

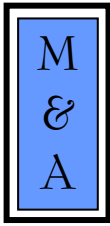
**East Dillon Water District  
Dillon, Colorado**

**Financial Statements  
December 31, 2020**

**East Dillon Water District  
Financial Statements  
December 31, 2020**

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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, 2020, 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, 2020, 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.**

June 21, 2021

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

# East Dillon Water District

Management's Discussion and Analysis  
December 31, 2020

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, 2020.

## 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 2020 and 2019:

### East Dillon Water District's Net Position

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current and other assets	\$ 1,288,688	\$ 1,160,944
Capital assets, net	<u>6,708,943</u>	<u>6,882,450</u>
<b>Total Assets</b>	<u>7,997,631</u>	<u>8,043,394</u>
<b>Liabilities:</b>		
Current liabilities	379,758	358,819
Non-current liabilities	<u>1,943,024</u>	<u>2,063,847</u>
<b>Total Liabilities</b>	<u>2,322,782</u>	<u>2,422,666</u>
<b>Net Position:</b>		
Net investment in capital assets	4,645,344	4,702,117
Unrestricted	<u>1,029,505</u>	<u>918,611</u>
<b>Total Net Position</b>	<u>\$ 5,674,849</u>	<u>\$ 5,620,728</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 82% of its total net position at the end of 2020. This category of net position is not available for future spending. This results in an unrestricted net position balance of \$1,029,505 .

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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**

	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>		
Taxes	\$ 207,239	208,275
Water fees	529,614	489,813
Finance charges	7,479	8,827
Interest income	3,797	16,917
Miscellaneous	14,369	8,391
Tap fees	66,000	30,000
<b>Total Revenues</b>	<u>828,498</u>	<u>762,223</u>
<b>Expenses:</b>		
Water service	122,156	100,048
Administration	362,506	339,404
Depreciation	214,269	222,700
Interest expense	75,446	79,922
<b>Total Expenses</b>	<u>774,377</u>	<u>742,074</u>
<b>Change in Net Position</b>	54,121	20,149
<b>Net Position - Beginning of Year</b>	<u>5,620,728</u>	<u>5,600,579</u>
<b>Net Position - End of Year</b>	<u>\$ 5,674,849</u>	<u>5,620,728</u>

Revenues increased \$66,275 during the past fiscal year. Most of the increase was due to an increase in tap fees and water fees during 2020.

Water fees were the most significant sources of revenue in 2020, accounting for 64% of operating revenues. In 2019, water fees accounted for 64% of operating revenues.

When compared to 2019, District expenses increased by \$32,303 in fiscal year 2020. This is primarily due to unanticipated repairs and maintenance and system upgrades.

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 47% (46% in 2019). Water expenses accounted for 16% of 2020 expenses (13% in 2019).

## **Capital Asset and Debt Administration**

**Capital Assets:** The District's capital assets decreased by \$173,507 during 2020, as capital asset additions were \$40,762 and depreciation expense was \$214,269 .

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 \$83,397 in principal on its Series 2018 debt, reducing the balance due on the bonds from \$1,335,866 to \$1,252,469 .

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 \$33,337 in principal on its lease purchase agreement, reducing the balance due on the loan from \$844,467 to \$811,130 .

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

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

The 2021 budget anticipates revenues of \$719,825 and expenditures of \$857,310. 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, 2020**

**Assets:**

**Current Assets:**

Cash and investments	965,215
Accounts receivable, customer	124,617
Property taxes receivable	<u>198,856</u>
<b>Total Current Assets</b>	<u><u>1,288,688</u></u>

**Non-current Assets:**

Capital assets, net	<u>6,708,943</u>
<b>Total Non-current Assets</b>	<u><u>6,708,943</u></u>

<b>Total Assets</b>	<u><u>7,997,631</u></u>
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**Liabilities:**

**Current Liabilities:**

Accounts payable	53,005
Current portion long-term debt	120,575
Accrued interest payable	3,601
Unearned revenue	<u>4,752</u>
<b>Total Current Liabilities</b>	<u><u>181,933</u></u>

**Non-current Liabilities:**

Notes, lease payable - net of current portion	<u>1,943,024</u>
<b>Total Non-current Liabilities</b>	<u><u>1,943,024</u></u>

<b>Total Liabilities</b>	<u><u>2,124,957</u></u>
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**Deferred Inflows of Resources:**

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

<b>Total Liabilities and Deferred Inflows of Resources</b>	<u><u>2,322,782</u></u>
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**Net Position:**

Net investment in capital assets	4,645,344
Unrestricted	<u>1,029,505</u>
<b>Total Net Position</b>	<u><u>5,674,849</u></u>

