

# **Bow Mar Water and Sanitation District**

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

**December 31, 2013 and 2012**

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*Certified Public Accountants*

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## **Independent Auditor's Report**

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

We have audited the accompanying basic financial statements of Bow Mar Water and Sanitation District (District) as of and for the years ended December 31, 2013 and 2012, 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 opinions 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 of 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 opinions.

## Opinions

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, 2013 and 2012, and the changes in its financial position and its cash flows 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 not presented 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 are 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  
May 14, 2014

## **Basic Financial Statements**

**Bow Mar Water and Sanitation District**  
**Statements of Net Position**  
**December 31, 2013 and 2012**

<b>Assets</b>	<b>2013</b>	<b>2012</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 267,981	\$ 201,737
Cash and cash equivalents—restricted	142,610	127,189
Investments	311,534	309,931
Accounts receivable	10,594	16,366
Property taxes receivable	232,720	332,465
Unbilled service fees receivable	5,323	6,041
Prepaid expenses	12,542	12,564
Total current assets	<u>983,304</u>	<u>1,006,293</u>
<b>Noncurrent Assets</b>		
<b>Capital Assets</b>		
Water system	2,473,466	2,471,191
Sewer system	331,276	331,276
	<u>2,804,742</u>	<u>2,802,467</u>
Accumulated depreciation	(1,200,919)	(1,133,667)
Net capital assets	<u>1,603,823</u>	<u>1,668,800</u>
<b>Total Assets</b>	<u>2,587,127</u>	<u>2,675,093</u>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable	11,883	179,740
Accrued interest payable	127	445
Deferred sewer revenue	3,679	3,423
Current portion of long-term debt	38,028	6,667
Total current liabilities	<u>53,717</u>	<u>190,275</u>
<b>Noncurrent Liabilities</b>		
Long-term debt		
Loan payable	-	126,871
<b>Total liabilities</b>	<u>53,717</u>	<u>317,146</u>
<b>Deferred Outflow of Resources</b>	<u>232,720</u>	<u>332,465</u>
<b>Net Position</b>		
Net Investment in capital assets	1,565,795	1,535,262
Restricted		
Operations and maintenance reserve	142,610	127,189
Emergency reserve	20,000	20,000
Unrestricted	572,285	343,031
<b>Total Net Position</b>	<u>\$ 2,300,690</u>	<u>\$ 2,025,482</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, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Water Operations</b>		
Revenues		
Water service fees	\$ 250,448	\$ 282,585
Direct water expenses		
Water purchases	280,306	407,022
Repairs and maintenance	38,899	50,223
Depreciation	66,616	66,598
Permits	-	155
Meter reading expense	3,077	3,077
Total operating expenses	388,898	527,075
Net water Operations (loss)	(138,450)	(244,490)
<b>Sewer Operations</b>		
Revenue		
Sewer service fees	43,896	41,074
Direct sewer expenses		
Sewage treatment charges	57,090	56,251
Repairs and maintenance	18,859	26,308
Depreciation	636	636
Total operating expenses	76,585	83,195
Net sewer Operations (loss)	(32,689)	(42,121)
<b>Gross (Loss) From Operations</b>	<b>(171,139)</b>	<b>(286,611)</b>
<b>General and Administrative Expenses</b>		
Accounting and audit	40,460	39,949
Insurance	2,565	2,352
Legal	2,153	4,207
Management fees	17,857	10,832
Other	12,886	8,692
Total general and administrative expenses	75,921	66,032
<b>Net (Loss) from Operations</b>	<b>(247,060)</b>	<b>(352,643)</b>
<b>Nonoperating Revenue and (Expense)</b>		
Property taxes	332,464	332,238
Specific ownership taxes	23,604	22,141
Investment income	1,888	2,764
Miscellaneous	5,500	550
Interest expense	(1,869)	(3,830)
Amortization of bond issue costs	-	(3,038)
County Treasurers' fees	(4,990)	(4,990)
Total nonoperating revenue, net	356,597	345,835
<b>Change in Net Position</b>	<b>109,537</b>	<b>(6,808)</b>
<b>Special Item</b>		
Release of water purchase liability	165,671	-
<b>Net Position—Beginning of Year</b>	<b>2,025,482</b>	<b>2,032,290</b>
<b>Net Position—End of Year</b>	<b>\$ 2,300,690</b>	<b>\$ 2,025,482</b>

