

**East Dillon Water District  
Dillon, Colorado**

**Financial Statements  
December 31, 2017**

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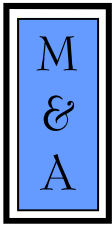
Office of the State Auditor

July 30, 2018

**East Dillon Water District  
Financial Statements  
December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

### **To the Board of Directors East Dillon Water District**

We have audited the accompanying financial statements of the East Dillon Water District (the "District"), as of and for the year ended December 31, 2017, as listed in the table of contents, and the related notes to the financial statements.

### ***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 the East Dillon Water District as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Member: American Institute of Certified Public Accountants*

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**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison 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 statement 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
July 26, 2018**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# East Dillon Water District

Management's Discussion and Analysis  
December 31, 2017

We, the financial managers of the East Dillon Water District (the "District"), offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2017.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

**Financial Statements:** The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position shows how the government's net position changed during the most recent fiscal year by listing the revenues earned and expenses incurred. Revenues and expenses are recorded on the accrual basis. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., incurred but unpaid interest expense).

The Statement of Cash Flows shows the District's sources of cash inflows and outflows during the most recent fiscal year. Cash flows are categorized among operating, non-capital financing, capital and related financing and investing activities and unlike items reported in the Statement of Revenues, Expenses and Changes in Fund Net Position, these amounts are reported on the cash basis of accounting.

The business-type activity of the District relates to water services. There are currently no governmental-type activities occurring at the District.

The District's basic financial statements can be found in Section C of this report.

**Proprietary Fund:** The District maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report business-type activities. The District uses an enterprise fund to account for its water services.

**Notes to the Financial Statements:** The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in Section D of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report includes supplementary information. The Schedule of Revenues, Expenditures and Changes in Fund Net Position – Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis provides a detailed comparison of the District's actual revenues and expenditures to budgeted amounts. As the District's budget was adopted in a manner that is not consistent with Generally Accepted Accounting Principles ("GAAP"), this schedule is presented on a non-GAAP basis and is reconciled to GAAP basis. Supplementary information can be found in Section E of this report.

## Financial Analysis of the District

The following table shows the District's assets, liabilities, and net position at the end of 2017 and 2016:

### East Dillon Water District's Net Position

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Current and other assets	\$ 1,285,469	\$ 1,108,240
Capital assets, net	<u>6,400,608</u>	<u>6,482,915</u>
<b>Total Assets</b>	<u>7,686,077</u>	<u>7,591,155</u>
<b>Liabilities:</b>		
Current liabilities	396,071	305,274
Non-current liabilities	<u>1,579,162</u>	<u>1,666,930</u>
<b>Total Liabilities</b>	<u>1,975,233</u>	<u>1,972,204</u>
<b>Net Position:</b>		
Net investment in capital assets	4,740,044	4,744,269
Restricted for:		
Water Conservancy Note	15,198	15,198
TABOR	23,340	23,340
Unrestricted	<u>932,262</u>	<u>836,144</u>
<b>Total Net Position</b>	<u>\$ 5,710,844</u>	<u>\$ 5,618,951</u>

Traditionally, the largest portion of the district's net position is its investment in capital assets used to deliver or provide services to its residents and visitors, less any related debt. The District's capital assets include land, water rights, medians, the master plan, water lines, pump stations, storage tanks, equipment, and water meters. The District's net investment in capital assets accounted for approximately 83% of its total net position at the end of 2017. This category of net position, along with the \$15,198 reserved for debt service and \$23,340 reserved for TABOR, is not available for future spending. This results in an unrestricted net position balance of \$932,262 .

*(Remainder of page intentionally left blank)*

**Financial Analysis of the District (continued):**

The following table summarizes information relating to the District's Statement of Revenues, Expenses and Changes in Fund Net Position:

