

DOMINION WATER & SANITATION DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION


YEAR ENDED DECEMBER 31, 2020 AND 2019

**DOMINION WATER & SANITATION DISTRICT
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	2
STATEMENTS OF CASH FLOWS	3
NOTES TO BASIC FINANCIAL STATEMENTS	4
SUPPLEMENTARY INFORMATION	
ENTERPRISE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE – BUDGETARY BASIS	27
OTHER INFORMATION	
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	31



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Independent Auditor's Report

To the Board of Directors
Dominion Water and Sanitation District

Opinions

We have audited the accompanying financial statements of the business-type activities of Dominion Water and Sanitation District (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Dominion Water and Sanitation District, as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dominion Water and Sanitation District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dominion Water and Sanitation District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Dominion Water and Sanitation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dominion Water and Sanitation District's ability to continue as a going concern for a reasonable period of time.

Other Matters

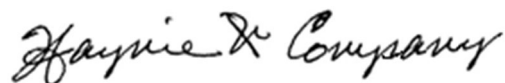
Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dominion Water and Sanitation District's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado

July 16, 2021

BASIC FINANCIAL STATEMENTS

**DOMINION WATER & SANITATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020 AND 2019**

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Investments	\$ 1,959,305	\$ 274,451
Cash and Investments - Restricted	17,846,685	24,110,971
Accounts Receivable	520	63,281
Accrued Interest Receivable	25,452	63,086
Due from Other Governments	362,194	140,528
Prepaid Expenses	-	1,508
Total Current Assets	20,194,157	24,653,825
LONG TERM ASSETS		
Utility Deposit	7,048	7,048
Total Long Term Assets	7,048	7,048
Total Current and Long Term Assets	20,201,205	24,660,873
CAPITAL ASSETS		
Capital Assets, Not Being Depreciated/Amortized	115,742,033	86,113,130
Capital Assets, Net	29,712,947	30,240,409
Total Capital Assets	145,454,980	116,353,539
Total Assets	\$ 165,656,185	\$ 141,014,412
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 844,220	\$ 3,305,950
Retainage Payable	617,468	1,561,020
Due to Other Governments	428	-
Accrued Interest Payable - Notes	161,274	44,510
Accrued Interest Payable - Bonds	397,454	411,444
Accrued Interest Payable - Vehicle	75	-
Tap Fees Credits Payable	3,198,045	612,375
Bonds Payable - Current Portion	1,500,000	1,425,000
Deposit	10,000	-
Total Current Liabilities	6,728,964	7,360,299
LONG TERM LIABILITIES		
SR Entities Advances Payable - Principal	19,732,220	13,447,220
SR Entities Advances Payable - Accrued interest	10,431,078	9,067,863
Bonds Payable, Net of Unamortized Original Issue Discount	79,088,112	82,051,016
Subordinate Limited Revenue Water Notes - Principal	6,010,000	6,260,000
Junior Limited Revenue Notes - Principal	23,381,597	23,381,597
Junior Limited Revenue Notes - Accrued Interest	4,923,774	3,287,063
Subordinate Promissory Note - Principal	5,000,000	-
CWCB Loan - Principal	4,191,990	-
Vehicle Lease - Principal	26,606	-
Total Long Term Liabilities	152,785,377	137,494,759
Total Liabilities	159,514,341	144,855,058
NET POSITION		
Unrestricted	6,141,844	(3,840,646)
Total Net Position	6,141,844	(3,840,646)
Total Liabilities and Net Position	\$ 165,656,185	\$ 141,014,412

See accompanying Notes to Basic Financial Statements.

DOMINION WATER & SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Water Service Fees - Residential	\$ 653,771	\$ 290,604
Water Service Fees - Construction	1,008,909	1,039,673
Water Service Fees - Irrigation	175,198	-
Sewer Service Fees	263,941	107,350
Total Operating Revenues	2,101,819	1,437,627
OPERATING EXPENSES		
Personnel	824,343	717,640
Other Personnel Benefits	1,376	1,115
Contracted Personnel	190,409	206,007
District Office	124,410	122,001
Board Communications	48	410
Dues and Subscriptions	9,175	13,350
SMWSA Participation	17,741	14,259
District Engineering	96,872	88,235
District Policies	25,860	27,538
District Legal Services	314,153	263,968
Public Relations	52,503	27,000
Distribution and Storage Operations	183,830	162,992
Water Treatment Operations	618,676	602,209
System Operations	3,523	-
Water Delivery	792,671	737,048
Drinking Water Regulatory Compliance	61,642	148,718
Collections System Operations	237,424	187,995
CDPHE Permit	4,538	4,630
Treatment Operations	163,569	102,933
Regulatory Compliance	59,509	190,534
Computers and Printers	2,402	5,421
Software	9,466	9,101
Asset Management	-	2,925
Office Furniture and Fixtures	1,656	9,593
Vehicle	1,850	-
Capital Assets Depreciation/Amortization	562,393	511,233
Total Operating Expenses	4,360,039	4,156,855
OPERATING LOSS	(2,258,220)	(2,719,228)
NONOPERATING REVENUES AND (EXPENSES)		
Net Investment Income	402,329	774,330
Sewer Tap Fees	3,134,670	2,933,550
Water Tap Fees	10,564,981	11,159,145
Grant Funding	-	21,991
Other Income	31,199	43,414
Reimbursed Expenditures	1,055,138	-
Pipeline Project - CRW Share - Design	-	7,965,302
Pipeline Project - CRW Share - Easements/Admin	51,370	80,439
Pipeline Project - CRW Share - Construction	5,567,287	-
Pipeline Project - CAB Share - Construction	324,015	-
Interest on Bonds, Notes, and Advances	(8,624,433)	(7,306,238)
Bond Discount Amortization	(88,096)	(88,096)
Cost of Issuance	(177,750)	-
Total Nonoperating Revenues and (Expenses)	12,240,710	15,583,837
CHANGE IN NET POSITION	9,982,490	12,864,609
Net Position - Beginning of Year	(3,840,646)	(16,705,255)
NET POSITION - END OF YEAR	\$ 6,141,844	\$ (3,840,646)

See accompanying Notes to Basic Financial Statements.