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, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers	\$ 301,090	\$ 331,084
Cash paid to vendors	(476,316)	(438,538)
Net cash used by operating activities	(175,226)	(107,454)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Debt payments	(95,510)	(99,807)
Interest payments	(2,187)	(4,163)
Property taxes—debt service	93,939	93,895
Acquisition of water systems improvement	(2,275)	-
Net cash used by capital and related financing activities	(6,033)	(10,075)
<b>Cash Flows from Noncapital Financing Activities</b>		
Property taxes	238,525	238,343
Specific ownership taxes	23,604	22,141
Miscellaneous revenue	5,500	550
County Treasurers' fees	(4,990)	(4,990)
Cash flows provided by noncapital and related financing activities	262,639	256,044
<b>Cash Flows from Investing Activities:</b>		
Investments purchased	(1,603)	(2,251)
Interest received	1,888	2,764
Net cash provided by investing activities	285	513
<b>Net Increase in Cash and Cash Equivalents</b>	81,665	139,028
<b>Cash and cash equivalents—beginning of year</b>	328,926	189,898
<b>Cash and cash equivalents—end of year</b>	\$ 410,591	\$ 328,926
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities</b>		
Net (Loss) from operations	\$ (247,060)	\$ (352,643)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities		
Depreciation	67,252	67,234
Release of water purchase liability	165,671	-
Effects of changes in program assets and liabilities:		
Accounts receivable	5,772	1,729
Unbilled service fees	718	5,696
Deferred sewer revenues	256	-
Prepaid expenses	22	1,557
Accounts payable	(167,857)	168,973
Total adjustments	71,834	245,189
Net cash used by operating activities	\$ (175,226)	\$ (107,454)

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

# **Bow Mar Water and Sanitation District**

## **Notes to Financial Statements**

### **December 31, 2013 and 2012**

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#### **1. Definition of Reporting Entity**

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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.

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#### **2. Summary of Significant Accounting Policies**

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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, 2013 and 2012**

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## **2. Summary of Significant Accounting Policies (continued)**

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### **Operating Revenues and Expenses**

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Budgets**

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

### **Cash and Cash Equivalents**

The District considers cash deposits and highly liquid investments with an intended maturity of three months or less to be cash equivalents.

### **Capital Assets**

Capital assets, which include the water system and sewer system, are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500. Such assets are recorded at historical cost if purchased or constructed. Additions to the systems which have been constructed by developers are recorded at fair value. Upon completion of developer constructed assets, title is conveyed to the District and the District assumes responsibility for maintenance and service.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water system	35 years
Sewer system	35 years

**Bow Mar Water and Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2013 and 2012**

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**2. Summary of Significant Accounting Policies (continued)**

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**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 outflows 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.

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**3. Cash and Investments**

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Cash and investments as of December 31, 2013 and 2012 are classified in the accompanying financial statements as follows:

	<u>2013</u>	<u>2012</u>
Statement of net assets:		
Cash and cash equivalents	\$ 267,981	\$ 201,737
Cash and cash equivalents—Restricted	142,610	127,189
Investments	<u>311,534</u>	<u>309,931</u>
	<u>\$ 722,125</u>	<u>\$ 638,857</u>

Cash and investments as of December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Deposits with financial institutions	\$ 240,767	\$ 261,850
Cash with County Treasurers	1,885	1,508
Local government investment pool	167,939	65,568
Certificate of deposit	<u>311,534</u>	<u>309,931</u>
Total cash and investments	<u>\$ 722,125</u>	<u>\$ 638,857</u>

# **Bow Mar Water and Sanitation District**

## **Notes to Financial Statements (continued)**

### **December 31, 2013 and 2012**

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### **3. Cash and Investments (continued)**

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#### **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, 2013 and 2012, the District's bank deposits had carrying balances of \$240,767 and \$262,557, 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, 2013 and 2012**

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**3. Cash and Investments (continued)**

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- 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.

