

Financial Statements and  
Independent Auditor's Report  
**Bailey Water and Sanitation District**  
December 31, 2024

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Bailey Water and Sanitation District  
Bailey, Colorado

### **Opinion**

We have audited the accompanying financial statements of the business-type activities Bailey Water and Sanitation District (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the 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 financial position of the business-type activities of the District, as of December 31, 2024, and the changes in financial position, and, where applicable, cash flows thereof for the year 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 opinion.

### **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 opinion. 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 accounting principles generally accepted in the United States of America require to be present to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by this missing information.

*Logan, Thomas + Johnson, LLC*

Castle Rock, Colorado  
September 29, 2025

Bailey Water and Sanitation District  
STATEMENT OF NET POSITION  
December 31, 2024

ASSETS

Current assets

Cash and cash equivalents	\$ 395,392
Property taxes receivable	129,976
Other receivables, net	19,869
Prepaid expenses	15,481
Total current assets	560,718

Non-current assets

Capital assets, net of accumulated depreciation	664,860
Total assets	1,225,578

LIABILITIES

Current liabilities

Accounts payable and accrued liabilities	63,002
Total current liabilities	63,002
Total liabilities	63,002

DEFERRED INFLOWS OF RESOURCES

Property taxes	129,976
Total deferred inflows of resources	129,976

NET POSITION

Net investment in capital assets	664,860
Restricted for emergencies	11,199
Unrestricted	356,541
Total net position	\$ 1,032,600

The accompanying notes are an integral part of this statement.

Bailey Water and Sanitation District  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year ended December 31, 2024

Operating Revenues		
Service charges		\$ 168,050
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Total operating revenues		168,050
Operating Expenses		
General operating and administrative		45,734
Personnel and related expenses		76,582
Contract services		88,417
Repair and maintenance		132,434
Supplies		61,905
Utilities		21,591
Other services		18,928
Depreciation		23,509
		<hr/>
Total operating expenses		469,100
		<hr/>
Operating loss		(301,050)
Non-Operating Revenues (Expenses)		
Property taxes		130,518
Specific ownership taxes		12,071
Investment income		23,070
Treasurer fees		(3,895)
Other non-operating revenues		39,588
		<hr/>
Net non-operating revenues		201,352
		<hr/>
CHANGE IN NET POSITION		(99,698)
NET POSITION - beginning of the year		1,132,298
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NET POSITION - end of the year		\$ 1,032,600
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The accompanying notes are an integral part of this statement.

Bailey Water and Sanitation District  
STATEMENT OF CASH FLOWS  
For the Year ended December 31, 2024

Cash flows from operating activities	
Receipts from customers	\$ 166,328
Payments to or on behalf of employees	(72,686)
Payments to suppliers for goods and services	(360,389)
Net cash used by operating activities	(266,747)
Cash flows from noncapital financing activities	
Property and specific ownership tax receipts	142,589
Treasurer fees paid	(3,895)
Receipts of non-operating grants and state tax reimbursements	39,588
Net cash provided by noncapital financing activities	178,282
Cash flows from capital and related financing activities	
Purchases of capital assets	(106,588)
Cash flows from investing activities	
Investment earnings	23,070
Increase in cash and cash equivalents	(171,983)
Cash and cash equivalents - beginning of the year	567,375
Cash and cash equivalents - end of the year	\$ 395,392
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (301,050)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	23,509
Changes in assets and liabilities:	
Other receivables, net	(1,722)
Prepaid expenses	(4,493)
Accounts payable and accrued liabilities	17,009
Net cash used by operating activities	\$ (266,747)

The accompanying notes are an integral part of this statement.

Bailey Water and Sanitation District  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024

NOTE 1 – REPORTING ENTITY

The Bailey Water and Sanitation District (District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Park County, Colorado. The District was established to provide water and sanitation services.

The District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. The District is not a component unit of any other governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of accounting and measurement focus*

The District is reported as a special-purpose government engaged in business-type activities (BTA). The financial statements of the District have been presented using the economic resources management focus and full accrual basis. Under the accrual basis of accounting, all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

B. *Budgets*

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

C. *Cash and cash equivalents*

The District's cash and cash equivalents are considered to be cash on hand, cash in bank, demand deposits, time deposits, and investments with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, investments are reported at fair value or amortized cost. Fair values are based on published market rates. The governing board has designated public funds investment pools comprised of \$379,686 as of December 31, 2024 to be cash equivalents.

D. *Capital assets*

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The District's capitalization policy includes real or personal property with a value equal to or greater than \$2,500 and has an estimated life of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred. The District reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Bailey Water and Sanitation District  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. *Capital assets - continued*

Buildings and systems	3-50 years
Furniture, machinery, vehicles and other equipment	5-10 years

E. *Deferred inflows*

In addition to liabilities, the District is aware that 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 periods and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by generally accepted accounting principles.

