

Bow Mar Water and Sanitation District

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

December 31, 2020 and 2019

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Independent Auditor's Report

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

Report for the Financial Statements

We have audited the accompanying financial statements of Bow Mar Water and Sanitation District (District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020 and 2019, 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.

Other Matters

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 17, 2021

Basic Financial Statements

Bow Mar Water and Sanitation District
Statements of Net Position
December 31, 2020 and 2019

Assets	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 626,808	\$ 485,083
Investments	106,625	105,182
Accounts receivable	45,653	47,811
Property taxes receivable	330,369	329,385
Prepaid expenses	21,149	21,759
Total current assets	<u>1,130,604</u>	<u>989,220</u>
Noncurrent Assets:		
Water system	3,080,430	3,080,430
Sewer system	361,492	361,492
Total capital assets	3,441,922	3,441,922
Accumulated depreciation	<u>(1,724,458)</u>	<u>(1,638,467)</u>
Net capital assets	<u>1,717,464</u>	<u>1,803,455</u>
Total Assets	<u>2,848,068</u>	<u>2,792,675</u>
Liabilities		
Current Liabilities:		
Accounts payable	48,077	21,898
Accrued interest payable	921	1,333
Current portion of note payable	32,795	31,949
Unearned sewer revenue	5,355	5,256
Total current liabilities	<u>87,148</u>	<u>60,436</u>
Long-Term Liabilities:		
Note payable, net of current portion	<u>175,681</u>	<u>208,476</u>
Total long-term liabilities	<u>175,681</u>	<u>208,476</u>
Total liabilities	<u>262,829</u>	<u>268,912</u>
Deferred Inflow of Resources:		
Deferred property tax revenue	<u>330,369</u>	<u>329,385</u>
Total deferred inflow of resources	<u>330,369</u>	<u>329,385</u>
Net Position		
Net Investment in capital assets	1,508,988	1,563,030
Restricted		
Debt service reserve	15,328	11,496
Emergency reserve	26,000	20,000
Unrestricted	<u>704,554</u>	<u>599,852</u>
Total Net Position	<u>\$ 2,254,870</u>	<u>\$ 2,194,378</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Water Operations		
Revenues		
Water service fees	\$ 546,595	\$ 422,033
Direct water expenses		
Water purchases	589,304	459,797
Repairs and maintenance	26,653	21,310
Depreciation	84,492	84,436
Permits	155	155
Total operating expenses	<u>700,604</u>	<u>565,698</u>
Net water operations (loss)	<u>(154,009)</u>	<u>(143,665)</u>
Sewer Operations		
Revenue		
Sewer service fees	<u>63,734</u>	<u>62,258</u>
Direct sewer expenses		
Sewage treatment charges	62,417	60,017
Repairs and maintenance	34,722	7,358
Depreciation	<u>1,499</u>	<u>1,499</u>
Total operating expenses	<u>98,638</u>	<u>68,874</u>
Net sewer operations (loss)	<u>(34,904)</u>	<u>(6,616)</u>
Gross (Loss) From Operations	<u>(188,913)</u>	<u>(150,281)</u>
General and Administrative Expenses		
Accounting and audit	33,550	27,452
Insurance	2,872	3,258
Legal	1,631	825
Management fees	23,884	20,656
Intergovernmental contribution	19,342	-
Other	<u>12,372</u>	<u>14,524</u>
Total general and administrative expenses	<u>93,651</u>	<u>66,715</u>
Net (Loss) from Operations	<u>(282,564)</u>	<u>(216,996)</u>
Nonoperating Revenue and (Expense)		
Property taxes	328,929	288,731
Specific ownership taxes	23,684	23,259
Investment income	2,677	3,193
Interest expense	(7,292)	(7,196)
County Treasurers' fees	<u>(4,942)</u>	<u>(4,334)</u>
Total nonoperating revenue, net	<u>343,056</u>	<u>303,653</u>
Change in Net Position	60,492	86,657
Net Position—Beginning of Year	<u>2,194,378</u>	<u>2,107,721</u>
Net Position—End of Year	<u>\$ 2,254,870</u>	<u>\$ 2,194,378</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, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities:		
Cash received from customers	\$ 612,586	\$ 474,332
Cash paid to vendors	<u>(780,113)</u>	<u>(610,529)</u>
Net cash used by operating activities	<u>(167,527)</u>	<u>(136,197)</u>
Cash Flows from Capital and Related Financing Activities		
Note principal payments	(31,949)	(31,123)
Interest payments	<u>(7,704)</u>	<u>(6,463)</u>
Net cash used by capital and related financing activities	<u>(39,653)</u>	<u>(37,586)</u>
Cash Flows from Noncapital Financing Activities		
Property taxes	328,929	288,731
Specific ownership taxes	23,684	23,259
County Treasurers' fees	<u>(4,942)</u>	<u>(4,334)</u>
Cash flows provided by noncapital and related financing activities	<u>347,671</u>	<u>307,656</u>
Cash Flows from Investing Activities:		
Investments purchased	(1,443)	(181)
Interest received	<u>2,677</u>	<u>3,193</u>
Net cash provided by investing activities	<u>1,234</u>	<u>3,012</u>
Net Increase (Decrease) in Cash and Cash Equivalents	141,725	136,885
Cash and cash equivalents—beginning of year	<u>485,083</u>	<u>348,198</u>
Cash and cash equivalents—end of year	<u>\$ 626,808</u>	<u>\$ 485,083</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities		
Net (Loss) from operations	<u>\$ (282,564)</u>	<u>\$ (216,996)</u>
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities		
Depreciation	85,991	85,935
Effects of changes in program assets and liabilities:		
Accounts receivable	2,885	(7,561)
Unbilled service fees	(727)	(2,751)
Deferred sewer revenues	99	353
Prepaid expenses	610	8
Accounts payable	<u>26,179</u>	<u>4,815</u>
Total adjustments	<u>115,037</u>	<u>80,799</u>
Net cash used by operating activities	<u>\$ (167,527)</u>	<u>\$ (136,197)</u>

