Bow Mar Water and Sanitation District

Annual Financial Report
and Independent Auditor's Report

December 31, 2025 and 2024

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) 13

Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position 14

Other Information

Summary of Assessed Valuation, Mill Levy and Property Taxes Collected 15

SCHILLING & COMPANY, INC.
Certified Public Accountants

P.O. Box 631579
Highlands Ranch, CO 80163
Phone: 720.348.1086
Fax: 720.348.2920

Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of Bow Mar Water and Sanitation District (District) as of and for the years ended December 31, 2025 and 2024, 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, 2025 and 2024, 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 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 governmental accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information, as listed in the table of contents, 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 9, 2026

Basic Financial Statements

Bow Mar Water and Sanitation District
Statements of Net Position
December 31, 2025 and 2024

Assets	2025	2024
Current Assets:		
Cash and cash equivalents	$ 991,299	$ 672,444
Accounts receivable	57,456	64,629
Property taxes receivable	507,039	472,154
Prepaid expenses	17,910	17,616
Total current assets	1,573,704	1,226,843
Noncurrent Assets:		
Construction in progress	6,766	-
Water system	3,733,296	3,733,296
Sewer system	634,584	621,884
Total capital assets	4,374,646	4,355,180
Accumulated depreciation	(2,219,187)	(2,107,921)
Net capital assets	2,155,459	2,247,259
Total Assets	3,729,163	3,474,102
Liabilities		
Current Liabilities:		
Accounts payable	30,712	21,713
Accrued interest payable	157	318
Current portion of note payable	35,575	36,412
Unearned sewer revenue	5,448	5,448
Total current liabilities	71,892	63,891
Long-Term Liabilities:		
Note payable, net of current portion	-	35,575
Total long-term liabilities	-	35,575
Total Liabilities	71,892	99,466
Deferred Inflow of Resources:		
Deferred property tax revenue	507,039	472,154
Total deferred inflow of resources	507,039	472,154
Net Position		
Net Investment in capital assets	2,119,884	2,175,272
Restricted		
Debt service reserve	34,488	30,656
Emergency reserve	26,000	26,000
Unrestricted	969,860	670,554
Total Net Position	$ 3,150,232	$ 2,902,482

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, 2025 and 2024

Water Operations	**2025**	**2024**
Revenues		
Water service fees	$ 653,736	$ 653,160
Direct water expenses		
Water purchases	627,179	634,354
Repairs and maintenance	43,419	67,831
Depreciation	102,297	96,399
Permits	175	175
Total operating expenses	773,070	798,759
Net water operations (loss)	(119,334)	(145,599)
Sewer Operations		
Revenue		
Sewer service fees	77,045	72,060
Direct sewer expenses		
Sewage treatment charges	74,451	74,188
Repairs and maintenance	52,014	47,188
Depreciation	8,969	7,765
Total operating expenses	135,434	129,141
Net sewer operations (loss)	(58,389)	(57,081)
Gross (Loss) From Operations	(177,723)	(202,680)
General and Administrative Expenses		
Accounting and audit	52,327	55,508
Insurance	3,642	3,738
Legal	5,375	5,138
Management fees	24,734	19,538
Intergovernmental contribution	-	20,134
Other	17,329	15,433
Total general and administrative expenses	103,407	119,489
Net (Loss) from Operations	(281,130)	(322,169)
Nonoperating Revenue and (Expense)		
Property taxes	470,768	485,515
Specific ownership taxes	27,533	28,607
Investment income	33,353	35,171
Transfer fees and miscellaneous	2,026	1,360
Interest expense	(1,747)	(2,691)
County treasurers' fees	(7,073)	(7,292)
Total nonoperating revenue, net	524,860	540,670
Capital Contributions		
Connection fees	4,020	350
Intergovernmental contribution - water system improvements	-	125,000
Total capital contributions	4,020	125,350
Change in Net Position	247,750	343,851
Net Position—Beginning of Year	2,902,482	2,558,631
Net Position—End of Year	$ 3,150,232	$ 2,902,482