**DOMINION WATER & SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 2,062,678	\$ 1,400,798
Payments to Suppliers/Contractors and Employees - Operations	(3,709,847)	(3,647,998)
Net Cash Used by Operating Activities	(1,647,169)	(2,247,200)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
SR Entities Advances - Capital	6,285,000	10,060,000
Debt issuances	9,191,990	-
Payments to Suppliers/Contractors - Capital	(30,933,854)	(39,983,733)
Grant, CRW Contribution and Other Income	7,029,009	8,070,237
Tap Fees Received	13,699,651	14,092,695
Bonds Interest and Principal Paid	(7,890,154)	(4,937,325)
Notes Interest and Principal Paid	(753,868)	(376,253)
Net Cash Used by Capital and Related Financing Activities	(3,372,226)	(13,074,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income Received	439,963	833,037
Net Cash Provided by Investing Activities	439,963	833,037
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,579,432)	(14,488,542)
Cash and Cash Equivalents - Beginning of Year	24,385,422	38,873,964
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 19,805,990	\$ 24,385,422
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (2,258,220)	\$ (2,719,228)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Capital Assets Depreciation/Amortization	562,393	511,233
(Increase) Decrease in Prepaid Expenses	1,508	(271)
(Increase) Decrease in Accounts Receivable	(39,141)	(36,829)
Increase (Decrease) in Accounts Payable	86,291	(2,105)
Net Cash Used by Operating Activities	\$ (1,647,169)	\$ (2,247,200)

See accompanying Notes to Basic Financial Statements.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 DEFINITION OF REPORTING ENTITY

Dominion Water & Sanitation District (Dominion or the District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District was organized for the purpose of providing certain public improvements, facilities, and services to and for the use and benefit of the District's Service Area. The District's Service Area is located in Douglas County, Colorado.

In February 2014, the District's Board of Directors established the Sterling Ranch Water Activity Enterprise and Sterling Ranch Wastewater Activity Enterprise to pursue or continue all of the District's activities relating to the provision of wholesale water, wastewater and stormwater services to the Sterling Ranch development, including water acquisition, water project and/or facility activities, and including the construction, operation, repair and replacement of water and wastewater facilities, using revenues and income generated in connection with such water and wastewater activities. The Sterling Ranch Water Activity Enterprise and Sterling Ranch Wastewater Activity Enterprise shall have all the powers and authority granted to water activity enterprises pursuant to Title 37, Article 45.1 of the Colorado Revised Statutes, including the power to contract with any person or entity and the power to issue or reissue revenue bonds.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Purchases or construction of capital assets are shown as increases in assets and redemption of bonds and loans are recorded as a reduction in liabilities.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing wholesale water and wastewater services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budget

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

Cash Equivalents

For purposes of the statements of cash flows, the District considers cash deposits and highly liquid investments (including restricted cash) with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, which include distribution and collection systems and machinery and equipment, are reported as assets on the District's financial statements. Capital assets are generally defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Capital assets recorded as Construction in Progress and those not yet placed in service are not being depreciated. Intangible assets, except goodwill, are amortized over the useful lives of the assets.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization

Original Issue Discount

In the business-type financial statements, original issue discount is deferred and amortized over the life of the bonds using the effective interest method. The unamortized balance of the original issue discount is treated as a reduction of bonds payable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 CASH AND INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Statement of Net Position:		
Cash and Investments	\$ 1,959,305	\$ 274,451
Cash and Investments - Restricted	<u>17,846,685</u>	<u>24,110,971</u>
Total Cash and Investments	<u><u>\$ 19,805,990</u></u>	<u><u>\$ 24,385,422</u></u>

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

	<u>2020</u>	<u>2019</u>
Deposits with Financial Institutions	\$ 4,588,070	\$ 707,846
Investments	<u>15,217,920</u>	<u>23,677,576</u>
Total Cash and Investments	<u><u>\$ 19,805,990</u></u>	<u><u>\$ 24,385,422</u></u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

As of December 31, 2020 and 2019, the District's cash deposits had a bank balance of \$4,588,070 and \$9,045,544, respectively, and a carrying balance of \$4,588,070 and \$707,846, respectively. \$250,000 per institution is insured through the FDIC and the balance is collateralized in single institution pools.

Investments

The District has adopted an investment policy by which it follows state statutes regarding investments.

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

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

- * Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- * General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds, CSAFE (recorded at amortized cost), and COLOTRUST (recorded at net asset value).