**East Dillon Water District's Change in Net Position**

	2017	2016
<b>Revenues:</b>		
Taxes	\$ 209,507	207,910
Water fees	467,781	459,910
Finance charges	12,514	7,163
Interest income	6,130	1,758
Miscellaneous	8,530	12,714
Tap fees	30,000	65,000
<b>Total Revenues</b>	<u>734,462</u>	<u>754,455</u>
<b>Expenses:</b>		
Water service	61,652	64,930
Administration	333,905	324,159
Depreciation	197,302	218,371
Interest expense	73,337	76,544
<b>Total Expenses</b>	<u>666,196</u>	<u>684,004</u>
<b>Change in Net Position</b>	68,266	70,451
<b>Net Position - Beginning of Year, As Previously Stated</b>	5,618,951	5,548,500
Prior period adjustment	23,627	-
<b>Net Position - Beginning of Year, As Restated</b>	<u>5,642,578</u>	<u>5,548,500</u>
<b>Net Position - End of Year</b>	<u>\$ 5,710,844</u>	<u>5,618,951</u>

Revenues decreased \$19,993 during the past fiscal year. Most of the decrease was due to a decrease in tap fees during 2017.

Water fees were the most significant sources of revenue in 2017, accounting for 64% of operating revenues. In 2016, water fees accounted for 61% of operating revenues.

When compared to 2016, District expenses decreased by \$17,808 in fiscal year 2017. This decrease is primarily due to decreased depreciation expense during the year; depreciation expense decreased because major well field/pump assets became fully depreciated during 2016.

Administrative costs, which includes the operations contract, the accounting and administration contract, legal fees and insurance expense, comprised the highest percentage of the District's costs at 50% (47% in 2016). Water expenses accounted for of 2017 expenses ( in 2016).

## **Capital Asset and Debt Administration**

**Capital Assets:** The District's capital assets decreased by \$82,307 during 2017, as capital asset additions were \$114,995 and depreciation expense was \$197,302 .

Additional information, as well as a detailed classification of the District's capital assets, can be found in the Notes to the Financial Statements on page D7.

**Long Term Debt:** During 2017, the District paid \$78,083 in principal on its 2002 Colorado Water Conservation Board Note, reducing the balance due on the bonds from \$1,738,647 to \$1,660,564. The District refinanced this debt subsequent to year end with General Obligation Bonds dated March 8, 2018 for the purpose of reducing interest costs.

The District also entered into a lease purchase agreement in the amount of \$900,000 subsequent to year end to provide for the financing of certain site improvements within the District.

Additional information on long term debt can be found on page D7-D9.

## **Next Year's Budget and Rates**

The 2018 budget anticipates revenues of \$1,618,925 and expenditures of \$1,681,766. The District plans to use beginning reserves to cover the deficit. The 2018 water base rate will increase \$5 per quarter to adequately fund the replacement of water infrastructure as necessary.

## **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Tom Oberheide, District Administrator, East Dillon Water District, 0058 Grey Fox Lane, Dillon, CO 80435.

## **BASIC FINANCIAL STATEMENTS**

**East Dillon Water District  
Statement of Net Position  
December 31, 2017**

**Assets:**

**Current Assets:**

Cash and investments	958,149
Accounts receivable, customer	128,568
Property taxes receivable	198,752
<b>Total Current Assets</b>	<b>1,285,469</b>

**Non-current Assets:**

Capital assets, net	6,400,608
<b>Total Non-current Assets</b>	<b>6,400,608</b>

<b>Total Assets</b>	<b>7,686,077</b>
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**Liabilities:**

**Current Liabilities:**

Accounts payable	97,801
Current portion long-term debt	81,402
Accrued interest payable	11,762
Unearned revenue	7,281
<b>Total Current Liabilities</b>	<b>198,246</b>

**Non-current Liabilities:**

Notes, lease payable - net of current portion	1,579,162
<b>Total Non-current Liabilities</b>	<b>1,579,162</b>

<b>Total Liabilities</b>	<b>1,777,408</b>
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**Deferred Inflows of Resources:**

Deferred property taxes	197,825
<b>Total Deferred Inflows of Resources</b>	<b>197,825</b>

<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,975,233</b>
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**Net Position:**

Net investment in capital assets	4,740,044
Restricted for:	
TABOR	23,340
Colorado Water Conservation Board Note	15,198
Unrestricted	932,262
<b>Total Net Position</b>	<b>5,710,844</b>

