

**East Dillon Water District
Dillon, Colorado**

**Financial Statements
December 31, 2019**

**East Dillon Water District
Financial Statements
December 31, 2019**

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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, 2019, 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, 2019, 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.

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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.

April 29, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Dillon Water District

Management's Discussion and Analysis
December 31, 2019

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, 2019.

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 2019 and 2018:

East Dillon Water District's Net Position

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|---------------------|---------------------|
| Assets: | | |
| Current and other assets | \$ 1,160,944 | \$ 1,066,437 |
| Capital assets, net | <u>6,882,450</u> | <u>7,089,582</u> |
| Total Assets | <u>8,043,394</u> | <u>8,156,019</u> |
| Liabilities: | | |
| Current liabilities | 358,819 | 375,378 |
| Non-current liabilities | <u>2,063,847</u> | <u>2,180,062</u> |
| Total Liabilities | <u>2,422,666</u> | <u>2,555,440</u> |
| Net Position: | | |
| Net investment in capital assets | 4,702,117 | 4,796,984 |
| Unrestricted | <u>918,611</u> | <u>803,595</u> |
| Total Net Position | <u>\$ 5,620,728</u> | <u>\$ 5,600,579</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 84% of its total net position at the end of 2019. This category of net position is not available for future spending. This results in an unrestricted net position balance of \$918,611.

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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

| | 2019 | 2018 |
|---|---------------------|------------------|
| Revenues: | | |
| Taxes | \$ 208,275 | 209,690 |
| Water fees | 489,813 | 531,185 |
| Finance charges | 8,827 | 9,085 |
| Interest income | 16,917 | 11,741 |
| Miscellaneous | 8,391 | 8,667 |
| Tap fees | 30,000 | 50,000 |
| Total Revenues | <u>762,223</u> | <u>820,368</u> |
| Expenses: | | |
| Water service | 100,048 | 251,432 |
| Administration | 339,404 | 352,998 |
| Depreciation | 222,700 | 207,252 |
| Interest expense | 79,922 | 72,964 |
| Bond issuance costs | - | 60,590 |
| Total Expenses | <u>742,074</u> | <u>945,236</u> |
| Change in Net Position | 20,149 | (124,868) |
| Net Position - Beginning of Year | <u>5,600,579</u> | <u>5,725,447</u> |
| Net Position - End of Year | <u>\$ 5,620,728</u> | <u>5,600,579</u> |

Revenues decreased \$58,145 during the past fiscal year. Most of the decrease was due to a decrease in tap fees and water fees during 2019.

Water fees were the most significant sources of revenue in 2019, accounting for 64% of operating revenues. In 2018, water fees accounted for 65% of operating revenues.

When compared to 2018, District expenses decreased by \$203,162 in fiscal year 2019. This is primarily due to several unanticipated water line leaks in 2018.

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 46% (37% in 2018). Water expenses accounted for 13% of 2019 expenses (27% in 2018).

Capital Asset and Debt Administration

Capital Assets: The District's capital assets decreased by \$207,132 during 2019, as capital asset additions were \$15,568 and depreciation expense was \$222,700.

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 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 (Series 2002) for the purpose of reducing interest costs. The District paid \$80,105 in principal on its Series 2018 debt, reducing the balance due on the bonds from \$1,415,971 to \$1,335,866 .

Also during 2018, the District entered into a lease purchase agreement in the amount of \$900,000 to provide for the financing of certain site improvements within the District. The District paid \$32,160 in principal on its lease purchase agreement, reducing the balance due on the loan from \$876,627 to \$844,467.

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

Next Year's Budget and Rates

The 2020 budget anticipates revenues of \$729,825 and expenditures of \$914,084. The District plans to use beginning reserves to cover the deficit.

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, 2019**

Assets:

Current Assets:

| | |
|-------------------------------|------------------|
| Cash and investments | 846,081 |
| Accounts receivable, customer | 116,072 |
| Property taxes receivable | 198,791 |
| Total Current Assets | 1,160,944 |

Non-current Assets:

| | |
|---------------------------------|------------------|
| Capital assets, net | 6,882,450 |
| Total Non-current Assets | 6,882,450 |

| | |
|---------------------|------------------|
| Total Assets | 8,043,394 |
|---------------------|------------------|

Liabilities:

Current Liabilities:

| | |
|----------------------------------|----------------|
| Accounts payable | 35,241 |
| Current portion long-term debt | 116,486 |
| Accrued interest payable | 3,840 |
| Unearned revenue | 5,427 |
| Total Current Liabilities | 160,994 |