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	\$ 5,729,748
U.S. Treasury/Government-Sponsored Enterprises (GSEs)	Average 2.40 years	5,854,327
Corporate Bonds	Average 0.12 years	75,163
Money Market Securities	Average 2.39 years	1,603,348
Municipal Bonds	Average 2.73 years	1,955,334
Total		<u>\$ 15,217,920</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

U.S. Treasury/Government-Sponsored Enterprises, Corporate and Municipal Bonds

Debt service monies held in trust by UMB Bank in the Debt Service Reserve Fund and Surplus Reserve Fund were invested in U.S. Treasury/Government-Sponsored Enterprise Bonds (Aaa ratings), Corporate Bonds (AA rating), Municipal Bonds (Aaa, Aa1, Aa2 and Aa3 ratings) and Money Market Securities. These investments are valued using Level 1 inputs.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

**U.S. Treasury/Government-Sponsored Enterprises, Corporate and Municipal Bonds
(Continued)**

The District has engaged the services of a registered Investment Advisor (providing financial advisory and asset management services) to receive financial advice and to assist in the management of these funds, including the buying and selling of securities held in such portfolio. The December 31, 2020 fund statements indicated that, (i) the major source for security ratings is best rating from the three major rating agencies, (ii) when only one agency rating is available, that rating will be used, (iii) when no rating is available, the security will be classified as nonrated (NR), (iv) securities that hold ratings below investment grade (lower than BBB) will be referenced as BIG, (v) regardless of a security's rating, if it is pre-funded, it is shown as PREF, (vi) short-term Federal Agency Obligations are obligations of U.S. Government-sponsored enterprises (GSEs), which are typically rated AAA, (vii) GSEs have a long-term AAA rating by the major rating agencies, and (viii) short-term obligation of GSEs that are not explicitly rated are regarded as AAA quality.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CAPITAL ASSETS

The following is an analysis of changes in the District's capital assets for the years ended December 31, 2020 and 2019:

	Balance December 31, 2019	Additions	Reclassify	Balance December 31, 2020
<u>Capital Assets, Not Being Depreciated/Amortized</u>				
Construction in Progress and Assets Not Yet Placed in Service:				
Water Supply	\$ 26,726,120	\$ 8,593,227	\$ -	\$ 35,319,347
Master Planning	619,113	364,515	-	983,628
Water System	33,036,846	20,450,134	-	53,486,980
Wastewater System	10,604,977	221,027	-	10,826,004
Subtotal	<u>70,987,056</u>	<u>29,628,903</u>	-	<u>100,615,959</u>
Water Rights	<u>15,126,074</u>	-	-	<u>15,126,074</u>
Total Capital Assets, Not Being Depreciated/Amortized	86,113,130	29,628,903	-	115,742,033
<u>Capital Assets, Net</u>				
Water System	21,187,433	-	-	21,187,433
Water Supply	9,838,241	-	-	9,838,241
Wastewater System	334,128	-	-	334,128
Vehicles	-	34,931	-	34,931
Less: Depreciation/Amortization	(1,119,393)	(562,393)	-	(1,681,786)
Total Capital Assets, Net	<u>30,240,409</u>	<u>(527,462)</u>	-	<u>29,712,947</u>
Total Capital Assets	<u>\$ 116,353,539</u>	<u>\$ 29,101,441</u>	<u>\$ -</u>	<u>\$ 145,454,980</u>

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance December 31, 2018	Additions	Reclassify	Balance December 31, 2019
<u>Capital Assets, Not Being Depreciated/Amortized</u>				
Construction in Progress and Assets Not Yet Placed in Service:				
Water Supply	\$ 17,044,918	\$ 11,695,047	\$ 2,013,845	\$ 26,726,120
Master Planning	214,871	404,242	-	619,113
Water System	8,184,300	25,156,236	303,690	33,036,846
Wastewater System	7,372,488	3,232,489	-	10,604,977
Subtotal	<u>32,816,577</u>	<u>40,488,014</u>	<u>2,317,535</u>	<u>70,987,056</u>
Water Rights	<u>15,126,074</u>	-	-	<u>15,126,074</u>
Total Capital Assets, Not Being Depreciated/Amortized	47,942,651	40,488,014	2,317,535	86,113,130
<u>Capital Assets, Net</u>				
Water System	20,883,743	303,690	-	21,187,433
Water Supply	7,824,396	2,013,845	-	9,838,241
Wastewater System	334,128	-	-	334,128
Less: Depreciation/Amortization	<u>(608,160)</u>	<u>(511,233)</u>	-	<u>(1,119,393)</u>
Total Capital Assets, Net	<u>28,434,107</u>	<u>1,806,302</u>	-	<u>30,240,409</u>
Total Capital Assets	<u>\$ 76,376,758</u>	<u>\$ 42,294,316</u>	<u>\$ 2,317,535</u>	<u>\$ 116,353,539</u>

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the years ended December 31, 2020 and 2019:

	Balance December 31, 2019	Additions and Adjustments	Reductions and Adjustments	Balance December 31, 2020	Current Portion
Bonds Payable					
Tap Fee Revenue Bonds, Series 2016	\$ 85,025,000	\$ -	\$ 2,976,000	\$ 82,049,000	\$ 1,500,000
Original Issue Discount	(1,548,984)	88,096	-	(1,460,888)	-
Subtotal	83,476,016	88,096	2,976,000	80,588,112	1,500,000
Notes from Direct Borrowings and Direct Placements					
Series 2020A Promissory Note	-	5,000,000	-	5,000,000	-
D.C. Burns Water Note	2,340,000	-	-	2,340,000	-
Red Hill Water Note	3,920,000	-	250,000	3,670,000	-
CWCB Promissory Note	-	4,191,990	-	4,191,990	-
Subtotal	6,260,000	9,191,990	250,000	15,201,990	-
Other Debts					
Payable to SR Entities:					
Water Activities - Principal	32,360,820	6,285,000	-	38,645,820	-
Water Activities - Accrued Interest	10,571,618	2,682,380	-	13,253,998	-
Wastewater Activities - Principal	4,467,997	-	-	4,467,997	-
Wastewater Activities - Accrued Interest	1,783,308	317,546	-	2,100,854	-
Vehicle lease	-	34,931	8,325	26,606	-
Subtotal	49,183,743	9,319,857	8,325	58,495,275	-
Total Long-Term Obligations	\$ 138,919,759	\$ 18,599,943	\$ 3,234,325	\$ 154,285,377	\$ 1,500,000
	Balance December 31, 2018	Additions and Adjustments	Reductions and Adjustments	Balance December 31, 2019	Current Portion
Bonds Payable					
Tap Fee Revenue Bonds, Series 2016	\$ 85,025,000	\$ -	\$ -	\$ 85,025,000	\$ 1,425,000
Original Issue Discount	(1,637,081)	88,097	-	(1,548,984)	-
Subtotal	83,387,919	88,097	-	83,476,016	1,425,000
Notes from Direct Borrowings and Direct Placements					
D.C. Burns Water Note	2,340,000	-	-	2,340,000	-
Red Hill Water Note	3,920,000	-	-	3,920,000	-
Subtotal	6,260,000	-	-	6,260,000	-
Other Debts					
Payable to SR Entities:					
Water Activities - Principal	22,300,820	10,060,000	-	32,360,820	-
Water Activities - Accrued Interest	8,863,952	1,707,666	-	10,571,618	-
Wastewater Activities - Principal	4,467,997	-	-	4,467,997	-
Wastewater Activities - Accrued Interest	1,465,762	317,546	-	1,783,308	-
Payable to SWWC:					
Wastewater Activities - Principal	8,021	-	8,021	-	-
Wastewater Activities - Accrued Interest	29,034	3,855	32,889	-	-
Subtotal	37,135,586	12,089,067	40,910	49,183,743	-
Total Long-Term Obligations	\$ 126,783,505	\$ 12,177,164	\$ 40,910	\$ 138,919,759	\$ 1,425,000