The District's investments are recorded at fair value.

**Colotrust**

As of December 31, 2013 and 2012, the District had invested \$167,939 and \$65,568, 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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust is rated AAAM by Standard & Poor's.

**Restricted Cash and Investments**

Cash and cash equivalents in the amount of \$142,610 and \$127,189 are restricted at December 31, 2013 and 2012, respectively, for an operations and maintenance service reserve as required by debt covenants (see Note 5).

**Bow Mar Water and Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2013 and 2012**

**4. Capital Assets**

An analysis of the changes in net capital assets for the year ended December 31, 2013 follows:

	<b>Balance December 31, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2013</b>
Capital assets, being depreciated:				
Water system	\$ 2,471,191	\$ 2,275	\$ -	\$ 2,473,466
Sewer system	<u>331,276</u>	<u>-</u>	<u>-</u>	<u>331,276</u>
Total capital assets, being depreciated	<u>2,802,467</u>	<u>2,275</u>	<u>-</u>	<u>2,804,742</u>
Less accumulated depreciation for:				
Water system	(823,955)	(66,616)	-	(890,571)
Sewer system	<u>(309,712)</u>	<u>(636)</u>	<u>-</u>	<u>(310,348)</u>
Total accumulated depreciation	<u>(1,133,667)</u>	<u>(67,252)</u>	<u>-</u>	<u>(1,200,919)</u>
Total capital assets, being depreciated, net	<u>1,668,800</u>	<u>(64,977)</u>	<u>-</u>	<u>1,603,823</u>
Capital assets, net	<u>\$ 1,668,800</u>	<u>\$ (64,977)</u>	<u>\$ -</u>	<u>\$ 1,603,823</u>

An analysis of the changes in net capital asset for the year ended December 31, 2012 follows:

	<b>Balance December 31, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31, 2012</b>
Capital assets, being depreciated:				
Water system	\$ 2,471,191	\$ -	\$ -	\$ 2,471,191
Sewer system	<u>331,276</u>	<u>-</u>	<u>-</u>	<u>331,276</u>
Total capital assets, being depreciated	<u>2,802,467</u>	<u>-</u>	<u>-</u>	<u>2,802,467</u>
Less accumulated depreciation for:				
Water system	(757,357)	(66,598)	-	(823,955)
Sewer system	<u>(309,076)</u>	<u>(636)</u>	<u>-</u>	<u>(309,712)</u>
Total accumulated depreciation	<u>(1,066,433)</u>	<u>(67,234)</u>	<u>-</u>	<u>(1,133,667)</u>
Total capital assets, being depreciated, net	<u>1,736,034</u>	<u>(67,234)</u>	<u>-</u>	<u>1,668,800</u>
Capital assets, net	<u>\$ 1,736,034</u>	<u>\$ (67,234)</u>	<u>\$ -</u>	<u>\$ 1,668,800</u>

**Bow Mar Water and Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2013 and 2012**

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**5. Long-Term Liabilities**

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The following is an analysis of the changes in the District's long-term liability for the years ended December 31, 2013 and 2012:

	<u>Balance December 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2013</u>	<u>Due Within One Year</u>
Colorado Water Resources and Power Development Authority Loan	\$ <u>133,538</u>	\$ <u>-</u>	\$ <u>(95,510)</u>	\$ <u>38,028</u>	\$ <u>38,028</u>
	<u>Balance December 31, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2012</u>	<u>Due Within One Year</u>
Colorado Water Resources and Power Development Authority Loan	\$ <u>233,345</u>	\$ <u>-</u>	\$ <u>(99,807)</u>	\$ <u>133,538</u>	\$ <u>6,767</u>