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, 2020**

<b>Operating Revenues:</b>	
Water fees	529,614
Finance charges	7,479
Miscellaneous	14,369
<b>Total Operating Revenues</b>	551,462
 <b>Operating Expenses:</b>	
Water service	122,156
Administration	362,506
Depreciation	214,269
<b>Total Operating Expenses</b>	698,931
<b>Operating Income (Loss)</b>	(147,469)
 <b>Non-operating Revenues (Expenses):</b>	
Property taxes	197,179
Specific ownership taxes	10,060
Interest income	3,797
Interest expense	(75,446)
<b>Total Non-operating Revenues (Expenses)</b>	135,590
<b>Income Before Capital Contributions</b>	(11,879)
<b>Capital Contributions - Tap Fees</b>	66,000
<b>Change in Net Position</b>	54,121
<b>Net position, beginning of year</b>	5,620,728
<b>Net position, end of year</b>	5,674,849

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, 2020**

<b>Cash Flows from Operating Activities:</b>	
Cash received from customers and others	542,242
Cash payments for goods and services	<u>(466,898)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>75,344</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>	
Cash received from property and specific ownership taxes	<u>207,174</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>207,174</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Tap fees received	66,000
Cash paid for principal on loans	(116,734)
Cash paid for interest on loans	(75,685)
Cash paid for construction and acquisition of capital assets	<u>(40,762)</u>
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(167,181)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest income received	<u>3,797</u>
<b>Net Cash Provided by Investing Activities</b>	<u>3,797</u>
<b>Net increase (decrease) in cash</b>	119,134
<b>Cash and Cash Equivalents - Beginning</b>	<u>846,081</u>
<b>Cash and Cash Equivalents - Ending</b>	<u><u>965,215</u></u>
<b>Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:</b>	
Net (loss) from operations	<u>(147,469)</u>
<b>Adjustments:</b>	
Depreciation expense	214,269
(Increase) decrease in accounts receivable	(8,545)
Increase (decrease) in accounts payable	17,764
Increase (decrease) in deferred revenue	<u>(675)</u>
<b>Total Adjustments</b>	<u>222,813</u>
 <b>Net Cash Provided by Operating Activities</b>	 <u><u>75,344</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, 2020**

**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, 2020**  
**(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, 2020**  
**(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, 2020**  
**(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 2020:

- (1) For the 2020 budget, prior to August 25, 2019, 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, 2019 only once by a single notification to the District.
- (2) The Manager of the District submitted, on or before October 15, 2019, 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, 2019, 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 2020; (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, 2020**  
**(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 2019 were collected in 2020 and taxes certified in 2020 will be collected in 2021. 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?*

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, 2020**  
**(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, 2020, 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, 2020, the District held no such investments.

**East Dillon Water District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

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

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

At December 31, 2020, the District had no unrealized gains or losses. The District had the following cash and investments with the following maturities:

	<u>Standard &amp; Poor's Rating</u>	<u>Carrying Amounts</u>	<u>Maturities</u>	
			<u>Less than one year</u>	<u>Less than five years</u>
<i>Deposits:</i>				
Checking	Not rated	45,384	45,384	-
<i>Investments:</i>				
Colotrust	AAAm	919,831	919,831	-
<b>Total</b>		<u>\$ 965,215</u>	<u>965,215</u>	<u>-</u>

**Financial Statement Captions:**

Cash and investments	<u>965,215</u>
	<u>\$ 965,215</u>

*(Remainder of page is intentionally left blank)*

**East Dillon Water District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

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

**B. Capital Assets**

Capital asset activity for 2020 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	-	17,387	-	17,387
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>17,387</u>	<u>-</u>	<u>3,769,009</u>
Capital assets, being depreciated:				
Water lines	2,292,502	-	-	2,292,502
Water pump stations	2,404,428	15,871	(9,005)	2,411,294
Water storage tanks	2,837,563	-	-	2,837,563
Equipment	614,155	7,504	-	621,659
Meters	497,089	-	-	497,089
Total capital assets, being depreciated	<u>8,645,737</u>	<u>23,375</u>	<u>(9,005)</u>	<u>8,660,107</u>
Less accumulated depreciation:				
Water lines	(1,647,786)	(66,239)	-	(1,714,025)
Water pump stations	(1,273,175)	(46,841)	9,005	(1,311,011)
Water storage tanks	(1,656,941)	(63,880)	-	(1,720,821)
Equipment	(602,906)	(4,170)	-	(607,076)
Meters	(334,101)	(33,139)	-	(367,240)
Total accumulated depreciation	<u>(5,514,909)</u>	<u>(214,269)</u>	<u>9,005</u>	<u>(5,720,173)</u>
Total capital assets, being depreciated, net	<u>3,130,828</u>	<u>(190,894)</u>	<u>-</u>	<u>2,939,934</u>
<b>Total Capital Assets, Net</b>	<u><b>\$ 6,882,450</b></u>	<u><b>(173,507)</b></u>	<u><b>-</b></u>	<u><b>\$ 6,708,943</b></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, 2020**  
**(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>
2021	\$ 120,575	\$ 71,844	\$ 192,419
2022	124,807	67,612	192,419
2023	129,188	63,231	192,419
2024	133,723	58,969	192,692
2025	138,418	54,001	192,419
2026 - 2030	768,482	193,613	962,095
2031 - 2035	511,990	62,424	574,414
2036 - 2038	136,416	5,805	142,221
	<u>\$ 2,063,599</u>	<u>\$ 577,499</u>	<u>\$ 2,641,098</u>