Non-current Liabilities:

| | |
|---|------------------|
| Notes, lease payable - net of current portion | 2,063,847 |
| Total Non-current Liabilities | 2,063,847 |

| | |
|--------------------------|------------------|
| Total Liabilities | 2,224,841 |
|--------------------------|------------------|

Deferred Inflows of Resources:

| | |
|--|----------------|
| Deferred property taxes | 197,825 |
| Total Deferred Inflows of Resources | 197,825 |

| | |
|--|------------------|
| Total Liabilities and Deferred Inflows of Resources | 2,422,666 |
|--|------------------|

Net Position:

| | |
|----------------------------------|------------------|
| Net investment in capital assets | 4,702,117 |
| Unrestricted | 918,611 |
| Total Net Position | 5,620,728 |

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, 2019

| | |
|--|-------------------------|
| Operating Revenues: | |
| Water fees | 489,813 |
| Finance charges | 8,827 |
| Miscellaneous | 8,391 |
| Total Operating Revenues | <u>507,031</u> |
| Operating Expenses: | |
| Water service | 100,048 |
| Administration | 339,404 |
| Depreciation | 222,700 |
| Total Operating Expenses | <u>662,152</u> |
| Operating Income (Loss) | <u>(155,121)</u> |
| Non-operating Revenues (Expenses): | |
| Property taxes | 197,133 |
| Specific ownership taxes | 11,142 |
| Interest income | 16,917 |
| Interest expense | (79,922) |
| Total Non-operating Revenues (Expenses) | <u>145,270</u> |
| Income Before Capital Contributions | (9,851) |
| Capital Contributions - Tap Fees | <u>30,000</u> |
| Change in Net Position | <u>20,149</u> |
| Net position, beginning of year | <u>5,600,579</u> |
| Net position, end of year | <u><u>5,620,728</u></u> |

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, 2019**

| | |
|---|--------------------------|
| Cash Flows from Operating Activities: | |
| Cash received from customers and others | 515,148 |
| Cash payments for goods and services | <u>(459,555)</u> |
| Net Cash Provided by Operating Activities | <u>55,593</u> |
| | |
| Cash Flows From Non-Capital Financing Activities: | |
| Cash received from property and specific ownership taxes | <u>208,447</u> |
| Net Cash Provided by Non-Capital Financing Activities | <u>208,447</u> |
| | |
| Cash Flows from Capital and Related Financing Activities: | |
| Tap fees received | 30,000 |
| Cash paid for principal on loans | (112,265) |
| Cash paid for interest on loans | (80,153) |
| Cash paid for construction and acquisition of capital assets | <u>(15,568)</u> |
| Net Cash (Used) by Capital and Related Financing Activities | <u>(177,986)</u> |
| | |
| Cash Flows from Investing Activities: | |
| Interest income received | <u>16,917</u> |
| Net Cash Provided by Investing Activities | <u>16,917</u> |
| | |
| Net increase (decrease) in cash | 102,971 |
| | |
| Cash and Cash Equivalents - Beginning | <u>743,110</u> |
| Cash and Cash Equivalents - Ending | <u><u>846,081</u></u> |
| | |
| Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities: | |
| Net (loss) from operations | <u>(155,121)</u> |
| Adjustments: | |
| Depreciation expense | 222,700 |
| (Increase) decrease in accounts receivable | 8,292 |
| Increase (decrease) in accounts payable | (20,103) |
| Increase (decrease) in deferred revenue | <u>(175)</u> |
| Total Adjustments | <u>210,714</u> |
| Net Cash Provided by Operating Activities | <u><u>55,593</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, 2019

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, 2019
(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, 2019
(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 | 10 - 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 one item that qualifies for reporting in this category. The item, unavailable property tax 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, 2019
(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 2019:

- (1) For the 2019 budget, prior to August 25, 2018, 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, 2018 only once by a single notification to the District.
- (2) The Manager of the District submitted, on or before October 15, 2018, 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, 2018, 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 2019; (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, 2019
(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 2018 were collected in 2019 and taxes certified in 2019 will be collected in 2020. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (not later than April 30th) or two equal installments (not later than February 28th and June 15th) 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 16th.

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?

The District's voters approved the following TABOR ballot question on November 6, 2018:

Without raising tax rates or imposing any new tax, shall East Dillon Water District be authorized to use all or part of the District's current voter authorized debt service mill levy to fund capital improvements in all future years; provided that part of the mill levy will be used to pay the District's outstanding debt until paid in full; and shall all District revenues be collected, retained and spent notwithstanding any limits provided by law?

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, 2019
(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, 2019, 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, 2019, the District held no such investments.