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, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities:		
Cash received from customers	$ 737,954	$ 720,706
Cash paid to vendors	(891,940)	(954,248)
Net cash used by operating activities	(153,986)	(233,542)
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(19,466)	(373,868)
Note principal payments	(36,412)	(35,472)
Interest payments	(1,908)	(2,848)
Connection fees	4,020	350
Intergovernmental revenues	-	125,000
Net cash used by capital and related financing activities	(53,766)	(286,838)
Cash Flows from Noncapital Financing Activities		
Property taxes	470,768	485,515
Specific ownership taxes	27,533	28,607
Transfer fees and miscellaneous	2,026	1,360
County Treasurers' fees	(7,073)	(7,292)
Cash flows provided by noncapital and related financing activities	493,254	508,190
Cash Flows from Investing Activities:		
Interest received	33,353	35,171
Net cash provided by investing activities	33,353	35,171
Net Increase in Cash and Cash Equivalents	318,855	22,981
Cash and cash equivalents—beginning of year	672,444	649,463
Cash and cash equivalents—end of year	$ 991,299	$ 672,444
Reconciliation of operating (loss) to net cash provided (used) by operating activities		
Net (Loss) from operations	$ (281,130)	$ (322,169)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities		
Depreciation	111,266	104,164
Effects of changes in program assets and liabilities:		
Accounts receivable	7,173	(4,514)
Prepaid expenses	(294)	1,835
Accounts payable	8,999	(12,858)
Total adjustments	127,144	88,628
Net cash used by operating activities	$ (153,986)	$ (233,542)

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

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.

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 non-operating revenues and expenses.

2. Summary of Significant Accounting Policies (continued)

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

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 1st 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.

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standard

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures ("Statement 102"). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

3. Cash and Investments

Cash and investments as of December 31, 2025 and 2024 are classified in the accompanying financial statements as follows:

	2025	2024
Statement of net position:		
Cash and cash equivalents	$ 991,299	$ 672,444
	$ 991,299	$ 672,444

Cash and investments as of December 31, 2025 and 2024 consist of the following:

	2025	2024
Deposits with financial institutions	$ 162,189	$ 162,270
Cash with County Treasurers	2,334	2,716
Local government investment pool	826,776	507,458
Total cash and investments	$ 991,299	$ 672,444

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.

3. Cash and Investments (continued)

At December 31, 2025 and 2024, the District's bank deposits had carrying balances of $162,189 and $162,270, respectively. The bank balances were fully insured by FDIC as of December 31, 2025 and 2024.

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
- 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, 2025 and 2024, the District had invested $826,776 and $507,458, 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, 2025 follows:

	Balance December 31, 2024	Increases	Decreases	Balance December 31, 2025
Capital assets not depreciated:				
Construction in progress	$ -	$ 6,766	$ -	$ 6,766
Total capital assets not depreciated	-	6,766	-	6,766
Capital assets, being depreciated:				
Water system	3,733,296	-	-	3,733,296
Sewer system	621,884	12,700	-	634,584
Total capital assets, being depreciated	4,355,180	12,700	-	4,367,880
Less accumulated depreciation for:				
Water system	(1,771,760)	(102,297)	-	(1,874,057)
Sewer system	(336,161)	(8,969)	-	(345,130)
Total accumulated depreciation	(2,107,921)	(111,266)	-	2,219,187)
Total capital assets being depreciated, net	2,247,259	(98,566)	-	2,148,693
Total capital assets, net	$ 2,247,259	$ (91,800)	$ -	$ 2,155,459

An analysis of the changes in net capital assets for the year ended December 31, 2024 follows:

	Balance December 31 2023	Increases	Decreases	Balance December 31, 2024
Capital assets, being depreciated:				
Water system	$ 3,421,022	$ 312,274	$ -	$ 3,733,296
Sewer system	560,292	61,592		621,884
Total capital assets, being depreciated	3,981,314	373,866		4,355,180
Less accumulated depreciation for:				
Water system	(1,675,361)	(96,399)		(1,771,760)
Sewer system	(328,396)	(7,765)		(336,161)
Total accumulated depreciation	(2,003,757)	(104,164)		(2,107,921)
Total capital assets, being depreciated, net	1,977,557	269,702		2,247,259
Capital assets, net	$ 1,977,557	$ 269,702	$ -	$ 2,247,259

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, 2025 and 2024:

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Due Within One Year
Colorado Water Conservation Board Loan	$ 71,987	$ -	$ (36,412)	$ 35,575	$ 35,575

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Due Within One Year
Colorado Water Conservation Board Loan	$ 107,459	$ -	$ (35,472)	$ 71,987	$ 36,412

The details of the District's loan payable are:

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, 2025, the District had accumulated $34,488 in accordance with this requirement, and restricted net position accordingly.