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

**East Dillon Water District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended December 31, 2017**

<b>Operating Revenues:</b>	
Water fees	467,781
Finance charges	12,514
Miscellaneous	8,530
<b>Total Operating Revenues</b>	488,825
 <b>Operating Expenses:</b>	
Water service	61,652
Administration	333,905
Depreciation	197,302
<b>Total Operating Expenses</b>	592,859
<b>Operating Income (Loss)</b>	(104,034)
 <b>Non-operating Revenues (Expenses):</b>	
Property taxes	197,762
Specific ownership taxes	11,745
Interest income	6,130
Interest expense	(73,337)
<b>Total Non-operating Revenues (Expenses)</b>	142,300
<b>Income Before Capital Contributions</b>	38,266
<b>Capital Contributions - Tap Fees</b>	30,000
<b>Change in Net Position</b>	68,266
<b>Net position, beginning of year, as previously stated</b>	5,618,951
Prior period adjustment	23,627
<b>Net position, beginning of year, as restated</b>	5,642,578
<b>Net position, end of year</b>	5,710,844

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

**East Dillon Water District  
Statement of Cash Flows  
For the Year Ended December 31, 2017**

<b>Cash Flows from Operating Activities:</b>	
Cash received from customers and others	501,021
Cash payments for goods and services	<u>(319,551)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>181,470</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>	
Cash received from property and specific ownership taxes	209,507
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>209,507</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Tap fees received	30,000
Cash paid for principal on loans	(78,083)
Cash paid for interest on loans	(73,337)
Cash paid for construction and acquisition of capital assets	<u>(114,995)</u>
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(236,415)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest income received	6,130
<b>Net Cash Provided by Investing Activities</b>	<u>6,130</u>
<b>Net increase (decrease) in cash</b>	160,692
<b>Cash and Cash Equivalents - Beginning</b>	<u>797,457</u>
<b>Cash and Cash Equivalents - Ending</b>	<u><u>958,149</u></u>
<b>Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:</b>	
Net (loss) from operations	<u>(104,034)</u>
<b>Adjustments:</b>	
Depreciation expense	197,302
(Increase) decrease in prepaid expenses	500
(Increase) decrease in accounts receivable	6,590
(Increase) decrease in deferred taxes	-
Increase (decrease) in accounts payable	76,062
Increase (decrease) in deferred revenue	5,606
Increase (decrease) in accrued interest payable	<u>(556)</u>
<b>Total Adjustments</b>	<u>285,504</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>181,470</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**East Dillon Water District**  
**Notes to the Financial Statements**  
**December 31, 2017**

**I. Summary of Significant Accounting Policies**

East Dillon Water District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in Section 32-1-101 of the C.R.S. The District was organized on January 1, 1966 and is governed by a five-member elected Board of Directors. The District, comprising a section of Summit County, Colorado, was established to provide water services within its boundaries.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The reporting entity consists of (a) the primary government (i.e., the District), and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

**B. Accounting Policies**

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District uses a proprietary fund-type, an enterprise fund, to account for its activities of providing water services to taxpayers within the District's boundaries. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**East Dillon Water District**  
**Notes to the Financial Statements**  
**December 31, 2017**  
**(Continued)**

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Measurement Focus and Basis of Accounting**

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**2. Financial Statement Presentation**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for services. Operating expenses for the enterprise funds include the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Financial Statement Accounts**

**1. Cash and Cash Equivalents**

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease in investment assets and investment income.

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligation and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds

**East Dillon Water District  
Notes to the Financial Statements  
December 31, 2017  
(Continued)**

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

**D. Financial Statement Accounts (continued)**

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established, as the District considers all accounts to be collectible.

**3. Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed by uncollected property taxes have been recorded as a receivable and as deferred revenue.

**4. Capital Assets**

Capital assets, which include land, water rights, medians, the master plan, water lines, pump stations, storage tanks, equipment, and water meters, are reported in the financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed, if applicable.

Capital assets, with the exception of: land, medians, the master plan, and water rights, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water lines	40
Water pump stations	10 - 40
Water storage tanks	10 - 40
Equipment	5 - 15
Meters	15

**5. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualifies for reporting in this category. The items, unavailable property tax revenue and deferred revenue, is deferred and recognized as an inflow of resources in the period the amounts become available and earned.