The detail of the District's loan payable is as follows:

**\$1,150,000 Water Loan Agreement, Colorado Water Resources and Power Development Authority, dated August 6, 2009.**

Principal on the loan from the Colorado Water Resources and Power Development Authority is due May 1 and November 1 through November 1, 2029 with an effective interest rate of 2.00% due in semiannual installments. Proceeds of the loan were used for capital projects that consist of the replacement of deteriorating water mains. Original loan was for \$1,150,000; yet only \$454,914 of the proceeds were utilized. The unused portion of the proceeds were returned to the Colorado Water Resources and Power Development Authority.

The District has pledged all of its available resources for the repayment of the loan including property taxes. The loan agreement contains a restrictive covenant which requires the District to maintain a three month operating reserve (see below). At December 31, 2013, the management of the District believes it was in compliance with this covenant.

**Bow Mar Water and Sanitation District**  
**Notes to Financial Statements (continued)**  
**December 31, 2013 and 2012**

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**5. Long-Term Liabilities (continued)**

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The District's long-term obligation will mature as follows:

		Principal	Interest	Total
2014		\$ 38,028	\$ 436	\$ 38,464
	Total	\$ 38,028	\$ 436	\$ 38,464

The District paid the entire balance of the water loan on May 1, 2014. The District's approved budget anticipated this expenditure.

**Operating Reserve**

The loan agreements with the Colorado Water Resources and Power Development Authority require that the District maintain a three-month operating and maintenance reserve. For this purpose, the District had restricted net position and cash and cash equivalents – restricted of \$142,610 and \$127,189 at December 31, 2013 and 2012, respectively. The requirement for this reserve expires on May 1, 2014 when the final balance of the note payable was paid in full.

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**6. Service Contracts**

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**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.

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**7. Risk Management**

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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, 2013. 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, 2013 and 2012**

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#### **7. Risk Management (continued)**

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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.

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#### **8. Tax, Spending and Debt Limitations**

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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 \$20,000 and \$20,000 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012**

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#### **8. Tax, Spending and Debt Limitations (continued)**

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On November 4, 2008, voters approved the following election question:

Shall Bow Mar Water and Sanitation District debt be increased by up to \$1,150,000, with a maximum repayment cost of \$2,450,000 (maximum principal and interest), and shall District taxes be increased by up to \$110,000 annually for the purpose of financing the repair and replacement and improvement of the District's water distribution system by the issuance and payment of a governmental agency bond (representing a loan from the Colorado Water Resources and Power Development Authority) or of general obligation bonds, which bonds shall bear interest at a maximum net effective interest rate not to exceed 7% and mature, be subject to redemption, with or without premium, and be issued, dated and sold. 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; shall ad valorem property taxes be levied in any year, without limitation as to rate or amount or any other condition, to pay the principal of, premium, if any, and interest on such bonds and to fund any reserves for the payment thereof; and shall any earnings from the investment of the proceeds of such taxes and bonds (regardless of amount) constitute a voter-approved revenue change?

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.

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#### **9. Contingency**

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The District had reason to believe that due to a possible master meter malfunction, the volume of water for which the District was billed for 2013 and 2012 was less than the total volume of water delivered to the District by Denver Water for those years. Recognizing that an additional amount may have been owed to Denver Water for water delivered during 2013 and 2012 the District, without admitting either liability or the amount that may have been owed, established a reserve for this potential contingent liability. The District worked with Denver Water to resolve this matter.

The Denver Water Board has notified the District they will not attempt to recover revenue from past meter reading discrepancies. Therefore, the liability previously established has been eliminated from these financial statements.