**East Dillon Water District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(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	1,335,866	-	(83,397)	1,252,469	86,018
Lease Purchase	<u>844,467</u>	-	<u>(33,337)</u>	<u>811,130</u>	<u>34,557</u>
	<u>\$ 2,180,333</u>	-	<u>(116,734)</u>	<u>2,063,599</u>	<u>120,575</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 \$180,953 to Water Works West, LLC for these services during 2020.

The District has an agreement with T Services, LLC to provide administrative and financial management of all aspects of 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. In 2020, the District incurred expenses of \$98,820 for these services.

**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	(9,346)
<i>Add:</i>	
Property taxes	197,179
Specific ownership taxes	10,060
<i>Less:</i>	
Debt service	192,180
Treasury fees	9,865
Capital Outlay	<u>40,762</u>
<b>Ending available resources</b>	<u>\$ (44,914)</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, 2020**  
**(With Comparative Actual Amounts for 2019)**

	<b>2020</b>			<b>2019</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues:</b>				
Water fees	487,000	529,614	42,614	489,813
Tap fees	10,000	66,000	56,000	30,000
Property taxes	197,825	197,179	(646)	197,133
Specific ownership taxes	10,000	10,060	60	11,142
Finance charges	-	7,479	7,479	8,827
Interest income	10,000	3,797	(6,203)	16,917
Miscellaneous	15,000	14,369	(631)	8,391
<b>Total Revenues</b>	<b>729,825</b>	<b>828,498</b>	<b>98,673</b>	<b>762,223</b>
<b>Expenditures:</b>				
<b>Water service:</b>				
Repair and maintenance	75,000	65,198	9,802	45,311
Supplies and tests	30,000	26,930	3,070	24,052
Utilities - water pumping	32,000	30,028	1,972	30,685
<b>Total Water service</b>	<b>137,000</b>	<b>122,156</b>	<b>14,844</b>	<b>100,048</b>
<b>Administration:</b>				
Audit	7,000	6,900	100	6,400
Administration and accounting	98,821	98,820	1	96,223
Directors fees	2,500	1,700	800	1,800
Engineering	5,000	4,910	90	3,754
Insurance and bonds	16,000	15,880	120	15,484
Legal fees	5,000	1,900	3,100	4,589
Office supplies	47,500	35,213	12,287	18,938
Dues and subscriptions	2,500	1,718	782	1,487
Operations contract	180,953	180,953	-	176,196
Telephone	5,500	4,647	853	4,667
County Treasurer	9,891	9,865	26	9,866
Miscellaneous	1,000	-	1,000	-
<b>Total Administration</b>	<b>381,665</b>	<b>362,506</b>	<b>19,159</b>	<b>339,404</b>
<b>Debt service:</b>				
Principal	116,486	116,734	(248)	112,265
Interest	75,933	75,446	487	79,922
<b>Total Debt service</b>	<b>192,419</b>	<b>192,180</b>	<b>239</b>	<b>192,187</b>
<b>Capital outlay:</b>				
Capital Outlay	203,000	40,762	162,238	15,568
<b>Total Expenditures</b>	<b>914,084</b>	<b>717,604</b>	<b>196,480</b>	<b>647,207</b>
<b>Change in Net Position - Non-GAAP Basis</b>	<b>(184,259)</b>	<b>110,894</b>	<b>295,153</b>	<b>115,016</b>
<b>Reconciliation to GAAP Basis:</b>				
Depreciation expense		(214,269)		(222,700)
Capital outlay		40,762		15,568
Lease principal payments		116,734		112,265
<b>Change in Net Position - GAAP Basis</b>		<b>54,121</b>		<b>20,149</b>

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