**East Dillon Water District**  
**Notes to the Financial Statements**  
**December 31, 2017**  
**(Continued)**

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

**D. Financial Statement Accounts (continued)**

**6. Use of Estimates**

The preparation of financial statements to conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**7. Restricted Assets**

When both restricted and unrestricted assets are available for expenditure, it is the District's policy to first use restricted assets and then use unrestricted assets as necessary.

**II. Stewardship, Compliance, and Accountability**

**A. Budgets and Budgetary Accounting**

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the proprietary fund is adopted on a non-GAAP basis and is reconciled to GAAP basis in the financial statements.

Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

As required by Colorado statutes, the District followed the following timetable in preparing, approving and enacting a budget for 2017:

- (1) For the 2017 budget, prior to August 25, 2016, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2016 only once by a single notification to the District.
- (2) The Manager of the District submitted, on or before October 15, 2016, a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) Prior to December 15, 2016, after a required publication of "Notice of proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
- (4) After adoption of the budget resolution, the District may make the following changes: (a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget, however, no supplemental appropriations were made during 2017; (b) approve emergency appropriations, and; (c) reduce appropriations for which originally estimated revenues are insufficient.

**East Dillon Water District**  
**Notes to the Financial Statements**  
**December 31, 2017**  
**(Continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**A. Budgets and Budgetary Accounting (continued)**

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2016 were collected in 2017 and taxes certified in 2017 will be collected in 2018. Taxes are due on January 1<sup>st</sup> in the year of collection; however, they may be paid in either one installment (not later than April 30<sup>th</sup>) or two equal installments (not later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at a rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16<sup>th</sup>.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increases, a mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

The District's voters approved the following Tabor ballot question on May 7, 2002:

*Shall the East Dillon Water District debt be increased \$2,550,000 without a repayment cost of not more than \$5,856,550 and shall East Dillon Water District taxes be increased \$197,825 annually or such lesser annual amount as may be necessary to pay District debt to purchase water rights and wells; such debt to consist of bonds, notes or other obligations bearing interest at the rate of 6.50% per annum or as determined by the District as payable in annual installments or as may be determined by the District by the over not more than thirty (30) years after issuance from the levy of property taxes not to exceed the District's current levy of 4.131 mills and any other revenues of the District; and shall the District be permitted to collect and spend such taxes and investment income thereon as a voter approved revenue change and exception to the limits under Article X, Section 20 of the Colorado Constitution?*

TABOR exempts an entity from its requirements if the entity qualifies as a TABOR defined enterprise. Based on the TABOR's definition, the District believes that it qualifies as an enterprise and is therefore exempt from TABOR.

**East Dillon Water District**  
**Notes to the Financial Statements**  
**December 31, 2017**  
**(Continued)**

**III. Detailed Notes on the Fund**

**A. Deposits and Investments**

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA.

The Investment Pool represents investments in COLOTRUST (the "Trust"). The Trust is 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, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The District has no regulatory oversight for the pool. At December 31, 2017, the District's investments in COLOTRUST were 100% of the District's investment portfolio.

**Interest Rate Risk.** As a means of limiting its exposure to interest rate risk, the District has invested primarily in COLOTRUST. Funds in COLOTRUST can be withdrawn without notice or penalty.

**Credit Risk.** The District's investment policy limits investments to those authorized by State statutes as listed in note I.D.1. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

**Concentration of Credit Risk.** The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. At December 31, 2017, the District held no such investments.

**East Dillon Water District  
Notes to the Financial Statements  
December 31, 2017  
(Continued)**

**III. Detailed Notes on the Fund (continued)**

**A. Deposits and Investments (continued)**

At December 31, 2017, the District had no unrealized gains or losses. The District had the following cash and investments with the following maturities:

	<b>Standard &amp; Poor's Rating</b>	<b>Carrying Amounts</b>	<b>Maturities</b>	
			<b>Less than one year</b>	<b>Less than five years</b>
<i>Deposits:</i>				
Checking	Not rated	269,178	269,178	-
<i>Investments:</i>				
Colotrust	AAAm	688,971	688,971	-
<b>Total</b>		<b>\$ 958,149</b>	<b>958,149</b>	<b>-</b>