## **Supplementary Information**

**Bow Mar Water and Sanitation District**  
**Schedule of Revenue, Expenditures and Changes in Funds**  
**Available — Budget and Actual (Budgetary Basis)**  
**For the Year Ended December 31, 2013**

	<u>Budget Amounts</u>		<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenue</b>			
Water sales	\$ 291,612	\$ 250,448	\$ (41,164)
Sewer charges	43,128	43,896	768
Property taxes	332,464	332,464	-
Specific ownership taxes	22,101	23,604	1,503
Net investment income	1,200	1,888	688
Release of water purchase liability	-	165,671	165,671
Miscellaneous	2,504	5,500	2,996
Total revenue	<u>693,009</u>	<u>823,471</u>	<u>130,462</u>
<b>Expenditures</b>			
Water purchases	427,375	280,306	147,069
Water main maintenance	31,350	38,899	(7,549)
Meter reading and expense	16,093	3,077	13,016
Sewage treatment charges	59,508	57,090	2,418
Sewer repairs and maintenance	36,112	18,859	17,253
Accounting and audit	42,533	40,460	2,073
Insurance	2,522	2,565	(43)
Legal	5,305	2,153	3,152
Management fees	15,000	17,857	(2,857)
Other—Administrative	8,488	12,886	(4,398)
County Treasurers' fees	5,590	4,990	600
Capital outlay	25,000	2,275	22,725
Contingency	25,000	-	25,000
Debt service payments, including interest	102,740	97,379	5,361
Total expenditures	<u>802,616</u>	<u>578,796</u>	<u>223,820</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	(109,607)	244,675	354,282
<b>Funds Available — Beginning of Year</b>	<u>499,563</u>	<u>490,220</u>	<u>(9,343)</u>
<b>Funds Available — End of Year</b>	<u>\$ 389,956</u>	<u>\$ 734,895</u>	<u>\$ 344,939</u>

Funds available at December 31, 2013 is computed as follows:

Current assets	\$ 983,304
Current liabilities (excluding current portion of long term debt)	<u>(53,717)</u>
	<u>\$ 929,587</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, 2013**

Revenue (budgetary basis)	
Revenue per statement of revenues, expenses and changes in net position	<u>\$ 823,471</u>
Expenditures (budgetary basis)	578,796
Depreciation	67,252
Debt service—principal	(95,510)
Acquisition of property, plant and equipment	<u>(2,275)</u>
Total expenses per statement of revenues, expenses and changes in net position	<u>548,263</u>
Change in net position per statement of revenues, expenses and changes in net position	<u>\$ 275,208</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**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Property Tax Levy</b>	<b>Mills Levied General</b>	<b>Total Property Taxes</b>		<b>Percent Collected to Levied</b>
			<b>Levied</b>	<b>Collected</b>	
2007	\$ 16,606,760	11.317 *	187,939	187,674	99.86%
2008	\$ 21,130,150	11.317	239,130	239,084	99.98%
2009	\$ 21,450,510	15.774 ♦	338,360	337,844	99.85%
2010	\$ 21,565,960	15.774	340,181	340,574	100.12%
2011	\$ 22,001,490	15.774	347,052	347,050	100.00%
2012	\$ 21,066,813	15.774	332,307	332,238	99.98%
2013	\$ 21,076,732	15.774	332,464	332,464	100.00%
Estimated for the year ending 12/31/2014	\$ 20,563,697	11.317	232,719		

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.

\* In November, 2006, the District raised the mill levy by 2.77 mills to 11.317 mills, the maximum authorized amount per the November 1999 election. This was done to offset the increase in cost from Denver Water.

♦ In November 2008, the District raised the mill levy by 4.457 mills for debt service expenditures, for a total mill levy of 15.774 mills. This was done to offset the increase in costs related to loan anticipated to be issued for replacement of sewer lines. During 2014 the loan will be paid off and the additional mill levy is no longer necessary.