East Dillon Water District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Detailed Notes on the Fund (continued)

A. Deposits and Investments (continued)

At December 31, 2019, the District had no unrealized gains or losses. The District had the following cash and investments with the following maturities:

| | Standard & Poor's Rating | Carrying Amounts | Maturities | |
|---------------------|---|-----------------------------|-------------------------------|---------------------------------|
| | | | Less than one year | Less than five years |
| <i>Deposits:</i> | | | | |
| Checking | Not rated | 24,857 | 24,857 | - |
| <i>Investments:</i> | | | | |
| Colostrust | AAAm | 821,224 | 821,224 | - |
| Total | | \$ 846,081 | 846,081 | - |

Financial Statement Captions:

| | |
|----------------------|----------------|
| Cash and investments | 846,081 |
| | 846,081 |

(Remainder of page is intentionally left blank)

East Dillon Water District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Detailed Notes on the Fund (continued)

B. Capital Assets

Capital asset activity for 2019 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------------|------------------|----------------------------|
| Capital assets, not being depreciated: | | | | |
| 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>-</u> | <u>-</u> | <u>3,751,622</u> |
| Capital assets, being depreciated: | | | | |
| Water lines | 2,276,934 | 15,568 | - | 2,292,502 |
| Water pump stations | 2,404,428 | - | - | 2,404,428 |
| Water storage tanks | 2,837,563 | - | - | 2,837,563 |
| Equipment | 614,155 | - | - | 614,155 |
| Meters | 497,089 | - | - | 497,089 |
| Total capital assets, being depreciated | <u>8,630,169</u> | <u>15,568</u> | <u>-</u> | <u>8,645,737</u> |
| Less accumulated depreciation: | | | | |
| Water lines | (1,581,547) | (66,239) | - | (1,647,786) |
| Water pump stations | (1,226,533) | (46,642) | - | (1,273,175) |
| Water storage tanks | (1,586,021) | (70,920) | - | (1,656,941) |
| Equipment | (597,146) | (5,760) | - | (602,906) |
| Meters | (300,962) | (33,139) | - | (334,101) |
| Total accumulated depreciation | <u>(5,292,209)</u> | <u>(222,700)</u> | <u>-</u> | <u>(5,514,909)</u> |
| Total capital assets, being depreciated, net | <u>3,337,960</u> | <u>(207,132)</u> | <u>-</u> | <u>3,130,828</u> |
| Total Capital Assets, Net | <u><u>\$ 7,089,582</u></u> | <u><u>(207,132)</u></u> | <u><u>-</u></u> | <u><u>\$ 6,882,450</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, 2019
(Continued)

III. Detailed Notes on the Fund (continued)

C. Long Term Debt (continued)

Series 2002 - 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 bore an interest rate of 4.25%, payable in yearly installments of \$151,976 for a period of thirty years. The District pledged 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. The loan was repaid with the proceeds of the 2018 Refunding Bonds.

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 (Series 2002 above). 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. The total cash flows under the 2002 Loan exceeded the total cash flows under the Series 2018 Bonds; however, the District was unable to obtain or calculate the amount of net present value savings on the refunding.

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 within the District. The site improvements are required by the Colorado Department of Public Health and Environment and include upgrades to the water filtration system. Payments in the amount of \$5,266 are due in monthly installments, including interest at 3.6% through March 5, 2038.

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

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-------------------|---------------------|
| 2020 | \$ 116,486 | \$ 75,933 | \$ 192,419 |
| 2021 | 120,575 | 71,844 | 192,419 |
| 2022 | 124,807 | 67,612 | 192,419 |
| 2023 | 129,188 | 63,231 | 192,419 |
| 2024 | 133,723 | 58,696 | 192,419 |
| 2025 - 2029 | 742,418 | 219,677 | 962,095 |
| 2030 - 2034 | 619,311 | 84,330 | 703,641 |
| 2035 - 2038 | 193,825 | 11,836 | 205,661 |
| | <u>\$ 2,180,333</u> | <u>\$ 653,159</u> | <u>\$ 2,833,492</u> |

East Dillon Water District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Detailed Notes on the Fund (continued)

C. Long Term Debt (continued)

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> |
|---|------------------------------|------------------|------------------|---------------------------|--------------------------------|
| General Obligation Limited Tax Refunding Bond | 1,415,971 | - | (80,105) | 1,335,866 | 83,149 |
| Lease Purchase | <u>876,627</u> | <u>-</u> | <u>(32,160)</u> | <u>844,467</u> | <u>33,337</u> |
| | <u>\$ 2,292,598</u> | <u>-</u> | <u>(112,265)</u> | <u>2,180,333</u> | <u>116,486</u> |

IV. Other Information

A. Management Agreements

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 \$176,196 to Water Works West, LLC for these services during 2019.