**Financial Statement Captions:**

Cash and investments	958,149
	<u>958,149</u>

*(Remainder of page is intentionally left blank)*

**East Dillon Water District**  
**Notes to the Financial Statements**  
**December 31, 2017**  
**(Continued)**

**III. Detailed Notes on the Fund (continued)**

**B. Capital Assets**

Capital asset activity for 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	-	106,902	-	106,902
Land	39,916	-	-	39,916
Medians	220,065	-	-	220,065
Master plan	21,334	-	-	21,334
Water rights	3,470,307	-	-	3,470,307
Total capital assets, not being depreciated	<u>3,751,622</u>	<u>106,902</u>	<u>-</u>	<u>3,858,524</u>
Capital assets, being depreciated:				
Water lines	2,104,793	-	-	2,104,793
Water pump stations	1,573,441	-	-	1,573,441
Water storage tanks	2,837,563	-	-	2,837,563
Equipment	606,062	8,093	-	614,155
Meters	497,089	-	-	497,089
Total capital assets, being depreciated	<u>7,618,948</u>	<u>8,093</u>	<u>-</u>	<u>7,627,041</u>
Less accumulated depreciation:				
Water lines	(1,478,168)	(47,386)	-	(1,525,554)
Water pump stations	(1,164,232)	(26,046)	-	(1,190,278)
Water storage tanks	(1,444,172)	(70,925)	-	(1,515,097)
Equipment	(566,399)	(19,806)	-	(586,205)
Meters	(234,684)	(33,139)	-	(267,823)
Total accumulated depreciation	<u>(4,887,655)</u>	<u>(197,302)</u>	<u>-</u>	<u>(5,084,957)</u>
Total capital assets, being depreciated, net	<u>2,731,293</u>	<u>(189,209)</u>	<u>-</u>	<u>2,542,084</u>
<b>Total Capital Assets, Net</b>	<u><u>\$ 6,482,915</u></u>	<u><u>(82,307)</u></u>	<u><u>-</u></u>	<u><u>\$ 6,400,608</u></u>

**C. Long Term Debt**

In 2002, the District acquired 86 acre-feet of senior water rights from the Vidler Water Company including the rights to five acre-feet of storage water in the Dillon Reservoir, and ten wells located in the Soda Creek alluvium. The District had acquired 20 acre-feet of senior water rights from the City of Golden in 2001. These rights were acquired with financing provided by a loan and a Revenue note.

**East Dillon Water District**  
**Notes to the Financial Statements**  
**December 31, 2017**  
**(Continued)**

**III. Detailed Notes on the Fund (continued)**

**C. Long Term Debt (continued)**

On November 10, 2002 the District executed a loan in the principal amount of \$2,550,000 with the State of Colorado, Department of Natural Resources, and the Colorado Water Conservation Board as authorized by the voters in the District at a May 7, 2002 election. The note bears an interest rate of 4.25%, payable in yearly installments of \$151,976 for a period of thirty years. The District pledges to repay the note from general revenues from taxes received each year as authorized by the District's election and resolution dated May 7, 2002.

An estimated schedule of debt service to maturity is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 81,402	\$ 70,574	\$ 151,976
2019	84,861	67,115	\$ 151,976
2020	88,468	63,508	\$ 151,976
2021	92,228	59,748	\$ 151,976
2022	96,147	55,829	\$ 151,976
2023 - 2027	545,616	214,261	\$ 759,877
2082 - 2035	671,842	88,034	\$ 759,876
	<u>\$ 1,660,564</u>	<u>\$ 619,069</u>	<u>\$ 2,279,633</u>

A schedule of changes in long term debt is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Colorado Water Conservation Board Note	\$ 1,738,647	-	(78,083)	1,660,564	81,402

**IV. Other Information**

**A. Management Agreements**

**1. Water Works West, LLC**

The District has an agreement with Water Works West, LLC to provide general operation and maintenance of the water plant for the District. The District paid \$164,800 to Water Works West, LLC. for these services during 2017.

The District has an additional agreement with Water Works West, LLC to provide administrative and financial management of all aspects of the District. In 2017, the District incurred expenses of \$90,000 for these services.

**East Dillon Water District**  
**Notes to the Financial Statements**  
**December 31, 2017**  
**(Continued)**

**IV. Other Information (continued)**

**B. Construction Contract**

On October 18, 2017, the District entered into a contract with RN Civil Construction, LLC for services in connection with certain site improvements within the District. The site improvements are required by the Colorado Department of Public Health and Environment ("CDPHE") and include upgrades to the water filtration system ("the Project"). The Project is required to be completed by June 30, 2018 with a total budgeted cost of \$900,000.