Annual debt service requirements on the loan are as follows:

Year	Principal	Interest	Total
2026	$ 35,575	$ 943	$ 36,518
	$ 35,575	**$ 943**	**$ 36,518**

Debt Authorization

At December 31, 2025 and 2024, 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, 2025 and 2024, the District had net investment in capital assets calculated as follows:

	2025	2024
Capital assets, net	$ 2,155,459	$ 2,247,259
Note payable	(35,575)	(71,987)
Net investment in capital assets	$ 2,119,884	$ 2,175,272

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, 2025 and 2024, for emergency reserves (see Note 10). Additionally, the District had restricted net position of $34,488 and $30,656 as of December 31, 2025 and 2024, 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. Intergovernmental Agreements

The District entered into an intergovernmental agreement (“IGA”) with the Town of Bow Mar (the “Town”) to receive funds awarded to the Town under American Rescue Plan Act (“ARPA”). The Town agreed to transfer one hundred and twenty-five thousand dollars ($125,000) to the District to fund water line improvements within the District. The agreement provided that the District spend the funds on identified water line improvements within the calendar year 2024, or the District would be required to return the funds. The District spent all funds received on water line improvements during the year ended December 31, 2024.

9. 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, 2025. 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.

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.

10. 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, 2025 and 2024, 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.

10. Tax, Spending and Debt Limitations (continued)

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

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

Supplementary Information

Bow Mar Water and Sanitation District

Schedule of Revenue, Expenditures and Changes in Funds Available — Budget and Actual (Budgetary Basis)

For the Year Ended December 31, 2025

	Original Budget Amounts	Actual Amounts	Variance with Final Budget -
Revenue			
Water sales	$ 653,958	$ 653,736	$ (222)
Sewer charges	73,838	77,045	3,207
Property taxes	472,154	470,768	(1,386)
Specific ownership taxes	30,690	27,533	(3,157)
Water tap fees	-	4,020	4,020
Transfer fees and miscellaneous	1,500	2,026	526
Net investment income	22,400	33,353	10,953
Total revenue	1,254,540	1,268,481	13,941
Expenditures			
Water purchases	683,366	627,179	56,187
Water main maintenance	31,865	43,419	(11,554)
Meter reading and permits	200	175	25
Sewage treatment charges	78,956	74,451	4,505
Sewer repairs and maintenance	54,795	52,014	2,781
Accounting and audit	55,277	52,327	2,950
Insurance	3,850	3,642	208
Legal	6,413	5,375	1,038
Management fees	27,932	24,734	3,198
Other	19,577	17,329	2,248
County treasurers' fees	7,100	7,073	27
Debt service	38,320	38,320	-
Capital outlay	70,000	19,466	50,534
Contingency	25,000	-	25,000
Total expenditures	1,102,651	965,504	137,147
Excess of Revenue Over (Under) Expenditures	151,889	302,977	151,088
Funds Available — Beginning of Year	687,482	727,528	40,046
Funds Available — End of Year	$ 839,371	$ 1,030,505	$ 191,134

Funds available at December 31, 2025 is computed as follows:

Current assets	$ 1,573,704
Current liabilities (excluding accrued interest and current portion of note payable) and deferred inflows of resources	(543,199)
	$ 1,030,505

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, 2025

Revenue (budgetary basis)	$ 1,268,481
Revenue per statement of revenues, expenses and changes in net position	1,268,481
Expenditures (budgetary basis)	965,504
Capital outlay	(19,466)
Depreciation	111,266
Change in accrued interest	(161)
Debt principal payments	(36,412)
Total expenses per statement of revenues, expenses and changes in net position	1,020,731
Change in net position per statement of revenues, expenses and changes in net position	$ 247,750

Other Information

Bow Mar Water and Sanitation District

Summary of Assessed Valuation, Mill Levy and Property Taxes Collected For the Years Ended December 31st

Year Ended December 31st,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
		General	Levied	Collected	
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%
2024	$ 41,694,993	11.317	$ 471,862	$ 485,515	102.89%
2025	$ 41,720,759	11.317	$ 472,154	$ 470,768	99.71%
Estimated for the year ending 12/31/2026	$ 44,803,349	11.317	$ 507,039		

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