities:		
Accounts receivable	(6,602)	11,293
Prepaid expenses	(5,059)	8,866
Accounts payable	2,732	6,811
Total adjustments	89,942	121,990
Net cash used by operating activities	\$ (207,587)	\$ (171,629)

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

Bow Mar Water and Sanitation District

Notes to Financial Statements

December 31, 2023 and 2022

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. Outlays for property and equipment are shown as increases in capital 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, 2023 and 2022

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, 2023 and 2022

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 15th by certification to the County Commissioners to put the tax lien on the individual properties as of January 1st of the following year. The County Treasurers collect the determined taxes during the ensuing calendar year. The taxes are payable by April 30th 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, 2023 and 2022 are classified in the accompanying financial statements as follows:

	2023	2022
Statement of net position:		
Cash and cash equivalents	\$ 649,463	\$ 566,504
Investments	-	106,625
	<u>\$ 649,463</u>	<u>\$ 673,129</u>

Cash and investments as of December 31, 2023 and 2022 consist of the following:

	2023	2022
Deposits with financial institutions	\$ 59,935	\$ 96,382
Cash with County Treasurers	1,629	1,790
Local government investment pool	587,899	468,332
Certificate of deposit	-	106,625
Total cash and investments	<u>\$ 649,463</u>	<u>\$ 673,129</u>

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2023 and 2022

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, 2023 and 2022, the District's bank deposits, including certificates of deposit, had carrying balances of \$59,935 and \$203,007, respectively. The bank balances were fully insured by FDIC as of December 31, 2023 and 2022.

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, 2023 and 2022

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, 2023 and 2022, the District had invested \$587,899 and \$468,332, 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, 2023 follows:

	Balance December 31, 2022	Increases	Decreases	Balance December 31, 2023
Capital assets, being depreciated:				
Water system	\$ 3,421,022	\$ -	\$ -	\$ 3,421,022
Sewer system	<u>361,492</u>	<u>198,800</u>	<u>-</u>	<u>560,292</u>
Total capital assets, being depreciated	<u>3,782,514</u>	<u>\$ 198,800</u>	<u>-</u>	<u>3,981,314</u>
Less accumulated depreciation for:				
Water system	(1,581,840)	(93,521)	-	(1,675,361)
Sewer system	<u>(323,047)</u>	<u>(5,349)</u>	<u>-</u>	<u>(328,396)</u>
Total accumulated depreciation	<u>(1,904,887)</u>	<u>(98,870)</u>	<u>-</u>	<u>(2,003,757)</u>
Total capital assets, being depreciated, net	<u>1,877,627</u>	<u>99,930</u>	<u>-</u>	<u>1,977,557</u>
Capital assets, net	<u>\$ 1,877,627</u>	<u>\$ 99,930</u>	<u>\$ -</u>	<u>\$ 1,977,557</u>

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2023 and 2022

4. Capital Assets (continued)

An analysis of the changes in net capital asset for the year ended December 31, 2022 follows:

	Balance December 31, 2022	Increases	Decreases	Balance December 31, 2023
Capital assets, not depreciated	\$ 83,908	\$ 256,684	\$ (340,592)	\$ -
Capital assets, being depreciated:				
Water system	\$ 3,080,430	\$ 340,592	\$ -	\$ 3,421,022
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>\$ 340,592</u>	<u>-</u>	<u>3,782,514</u>
Less accumulated depreciation for:				
Water system	(1,488,319)	(93,521)	-	(1,581,840)
Sewer system	<u>(321,548)</u>	<u>(1,499)</u>	<u>-</u>	<u>(323,047)</u>
Total accumulated depreciation	<u>(1,809,867)</u>	<u>(95,020)</u>	<u>-</u>	<u>(1,904,887)</u>
Total capital assets, being depreciated, net	<u>1,632,055</u>	<u>245,572</u>	<u>-</u>	<u>1,877,627</u>
Capital assets, net	<u>\$ 1,715,963</u>	<u>\$ 502,256</u>	<u>\$ (340,592)</u>	<u>\$ 1,877,627</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, 2023 and 2022:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Due Within One Year
Colorado Water Conservation Board Loan	<u>\$ 142,016</u>	<u>\$ -</u>	<u>\$ (34,557)</u>	<u>\$ 107,459</u>	<u>\$ 35,472</u>

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Due Within One Year
Colorado Water Conservation Board Loan	<u>\$ 175,681</u>	<u>\$ -</u>	<u>\$ (33,665)</u>	<u>\$ 142,016</u>	<u>\$ 34,557</u>

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2023 and 2022

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. As of December 31, 2023, the District had accumulated \$26,824 in accordance with this requirement, and restricted net position accordingly.