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

\$85,025,000 Tap Fee Revenue Bonds, Series 2016

On December 29, 2016, the District issued its Tap Fee Revenue Bonds, Series 2016, in the aggregate amount of \$85,025,000 with an original issue discount of \$1,806,421 (Bonds). The proceeds from the sale of the Bonds were used for the purposes of (i) paying or reimbursing the costs of capital infrastructure improvements; (ii) providing capitalized interest for the Bonds; (iii) providing a deposit to the Debt Service Reserve Fund; (iv) providing a deposit to the Surplus Reserve Fund; and (v) paying costs of issuance of the Bonds.

The Bonds include a \$13,745,000 term bond maturing on December 1, 2027 with an interest rate of 5.25%, a \$24,435,000 term bond maturing on December 1, 2036 with an interest rate of 5.75%, and a \$46,845,000 term bond maturing on December 1, 2046 with an interest rate of 6.0%, and interest is payable semi-annually on June 1 and December 1, beginning on June 1, 2017. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2020. The Bonds are subject to optional redemption as described in the Trust Indenture starting in 2021.

The Bonds are subject to mandatory redemption in whole or in part prior to their stated maturity from amounts on deposit in the Extraordinary Mandatory Redemption Account commencing June 1, 2020.

The Bonds are secured by and payable solely from the Revenues (as defined in the Trust Indenture) and any other legally available amounts that the District determines, in its absolute discretion, to transfer to the trustee for application as described in the Indenture. Revenues include, with the exception of the tap fee revenue received in connection with the residential lots in Sterling Ranch Filing No. 1, 100% of the Tap Fee Revenues received by the District, and after the Capitalized Interest period, Net Service Charge Revenues, if any. Once the trustee has transferred sufficient funds from the Revenue Fund to the Funds and accounts described in items first through fifth below, the Issuer shall be entitled to receive a monthly distribution defined as the "Issuer Allocation" which directs that 100% of the amount of Tap Fee Revenues in the Revenue Fund during the interest capitalization period and 85% of the amount of Tap Fee Revenues in the Revenue Fund after the capitalized interest period shall be available to the District to fund capital costs and operations and maintenance costs, including general and administrative costs.

To the extent that the remaining Revenues are insufficient to pay the principal of, Premium, if any, or interest on the Bonds when due, the District has covenanted to credit certain of its net service charge revenues, originating from monthly water and sewer service charge fees less operations and maintenance costs, to the Bond Fund in order to cover any shortfall.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

\$85,025,000 Tap Fee Revenue Bonds, Series 2016 (Continued)

The trustee shall make transfers from the Revenue Fund to the following Funds and accounts in the amounts, at the times and in the order of priority set forth below:

- First, to the Rebate Fund, in an amount equal to any deposits required to be made therein pursuant to Section 4.12 of the Trust Indenture;
- Second, to the trustee to pay its fees and expenses as the same become due and payable;
- Third, on the first day of each calendar month, beginning on June 1, 2019 to the Debt Service Fund, an amount equal to the interest to become due on the Outstanding Bonds on June 1, 2020, then beginning on December 2, 2019, and on the first day of each calendar month thereafter, to the Debt Service Fund, an amount equal to the interest to become due on the Outstanding Bonds on December 1, 2020, then beginning on June 2, 2020, and on the first day of each calendar month thereafter, to the Debt Service Fund, an amount equal to the interest to become due on the Outstanding Bonds on June 1, 2021, then for each six month period beginning on June 2 and December 2 of each Bond Year, and on the first day of each calendar month thereafter, respectively, to the Debt Service Fund, an amount equal to the interest to become due on the Outstanding Bonds on the second succeeding Interest Payment Date, then on December 2, 2019 and on the first day of each calendar month thereafter, to the Debt Service Fund, an amount equal to one-half (1/2) of the amount of principal and premium, if any, payable on the Outstanding Bonds on December 1, 2020 whether pursuant to maturity or any scheduled mandatory sinking fund redemption established for a Series of Bonds, then beginning on June 2, 2020, and on the first day of each calendar month thereafter, one-half (1/2) of the amount of principal and premium, if any, payable on the Outstanding Bonds on December 1, 2020 whether pursuant to maturity or any scheduled mandatory redemption established for a Series of Bonds, and thereafter for each six month period beginning on June 2 and December 2 of each Bond Year and on the first day of each calendar month thereafter, one-half (1/2) of the amount of principal and premium, if any, payable on the Outstanding Bonds on December 1 of such Bond Year, whether pursuant to maturity or any scheduled mandatory redemption established for a Series of Bonds;
- Fourth, to the extent of any deficiency in the Reserve Fund the amount necessary, if any, for the amount on deposit therein to equal the Reserve Fund Requirement for the Bonds;
- Fifth, on June 1, 2018, December 1, 2018, June 1, 2019 and December 1, 2019 to the Surplus Reserve Fund an amount equal to \$307,085, on each such date so that the amount on deposit therein on December 1, 2019 is equal to the Maximum Surplus Reserve Fund Amount;