F. *Property taxes*

Property taxes attached as a lien on property on January 1, are certified to the county by December 15th and are levied the following January 1st. Property taxes are payable in full by April 30th, or in two equal installments due February 28th and June 15th. Taxes collected by the county are remitted to the District by the 10th of the following month. Property taxes are reported as receivables and deferred inflows when lienied and as revenue when collected in the following year.

G. *Estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. *Operating and non-operating revenue and expense policy*

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are charges for water and sanitation services. The major non-operating revenues are property tax collections. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Bailey Water and Sanitation District  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS

The carrying amount of the District’s deposits at December 31, 2024 was \$15,706. Total bank balances at December 31, 2024 were \$61,440. Of the bank balances, all were covered by federal deposit insurance. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 per depositor, per insured bank, for each account ownership category.

Deposits as reported on the Statement of Net Position, consist of demand deposits as of December 31, 2024.

Reconciliation of deposits and investments to the Statement of Net Position as of December 31, 2024

Total deposits and investments:

Per Statement of Net Position:

Cash and cash equivalents	\$ 395,392
Total deposits and investments	<u>\$ 395,392</u>

Per Note 3:

Deposits	\$ 15,706
Investments	<u>379,686</u>
Total	<u>\$ 395,392</u>

As of December 31, 2024, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Amount</u>	Investment Maturities (in Years)
Investment Pool	<u>\$ 379,686</u>	<u>Less than 1</u> <u>\$ 379,686</u>

**Local Government Investment Pools** - As of December 31, 2024, the District had \$379,686 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAM by Standard and Poor's. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colotrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice paid.

**Interest Rate Risk** – In accordance with state law, the District does not purchase any investments with maturities greater than five years.

**Credit Risk** – In accordance with state law, investments in investment pools must be rated at least AAA. The District’s investment pools are rated AAAM.

Bailey Water and Sanitation District  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024

NOTE 3 – DEPOSITS AND INVESTMENTS – Continued

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

- Obligations of the United States and certain U.S. government agency securities,
- Certain international agency securities,
- General obligation and revenue bonds of U.S. local government entities,
- Bankers’ acceptances of certain banks,
- Commercial paper,
- Written repurchase agreements collateralized by certain authorized securities,
- Certain money market funds,
- Guaranteed investment contracts, and
- Local government investment pools.

NOTE 4 – OTHER RECEIVABLES

Other receivables at December 31, 2024 consisted of accounts receivable of \$20,807 less an allowance for uncollectible accounts of \$938.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2024 was as follows:

	Balance January 1, <u>2024</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2024</u>
Not depreciated:				
Water rights	\$ 22,023	\$ -	\$ -	\$ 22,023
Land	7,969	-	-	7,969
Construction in process	<u>120,187</u>	<u>99,247</u>	-	<u>219,434</u>
Subtotal	<u>150,179</u>	<u>99,247</u>	-	<u>249,426</u>
Buildings and other capital assets				
Buildings and systems	1,407,170	-	-	1,407,170
Furniture, machinery, and equipment	<u>14,228</u>	<u>7,341</u>	-	<u>21,569</u>
Total buildings and other capital assets	<u>1,421,398</u>	<u>7,341</u>	-	<u>1,428,739</u>
Accumulated depreciation				
Buildings and systems	(977,064)	(22,526)	-	(999,590)
Furniture, machinery, and equipment	<u>(12,732)</u>	<u>(983)</u>	-	<u>(13,715)</u>
Total buildings and other capital assets	<u>(989,796)</u>	<u>(23,509)</u>	-	<u>(1,013,305)</u>
Net capital assets	<u>\$ 581,781</u>	<u>\$ 83,079</u>	<u>\$ -</u>	<u>\$ 664,860</u>

Bailey Water and Sanitation District  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024

NOTE 6 – RISK MANAGEMENT

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

The District pays annual premiums to the Colorado Special Districts Property and Liability Pool (the Pool) for Workers' Compensation coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on a basis proportionate to other members.

NOTE 7 – TAX SPENDING AND DEBT LIMITATION

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. Enterprises, defined by TABOR 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.

TABOR establishes 1992 as the initial base for spending and revenue limits. Future spending and revenue limits can be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending (excluding bonded debt service). Excess funds within the spending and revenue limits can be reserved for general use and, when spent in subsequent years, are not subject to the spending limits mentioned above. The District's TABOR reserve at December 31, 2024 is \$11,199.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing taxes or spending above the limits prescribed above, increasing a mill levy, extending an expiring tax or implementing a tax policy change directly causing a net tax revenue gain to any local government. Multiple fiscal year debt requires voter approval, except for bond refinancing at lower interest rates or adding employees to existing pension plans.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors and qualifications as an Enterprise, will require judicial interpretation.