Annual debt service requirement on the loan are as follows:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 35,472	\$ 2,848	\$ 38,320
2025	36,413	1,907	38,320
2026	<u>35,574</u>	<u>943</u>	<u>36,517</u>
	<u>\$ 107,459</u>	<u>\$ 5,698</u>	<u>\$ 113,157</u>

Debt Authorization

At December 31, 2023 and 2022, the District had no authorized but unissued indebtedness.

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, 2023 and 2022, the District had net investment in capital assets calculated as follows:

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2023 and 2022

6. Net Position (continued)

	<u>2023</u>	<u>2022</u>
Capital assets, net	\$ 1,977,557	\$ 1,877,627
Note payable	<u>(107,459)</u>	<u>(142,016)</u>
Net investment in capital assets	<u>\$ 1,870,098</u>	<u>\$ 1,735,611</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, 2023 and 2022, for emergency reserves (see Note 9). Additionally, the District had restricted net position of \$26,824 and \$22,992 as of December 31, 2023 and 2022, 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, 2023. 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, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022

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.

This information is an integral part of the accompanying financial statements.

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, 2023

	<u>Original Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenue			
Water sales	\$ 593,166	\$ 461,311	\$ (131,855)
Sewer charges	69,762	66,962	(2,800)
Property taxes	379,027	377,779	(1,248)
Specific ownership taxes	26,900	25,484	(1,416)
Net investment income	448	23,448	23,000
Miscellaneous	3,000	-	(3,000)
Total revenue	<u>1,072,303</u>	<u>954,984</u>	<u>(117,320)</u>
Expenditures			
Water purchases	587,413	446,076	141,337
Water main maintenance	77,274	49,661	27,613
Meter reading and permits	-	155	(155)
Sewage treatment charges	62,677	68,955	(6,278)
Sewer repairs and maintenance	40,160	29,274	10,886
Accounting and audit	34,941	65,409	(30,468)
Insurance	3,150	3,214	(64)
Legal	2,370	5,205	(2,835)
Management fees	35,000	28,702	6,298
Other	9,717	10,147	(430)
County Treasurers' fees	3,629	5,670	(2,041)
Debt service	38,321	38,319	2
Capital outlay	230,304	198,800	31,504
Contribution to other government entity	19,500	20,134	(634)
Contingency	25,000	-	25,000
Total expenditures	<u>1,169,456</u>	<u>969,721</u>	<u>199,735</u>
Excess of Revenue Over (Under) Expenditures	<u>(97,153)</u>	<u>(14,737)</u>	<u>82,415</u>
Funds Available — Beginning of Year	<u>693,019</u>	<u>703,745</u>	<u>10,726</u>
Funds Available — End of Year	<u>\$ 595,866</u>	<u>\$ 689,008</u>	<u>\$ 93,141</u>

Funds available at December 31, 2023 is computed as follows:

Current assets	\$ 1,200,889
Current liabilities (excluding accrued interest and current portion of note payable) and deferred inflows of resources	<u>(511,881)</u>
	<u>\$ 689,008</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, 2023**

Revenue (budgetary basis)	<u>\$ 954,984</u>
Revenue per statement of revenues, expenses and changes in net position	<u>954,984</u>
Expenditures (budgetary basis)	969,721
Capital outlay	(198,800)
Depreciation	98,870
Change in accrued interest	(152)
Debt principal payments	<u>(34,557)</u>
Total expenses per statement of revenues, expenses and changes in net position	<u>835,082</u>
Change in net position per statement of revenues, expenses and changes in net position	<u><u>\$ 119,902</u></u>

Other Information

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

<u>Year Ended December 31st,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied General</u>	<u>Total Property Taxes</u>		<u>Percent Collected 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%
2022	\$ 34,435,915	11.317	\$ 389,711	\$ 388,145	99.60%
2023	\$ 33,491,859	11.317	\$ 379,027	\$ 377,779	99.67%
Estimated for the year ending 12/31/2024	\$ 41,694,993	11.317	\$ 471,862		

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.