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

\$85,025,000 Tap Fee Revenue Bonds, Series 2016 (Continued)

- Sixth, after all deposits in the required amounts have been made under “first” through “fifth” above, on the first day of each calendar month, beginning on February 1, 2017, to the extent of available Tap Fee Revenues in the Revenue Fund, an amount equal to the Issuer Allocation, shall be transferred to the Issuer to be used by it for any lawful purpose, and on the first day of each calendar month, beginning on January 1, 2020, an amount equal to the EMR Allocation shall be transferred to the Extraordinary Mandatory Redemption Fund and used in accordance with Section 4.09 of the Trust Indenture.

The District’s Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,500,000	\$ 4,769,453	\$ 6,269,453
2022	1,580,000	4,690,703	6,270,703
2023	1,665,000	4,607,753	6,272,753
2024	1,750,000	4,520,340	6,270,340
2025	1,845,000	4,428,465	6,273,465
2026-2030	10,805,000	20,551,540	31,356,540
2031-2035	14,250,000	17,104,326	31,354,326
2036-2040	18,394,000	12,494,040	30,888,040
2041-2045	24,455,000	6,315,000	30,770,000
2046	5,805,000	348,300	6,153,300
Total	<u>\$ 82,049,000</u>	<u>\$ 79,829,920</u>	<u>\$ 161,878,920</u>

Direct Borrowings and Other Debts

Information related to various notes, loans and funding agreements can be found in Note 8.

NOTE 6 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational and certain capital expenditures. Until an independent revenue base is established, continuation of operations in the District and construction of certain public improvements may require funding from the SR Entities to the extent of any shortfalls.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 RELATED PARTIES

Sterling Ranch, LLC (SR LLC), Sterling Ranch Too, LLC (SR Too), a single member limited liability company for which SR LLC is the manager and sole member, and Sterling Ranch Development Company (Developer), are the owners of or hold options to acquire a significant portion of the properties comprising the development known as Sterling Ranch, which lies within the service area of the District. SR LLC, SR Too, the Developer, and Hobbs Investments LLC (Hobbs), a single member limited liability company for which the Developer is the manager and sole member (collectively with SR LLC, SR Too and the Developer, the SR Entities) have each advanced funds to the District (see Note 9). Certain members of the Board of Directors of the District hold interests in the SR Entities or are otherwise associated with the SR Entities and may have conflicts of interest in dealing with the District. Such members currently constitute less than 50% of the membership of the Board of Directors of the District.

NOTE 8 AGREEMENTS

Agreements with SR Entities

Advance and Reimbursement Agreement

On February 2, 2005, the District entered into the Advance and Reimbursement Agreement (the Agreement) with SR LLC. Pursuant to the Agreement, SR LLC agreed to advance funds to the District to pay for capital and operational expenses when the District's revenues are not sufficient to pay for such expenses. The District will pay SR LLC interest, from the date of each advance, at the rate of 7% per annum. The District's payment of advances under this Agreement is subject to annual appropriation and shall be applied first to interest, then to principal of the advances. The District's reimbursement obligation is subordinate to any bonded indebtedness of the District hereafter created.

2016 Operating Funding Agreement

On December 17, 2015, with an effective date of January 1, 2016, the District entered into the 2016 Operation Funding Agreement with Hobbs pursuant to which Hobbs agreed to advance funds to the District for certain operation and maintenance expenses on a periodic basis as needed for fiscal year 2016. The District agreed to repay these advances, pursuant to the priority established in the agreement, together with accrued interest at the rate of 8% per annum accruing from the date of deposit into the District's account or from the date of direct payment by Hobbs to the District's consultants. The District's repayment of advances under this Agreement is subject to annual appropriation and is subordinate to any bonded indebtedness of the District.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 AGREEMENTS (CONTINUED)

Agreements with SR Entities (Continued)

2016-2020 Facilities Funding and Acquisition Agreement

On December 17, 2015, with an effective date of January 1, 2016, the District entered into the 2016-2020 Facilities Funding and Acquisition Agreement with Hobbs, pursuant to which Hobbs agreed to make advances up to the Budgeted Shortfall Amount (as defined therein) to the District for the purpose of funding the construction and/or acquisition of public improvements. The District agreed to repay these advances, pursuant to the priority established in the agreement, together with accrued interest at the rate of 8% per annum accruing from the date of verification. The agreement does not constitute debt, but is an annual appropriations agreement intended to be repaid through a future bond issuance.

Castle Rock Pipeline Facilities Funding and Acquisition Agreement (Hobbs)

On October 4, 2018, the District and Hobbs entered into the Castle Rock Pipeline (also referred to herein as the Eastern Regional Pipeline Project or the ERPP) Facilities Funding and Acquisition Agreement (CRPP Hobbs FFAA) whereby Hobbs has agreed to advance funds to the District to complete the Castle Rock Pipeline Project if there are insufficient funds in the Castle Rock Pipeline Project Construction Account (defined below), as such obligation is required under the Castle Rock Pipeline IGA (discussed below). The District agreed to repay these advances, pursuant to the priority established in the CRPP Hobbs FFAA, together with accrued interest at a rate of 8% per annum for the date of deposit of an advance. The CRPP Hobbs FFAA does not constitute debt, but is an annual appropriations agreement intended to be repaid through a future bond issuance.