**C. Subsequent Events**

**1. Lease Purchase**

On March 8, 2018, the District entered into a lease purchase agreement with Alpine Bank in the amount of \$900,000 to provide for the financing of certain site improvements discussed in Note IV.B. Payments in the amount of \$5,266 are due in monthly installments, including interest at 3.6% through March 5, 2038.

**2. Refunding Bonds**

*Series 2018* - The District issued \$1,507,319 of general obligation bonds dated March 8, 2018 to refund the District's 2002 Colorado Water Conservation Board Note discussed in Note III.C. The Series 2018 bonds bear interest at a rate of 3.45% per annum. Principal and interest in the amount of \$129,227 are due November 30 of each year, commencing November 30, 2018 with a maturity date of November 30, 2032. Prior to closing, the District deposited \$172,000, which amount represents the District's contribution to the refunding of the District's currently outstanding loan, with the lender. On the day of closing, the lender initiated a wire totaling \$1,679,319, which represents the purchase price of the Bonds plus the District contribution, to the Colorado Water Conservation Board to fully redeem, pay and discharge the District's loan.

**D. Prior Period Adjustment to Net Position**

Due to an accounts receivable and revenue posting error in 2016, accounts receivable and net position were understated at December 31, 2016 by \$23,627. A prior period adjustment of \$23,627 was made to net position at January 1, 2017 to correct this posting error.

**SUPPLEMENTARY INFORMATION**

**East Dillon Water District**  
**Schedule of Revenues, Expenditures and Changes in Fund Net Position**  
**Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis**  
**For the Year Ended December 31, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>				
Water fees	431,000	431,000	467,781	36,781
Tap fees	20,000	20,000	30,000	10,000
Property taxes	197,825	197,825	197,762	(63)
Specific ownership taxes	9,800	9,800	11,745	1,945
Finance charges	-	-	12,514	12,514
Interest income	200	200	6,130	5,930
Miscellaneous	8,600	8,600	8,530	(70)
<b>Total Revenues</b>	<u>667,425</u>	<u>667,425</u>	<u>734,462</u>	<u>67,037</u>
<b>Expenditures:</b>				
<b>Water service:</b>				
Repair and maintenance	55,000	55,000	21,071	33,929
Supplies and tests	10,000	10,000	14,928	(4,928)
Utilities - water pumping	29,000	29,000	25,653	3,347
<b>Total Water service</b>	<u>94,000</u>	<u>94,000</u>	<u>61,652</u>	<u>32,348</u>
<b>Administration:</b>				
Audit	7,000	7,000	6,750	250
Administration and accounting	90,000	90,000	90,000	-
Directors fees	2,500	2,500	1,900	600
Engineering	6,000	6,000	612	5,388
Insurance and bonds	16,000	16,000	14,848	1,152
Legal fees	16,000	16,000	16,900	(900)
Office supplies	19,500	19,500	22,858	(3,358)
Dues and subscriptions	2,000	2,000	1,573	427
Operations contract	164,800	164,800	164,800	-
Telephone	5,000	5,000	3,769	1,231
County Treasurer	10,381	10,381	9,895	486
Miscellaneous	1,000	1,000	-	1,000
<b>Total Administration</b>	<u>340,181</u>	<u>340,181</u>	<u>333,905</u>	<u>6,276</u>
<b>Debt service:</b>				
Principal and interest	151,976	151,976	151,420	556
<b>Capital outlay:</b>				
Capital Outlay	50,000	80,000	114,995	(34,995)
<b>Total Expenditures</b>	<u>636,157</u>	<u>666,157</u>	<u>661,972</u>	<u>4,185</u>
<b>Change in Net Position - Non-GAAP Basis</b>	<u>31,268</u>	<u>1,268</u>	72,490	<u>71,222</u>
<b>Reconciliation to GAAP Basis:</b>				
Depreciation expense			(197,302)	
Capital outlay			114,995	
Lease principal payments			78,083	
<b>Change in Net Position - GAAP Basis</b>			<u>68,266</u>	

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