The District has an additional agreement with Water Works West, LLC to provide administrative and financial management of all aspects of the District. In 2019, the District incurred expenses of \$96,223 for these services.

Effective January 1, 2020, the District entered into an agreement with T Services, LLC, to assume administrative, budgeting, financial management and billing services for the District. The term of the agreement is from January 1, 2020 to December 31, 2020 and will be automatically renewed for successive one year periods. The District will pay T Services, LLC a monthly flat rate beginning at \$8,235 (\$98,821 annually).

B. Election Compliance

On November 6, 2018, voters approved the ballot question as noted in Note 2.B. As a result, the following schedule has been created to demonstrate compliance with the election:

| | |
|-----------------------------------|-------------------|
| Beginning available resources | - |
| <i>Add:</i> | |
| Property taxes | 197,133 |
| Specific ownership taxes | 11,142 |
| <i>Less:</i> | |
| Debt service | 192,187 |
| Treasury fees | 9,866 |
| Capital Outlay | <u>15,568</u> |
| Ending available resources | <u>\$ (9,346)</u> |

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, 2019
(With Comparative Actual Amounts for 2018)

| | 2019 | | Variance Favorable (Unfavorable) | 2018 |
|--|--|----------------|---|------------------|
| | Original and Final Budget | Actual | | Actual |
| Revenues: | | | | |
| Water fees | 487,000 | 489,813 | 2,813 | 531,185 |
| Tap fees | 10,000 | 30,000 | 20,000 | 50,000 |
| Property taxes | 197,825 | 197,133 | (692) | 197,962 |
| Specific ownership taxes | 10,000 | 11,142 | 1,142 | 11,728 |
| Finance charges | - | 8,827 | 8,827 | 9,085 |
| Interest income | 2,000 | 16,917 | 14,917 | 11,741 |
| Miscellaneous | 5,100 | 8,391 | 3,291 | 8,667 |
| Loan proceeds | - | - | - | 2,407,319 |
| Total Revenues | 711,925 | 762,223 | 50,298 | 3,227,687 |
| Expenditures: | | | | |
| Water service: | | | | |
| Repair and maintenance | 55,000 | 45,311 | 9,689 | 207,033 |
| Supplies and tests | 30,000 | 24,052 | 5,948 | 17,991 |
| Utilities - water pumping | 29,000 | 30,685 | (1,685) | 26,408 |
| Total Water service | 114,000 | 100,048 | 13,952 | 251,432 |
| Administration: | | | | |
| Audit | 6,750 | 6,400 | 350 | 6,200 |
| Administration and accounting | 96,223 | 96,223 | - | 92,790 |
| Directors fees | 2,500 | 1,800 | 700 | 2,000 |
| Engineering | 5,000 | 3,754 | 1,246 | 698 |
| Insurance and bonds | 16,000 | 15,484 | 516 | 14,596 |
| Legal fees | 16,000 | 4,589 | 11,411 | 29,940 |
| Office supplies | 19,500 | 18,938 | 562 | 19,868 |
| Dues and subscriptions | 2,000 | 1,487 | 513 | 1,255 |
| Operations contract | 176,196 | 176,196 | - | 169,909 |
| Telephone | 5,000 | 4,667 | 333 | 4,413 |
| County Treasurer | 9,891 | 9,866 | 25 | 9,906 |
| Miscellaneous | 1,000 | - | 1,000 | 1,423 |
| Total Administration | 356,060 | 339,404 | 16,656 | 352,998 |
| Debt service: | | | | |
| Principal | 112,536 | 112,265 | 271 | 114,721 |
| Interest | 79,883 | 79,922 | (39) | 72,964 |
| Refunding payment to bond escrow agent | - | - | - | 1,660,564 |
| Debt issuance costs | - | - | - | 60,590 |
| Total Debt service | 192,419 | 192,187 | 232 | 1,908,839 |
| Capital outlay: | | | | |
| Capital Outlay | 233,000 | 15,568 | 217,432 | 896,226 |
| Total Expenditures | 895,479 | 647,207 | 248,272 | 3,409,495 |
| Change in Net Position - Non-GAAP Basis | (183,554) | 115,016 | 298,570 | (181,808) |
| Reconciliation to GAAP Basis: | | | | |
| Depreciation expense | | (222,700) | | (207,252) |
| Capital outlay | | 15,568 | | 896,226 |
| Lease principal payments | | 112,265 | | 114,721 |
| Loan proceeds | | - | | (2,407,319) |
| Principal payments to refunded bond escrow agent | | - | | 1,660,564 |
| Change in Net Position - GAAP Basis | | 20,149 | | (124,868) |

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