Castle Rock Pipeline Facilities Funding and Acquisition Agreement (Developer)

On November 13, 2018, the District and Developer entered into the Castle Rock Pipeline Facilities Funding and Acquisition Agreement whereby Developer has agreed to advance funds to the District to complete the Castle Rock Pipeline Project if there are insufficient funds in the Castle Rock Pipeline Project Construction Account and Hobbs has not advanced funds pursuant to the CRPP Hobbs FFAA. The District agreed to repay these advances, pursuant to the priority established in the agreement, together with accrued interest at a rate of 8% per annum for the date of deposit of an advance. This agreement does not constitute debt, but is an annual appropriations agreement intended to be repaid through a future bond issuance.

Junior Limited Revenue Promissory Notes

On December 27, 2017, the District issued Junior Limited Revenue Promissory Notes, Series 2017A (Notes), to Developer and related entities, in the aggregate principal amount of \$23,381,597, on a basis junior and subordinate to all other long-term obligations of the District. The Notes bear interest at a rate of 7% per annum, and interest payments are due on the 20th of each December, commencing on December 20, 2022. The Notes were issued by the District for the purpose of financing the costs of water and wastewater facilities.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 AGREEMENTS (CONTINUED)

Water Agreements

Canyons Pipeline Capacity License Agreement

On November 17, 2017, the District, acting by and through its Water Enterprise, and the Town entered into the Amended and Restated Canyons Pipeline Capacity License Agreement, pursuant to which the District was granted a license of capacity of 4.2 million gallons per day as part of a license which the Town expects to obtain with respect to capacity in a 36-inch waterline and related infrastructure to be constructed by Parker Water and Sanitation District. The parties agree that the initial term of such license will commence on the date that the Town obtains its license capacity discussed above and will terminate December 31 thereafter, and may be renewed for four one-year terms thereafter.

Purchase Agreement (ARS Reservoir Site)

On November 22, 2016, the District and ARS Sand & Gravel Co., LLC (ARSSG) entered into an Amended and Restated Purchase Agreement (the Amended and Restated ARS Agreement) pursuant to which the District agreed to purchase and ARSSG agreed to sell a Reservoir Site (the ARS Property). The District agreed to purchase: (i) the ARS Property, including a minimum of 1,750 acre feet of capacity; (ii) all of the mineral rights underlying the ARS Property; (iii) all nontributary water and not nontributary ground water rights underlying the ARS Property, and the right to extract said water; (iv) any perpetual, nonexclusive easements necessary to access the ARS Property; and (v) existing buildings on the ARS Property and the surrounding land necessary to maintain the required surface and subsurface support of such buildings. The Purchase Price (as defined in the Amended and Restated ARS Agreement) of the subject ARS Property is to be the appraised fair market value of the existing site to be calculated by taking the estimated value of a completed water storage reservoir less the cost to complete, plus \$650 per acre foot of nontributary and not nontributary Denver Basin groundwater underlying the ARS Property. The term of the Amended and Restated ARS Agreement, extended from a prior agreement, is currently set to expire on May 31, 2021. In consideration for such extension, the District has agreed to pay ARSSG \$25,000 on or before May 31 of each year through 2020. The payments are nonrefundable and do not apply towards the Purchase Price at closing. The District had previously made a payment of \$20,000 under the original purchase agreement between the parties, as the same was replaced and superseded in its entirety by the Amended and Restated ARS Agreement. The \$20,000 payment will be applied toward the Purchase Price at closing.

At closing, the District will pay ARSSG the lesser of 10% of the total Purchase Price, or \$1,000,000. Upon an engineer's certification with respect to certain improvements to the ARS Property, the District will make a second payment of 25% of the Purchase Price. The balance of the Purchase Price will be evidenced by a note and deed of which will be payable annually over a 10-year period from the date of the second payment described above, with interest on the unpaid principal balance from the date of the note, until paid, at a rate of 6% per annum.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 AGREEMENTS (CONTINUED)

Water Agreements (Continued)

Subordinate Limited Revenue Promissory Water Note, Series 2017A

On July 18, 2017 the District issued a Subordinate Limited Revenue Promissory Water Note, Series 2017A – to Hock Hocking Mineral Company, LLC – principal amount of \$1,004,851 – maturing July 18, 2018 – interest rate of 1.01% per annum – principal and accrued interest are due in full on the date of maturity. As of December 31, 2020, the District has no outstanding financial obligation under this Note.

Subordinate Limited Revenue Promissory Water Note, Series 2017B and DC Burns Purchase and Sale Agreement

The District entered into a Purchase and Sale Agreement dated April 5, 2017 with D.C. Burns Realty and Trust Company (Burns PSA), pursuant to which the District agrees to purchase from D.C. Burns certain water rights, and to issue a promissory note, which is in turn to be secured by a deed of trust from the District for the benefit of D.C. Burns. On September 18, 2017, the District assigned certain of the water rights under the Burns PSA to the City of Aurora. On August 4, 2017, pursuant to the Burns PSA, the District issued a Subordinate Limited Revenue Promissory Water Note, Series 2017B to The D.C. Burns Realty & Trust Company, with a principal amount of \$2,340,000, maturing December 15, 2047, with an interest rate of 6% per annum, and interest due on the first day of each January, April, July and October, commencing on October 1, 2017.