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

Bow Mar Water and Sanitation District

Notes to Financial Statements

December 31, 2020 and 2019

1. Definition of Reporting Entity

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

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

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

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

2. Summary of Significant Accounting Policies

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

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

Basis of Accounting

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

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

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2020 and 2019

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.

The District amended its annual budget for the year ended December 31, 2020.

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, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Property Taxes

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

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

3. Cash and Investments

Cash and investments as of December 31, 2020 and 2019 are classified in the accompanying financial statements as follows:

	2020	2019
Statement of net position:		
Cash and cash equivalents	\$ 626,808	\$ 485,083
Investments	106,625	105,182
	\$ 733,433	\$ 590,265

Cash and investments as of December 31, 2020 and 2019 consist of the following:

	2020	2019
Deposits with financial institutions	\$ 263,280	\$ 347,044
Cash with County Treasurers	1,766	1,965
Local government investment pool	361,761	136,074
Certificate of deposit	106,625	105,182
Total cash and investments	\$ 733,433	\$ 590,265

Bow Mar Water and Sanitation District

Notes to Financial Statements (continued)

December 31, 2020 and 2019

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, 2020 and 2019, the District's bank deposits, including certificates of deposit, had carrying balances of \$369,905 and \$452,226, respectively.

Investments

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

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

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

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

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

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2020 and 2019

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, 2020 and 2019, the District had invested \$361,761 and \$136,074, 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, 2020 follows:

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

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2020 and 2019

4. Capital Assets (continued)

An analysis of the changes in net capital asset for the year ended December 31, 2019 follows:

	Balance December 31, 2018	Increases	Decreases	Balance December 31, 2019
Capital assets, being depreciated:				
Water system	\$ 3,080,430	\$ -	\$ -	\$ 3,080,430
Sewer system	<u>361,492</u>	<u>-</u>	<u>-</u>	<u>361,492</u>
Total capital assets, being depreciated	<u>3,441,922</u>	<u>-</u>	<u>-</u>	<u>3,441,922</u>
Less accumulated depreciation for:				
Water system	(1,235,480)	(84,436)	-	(1,319,916)
Sewer system	<u>(317,052)</u>	<u>(1,499)</u>	<u>-</u>	<u>(318,551)</u>
Total accumulated depreciation	<u>(1,552,532)</u>	<u>(85,935)</u>	<u>-</u>	<u>(1,638,467)</u>
Total capital assets, being depreciated, net	<u>1,889,390</u>	<u>(85,935)</u>	<u>-</u>	<u>1,803,455</u>
Capital assets, net	<u>\$ 1,889,390</u>	<u>\$ (85,935)</u>	<u>\$ -</u>	<u>\$ 1,803,455</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, 2020 and 2019:

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

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Colorado Water Conservation Board Loan	<u>\$ 271,548</u>	<u>\$ -</u>	<u>\$ (31,123)</u>	<u>\$ 240,425</u>	<u>\$ 31,949</u>

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2020 and 2019

5. Long-Term Liabilities (continued)

The detail of the District's loan payable is:

Promissory Note, Colorado Water Conservation Board

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

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

Annual debt service requirement on the loan are as follows:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 32,795	\$ 5,525	\$ 38,320
2022	33,665	4,655	38,320
2023	34,557	3,763	38,320
2024	35,473	2,847	38,320
2025	36,412	1,908	38,320
2026	<u>35,574</u>	<u>943</u>	<u>36,517</u>
	<u>\$ 208,476</u>	<u>\$ 19,641</u>	<u>\$ 228,117</u>

6. Net Position

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2020 and 2019, the District had net investment in capital assets calculated as follows:

Bow Mar Water and Sanitation District
Notes to Financial Statements (continued)
December 31, 2020 and 2019

6. Net Position (continued)

	<u>2020</u>	<u>2019</u>
Capital assets, net	\$1,717,464	\$1,803,455
Note payable	<u>(208,476)</u>	<u>(240,425)</u>
Net investment in capital assets	<u>\$1,508,988</u>	<u>\$1,563,030</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 and \$20,000 as of December 31, 2020 and 2019, respectively, for emergency reserves (see Note 9). Additionally, the District had restricted net position of \$15,328 and \$11,496 as of December 31, 2020 and 2019, 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, 2020. 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, 2020 and 2019

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 and \$20,000 for the years ended December 31, 2020 and 2019, respectively, 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, 2020 and 2019

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.

10. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, many state and local governments instituted restrictions that substantially limited the operations of non-essential businesses and the activities of individuals. While some of these restrictions have been eased, there is still significant uncertainty around the extent and duration of those still in place and the possibility for restrictions to be increased again in the future. The extent to which the pandemic will impact the District's financial results in the coming periods depends on future developments, including where there are additional outbreaks of COVID-19 and the actions taken to contain or address the virus. However, the District believes it will be able to continue operations under current governmental guidelines while mitigating the impact as much as possible to minimize losses.

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, 2020

	<u>Budget Amounts Original</u>	<u>Budget Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue				
Water sales	\$479,664	\$ 479,664	\$ 546,595	\$ 66,931
Sewer charges	62,272	62,272	63,734	1,462
Property taxes	329,385	329,385	328,929	(456)
Specific ownership taxes	26,351	26,351	23,684	(2,667)
Net investment income	3,516	3,516	2,677	(839)
Miscellaneous	3,248	3,248	-	(3,248)
Total revenue	<u>904,436</u>	<u>904,436</u>	<u>965,619</u>	<u>61,183</u>
Expenditures				
Water purchases	502,879	552,879	589,304	(36,425)
Water main maintenance	48,986	48,986	26,653	22,333
Meter reading and permits	-	-	155	(155)
Sewage treatment charges	60,635	60,635	62,417	(1,782)
Sewer repairs and maintenance	53,073	53,073	34,722	18,351
Accounting and audit	28,098	28,098	33,550	(5,452)
Insurance	2,700	2,700	2,872	(172)
Legal	2,575	2,575	1,631	944
Management fees	29,000	29,000	23,884	5,116
Other	10,727	10,727	12,372	(1,645)
County Treasurers' fees	4,450	4,450	4,942	(492)
Debt service	38,320	38,320	39,653	(1,333)
Capital outlay	20,000	20,000	19,342	658
Contingency	25,000	25,000	-	25,000
Total expenditures	<u>826,443</u>	<u>876,443</u>	<u>851,497</u>	<u>24,946</u>
Excess of Revenue Over (Under) Expenditures	77,993	27,993	114,122	86,129
Funds Available — Beginning of Year	<u>614,318</u>	<u>614,318</u>	<u>632,681</u>	<u>18,363</u>
Funds Available — End of Year	<u>\$692,311</u>	<u>\$ 642,311</u>	<u>\$ 746,803</u>	<u>\$ 104,492</u>

Funds available at December 31, 2020 is computed as follows:

Current assets	\$ 1,130,604
Current liabilities (and deferred inflows of resources)	<u>(383,801)</u>
	<u>\$ 746,803</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, 2020

Revenue (budgetary basis)	<u>\$ 965,619</u>
Revenue per statement of revenues, expenses and changes in net position	<u>965,619</u>
Expenditures (budgetary basis)	851,497
Depreciation	85,991
Change in accrued interest	(412)
Debt principal payments	<u>(31,949)</u>
Total expenses per statement of revenues, expenses and changes in net position	<u>905,127</u>
Change in net position per statement of revenues, expenses and changes in net position	<u><u>\$ 60,492</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 31

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied General	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
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%
Estimated for the year ending 12/31/2021	\$ 29,192,284	11.317	\$ 330,369		

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.