Subordinate Limited Revenue Promissory Water Note, Series 2017C and Rex Motors Purchase and Sale Agreement

The District entered into a Purchase and Sale Agreement dated October 27, 2017 with Rex Motors, Inc. (Rex PSA), pursuant to which the District agrees to purchase from Rex Motors certain water rights, and to issue a promissory note. On December 20, 2017, the District assigned certain of the water rights under the Rex PSA to the City of Aurora pursuant to the Aurora 250 Agreement. On December 20, 2017, pursuant to the Rex PSA, the District issued a Subordinate Limited Revenue Promissory Water Note, Series 2017C to Rex Motors, Inc. in the principal amount of \$3,920,000, maturing December 15, 2027, with an interest of 6% per annum, and interest due every June 15 and December 15, commencing on June 15, 2018.

Cherokee Ranch Agreements

The District and the Town of Castle Rock entered into an Intergovernmental Agreement for the Option to Purchase and Right of First Refusal Regarding Ground Water Rights, Easements and Related Improvements dated March 5, 2019, as subsequently amended (the “Cherokee PSA”). This agreement grants the District an option to purchase certain ground water rights and easements for such ground water rights associated with the “Cherokee Ranch” in Douglas County, Colorado. The District has exercised its option to purchase under the Cherokee PSA, as shown in the First Amendment dated June 18, 2019, Second Amendment dated June 2, 2020, Third Amendment dated August 18, 2020, Fourth Amendment dated September 15, 2020, and Fifth Amendment dated May 4, 2021. The option expires on September 30, 2022.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 AGREEMENTS (CONTINUED)

Water Agreements (Continued)

Cherokee Ranch Agreements (Continued)

In connection with the Cherokee PSA, the District also entered into a Tri-Party Agreement Regarding Cherokee Ranch & Castle Foundation Rights between the District, the Town of Castle Rock and the Cherokee Ranch & Castle Foundation dated March 5, 2019 which address among other things, operational matters, well sharing and the Foundation's right of first refusal.

Subordinate Limited Revenue Promissory Water Note, Series 2020A Note

On March 27, 2020, the District issued a Subordinate Limited Revenue Promissory Note, Series 2020A ("2020A Note"), in the amount of \$5,000,000. Proceeds from the 2020A Note will be used to finance a portion of the construction costs relating to the High Zone Tank. The 2020A Note bears interest of 6.5% per annum, payable on the 15th day of June and December commencing on June 15, 2020. Principal payments are payable on December 15th of each year, commencing on December 15, 2021, with a final maturity date of December 15, 2040.

CWCB Loan

On April 1, 2020, the District issued a loan secured by the Colorado Water Conversation Board ("CWCB Loan") in the amount of \$4,191,990. Proceeds from the CWCB Loan will be used to finance a portion of the construction costs relating to the Chatfield Reallocation Project. The CWCB Loan bears interest of 3.3% per annum. Interest and principal are payable on the 1st day of April commencing on April 1, 2020, with a final maturity date on April 1, 2050.

WISE Agreements

General

On August 24, 2010, the District entered into an Intergovernmental Agreement (the South Metro IGA) to become a member of the South Metro Water Supply Authority (the Authority). The Water Infrastructure and Supply Efficiency Partnership (the WISE Partnership) is a regional water supply project among certain members of the Authority. The Authority was established in 2006, and now includes 13 governmental water providers who collaborate to utilize available resources for the benefit of each participating water provider. Ten of the Authority's members formed the South Metro WISE Authority (the SMWA) and are committed to participation in the WISE Partnership.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 AGREEMENTS (CONTINUED)

WISE Agreements (Continued)

South Metro WISE Authority Formation and Organizational IGA

The District and nine other members of the Water Authority established the South Metro WISE Authority (the WISE Authority) pursuant to the South Metro WISE Authority Formation and Organizational Intergovernmental Agreement (the WISE Authority IGA), as approved by the District on April 17, 2013, for the purpose of implementing a project for the long-term provision of water to the members of the WISE Authority by the City of Aurora, Colorado, acting by and through its utility enterprise ("Aurora") and the City and County of Denver, Colorado, acting by and through its Board of Water Commissioners ("Denver") pursuant to the WISE Delivery Agreement (See WISE Partnership - Water Delivery Agreement), and the purchase of a pipeline and construction of other necessary infrastructure in connection therewith (the WISE Project). The WISE Authority IGA sets forth the powers and the governing terms of the WISE Authority, including, without limitation, the power to issue bonds, to operate water systems for the benefit of its participants, and to adopt plans for the development of projects necessary to implement the WISE Project.

Pursuant to the WISE Authority IGA, each member of the WISE Authority is obligated to pay for the greater of: (i) all water that such member receives pursuant to the WISE Delivery Agreement; or (ii) its pro rata share (based on such member's subscription as compared to the other member's subscriptions) of the required Minimum Payments (as defined below) of the WISE Authority pursuant to the WISE Delivery Agreement. The District's subscription under the WISE Authority IGA for water delivered is for an average delivery of 1,325 acre feet of water per year, and its pro rata share is 18.34%. Water deliveries are scheduled to begin in 2017, and Minimum Payments will be due beginning in 2018.

Each member of the WISE Authority is also required to deposit 35% of such member's annual pro rata share of the Minimum Payment on 7,225 acre-feet (the amount of water to be delivered to WISE Authority participants pursuant to the WISE Delivery Agreement) with the WISE Authority as an operational reserve, in an initial payment in an amount equal to 5% of such pro rata share 24 months following effective date of the WISE Authority IGA and subsequently in three additional installments each equal to 10% of such pro rata share beginning 36 months following the effective date of the WISE Authority IGA and annually thereafter until fully paid. Pursuant to this requirement, the District paid approximately \$119,000 in 2015.

Each member of the WISE Authority is further obligated to pay for the costs of certain infrastructure which is necessary for the functioning of the WISE Project ("Core WISE Project Infrastructure"), in the amount of its pro rata share of such costs among all members. The WISE Authority IGA also sets forth methods for determining allocation among members of fixed operational costs based on each member's proportionate rights, and variable operational costs based on each member's usage of various infrastructure. Additionally, overhead costs of the WISE Authority are due from members quarterly based on their pro rata share. In 2016, the District has paid \$137,000 to the WISE Authority for operational and overhead costs.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 AGREEMENTS (CONTINUED)

WISE Agreements (Continued)

South Metro WISE Authority Formation and Organizational IGA (Continued)

Amounts due under the WISE Authority IGA are not subject to annual appropriation and the amounts due, but unpaid, thereunder will be deemed a consensual lien upon such member's rights in the WISE Project and under the WISE Authority IGA. If any member fails to cure amounts due under the WISE Authority IGA within 180 days from the due date the WISE Authority may foreclose on such member's rights under this WISE Authority IGA in the same manner as the foreclosure of a mechanic's lien or pursuant to judicial foreclosure or file for declaratory judgment seeking an assignment and transfer of all rights and interests of such member under the WISE Authority IGA. Additionally, if the amounts due to the WISE Authority are not paid within 60 days of the date of a default notice, the member in default agrees to impose a fee upon all of its customers sufficient to pay the amounts due. In the event that such member refuses to impose such fee, the WISE Authority may initiate an action for declaratory judgment and injunction or specific performance imposing such fee upon such member's customers. The members of the WISE Authority agree to cooperate with the WISE Authority in the use of this remedy.

Western Pipeline Lease Purchase Agreement with Town of Castle Rock

In order to take deliveries of water under the WDA (as defined above), SMWA entered into the Western Pipeline Purchase Agreement under which SMWA will acquire an 85% ownership interest in the Western Pipeline and related infrastructure. The District and the Town are identifying infrastructure that they may use jointly or cooperatively to facilitate efficient and cost-effective delivery of water to their customers, and have determined that they need capacity in the Western Pipeline. The District has requested that the Town purchase a total of 28.51% of SMWA's interest in the Western Pipeline and lease a 14.67% interest to the District with an option to purchase. The Western Pipeline Lease Purchase Agreement, of August 2014, sets forth the terms and condition of such lease and purchase option.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 AGREEMENTS (CONTINUED)

Wastewater Agreements

Intergovernmental Agreement for Temporary Lease of and Acquisition of Capacity in the Roxborough Wastewater Conveyance System between Roxborough Water and Sanitation District and Dominion Water and Sanitation District

On October 1, 2020, the District, acting by and through its Wastewater Enterprise, entered into an Intergovernmental Agreement for Temporary Lease of and Acquisition of Capacity in the Roxborough Wastewater Conveyance System with Roxborough in order to enable the District to provide wastewater treatment services to Filing No. 1 of Sterling Ranch prior to completion of upgrades and modifications to the WWTP. Pursuant to the agreement, Roxborough agrees to lease to the District limited unused capacity in Roxborough's wastewater conveyance system on a temporary and nonemergency basis and to secure permanent capacity in the "O" interceptor (the O-Line) to secure permanent conveyance of wastewater sludge to South Platte Water Renewal Partners (SPWRP, formerly known as the Littleton-Englewood Wastewater Treatment Facility), and to temporarily convey Dominion wastewater to SPWRP. As consideration, the District pays Roxborough both a Capital Asset Lease Payment and Operations Fee. Additionally, Dominion is obligated to pay Roxborough \$5,000,000 in five installments due at the intervals identified in the agreement, to be spent on replacement pumps and a backup generator as necessary to provide the capacity set forth in the agreement.

Other Agreements

Water and Wastewater Service Agreement for Sterling Ranch

The District entered into an agreement dated January 6, 2014, with the Sterling Ranch Community Authority Board (CAB) to provide wholesale water, wastewater, and stormwater services to the CAB. The CAB will serve as the retail provider of water and wastewater to customers located in the Sterling Ranch development. The agreement sets forth the terms and conditions regarding the provision of the services, financing of construction and operation of the facilities, and establishment rates, fees, charges and reimbursements.

Water, Wastewater, and Stormwater Operations Agreement for Sterling Ranch

The District, acting through each of its Enterprises, entered into an agreement, dated December 7, 2016, as amended and restated as of October 17, 2017, setting forth terms for the administration, operation, maintenance, repair and replacement of water and wastewater facilities prior to the provision of water and wastewater service to end users within Filing 1 of Sterling Ranch, and all other future development within Sterling Ranch. The District will own, operate and maintain the wholesale facilities and the CAB will own, operate, and maintain the retail facilities. The parties agreed the District will invoice the CAB for provision of wholesale services and the CAB will be responsible for payment of those invoices, as well as for collecting and remitting the District's tap fees from retail customers.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 AGREEMENTS (CONTINUED)

Other Agreements (Continued)

Intergovernmental Agreement for the Financing, Design, and Construction of the Castle Rock Pipeline Project

On October 4, 2018, the District entered into the Intergovernmental Agreement for the Financing, Design and Construction of the Castle Rock Pipeline Project (part of the Eastern Regional Pipeline Project) with the CAB, UMB Bank, n.a., and CliftonLarsonAllen LLP (Castle Rock Pipeline IGA) to provide for the financing, design, and construction of the Castle Rock Pipeline Project for which the District is responsible. The District will finance the Castle Rock Pipeline Project with proceeds from the Series 2016 Bonds and other funds, which proceeds will be held in a separate account (the Castle Rock Pipeline Project Construction Account) for disbursement for costs associated with the Castle Rock Pipeline Project. If the District is in default of its obligations to construct the Castle Rock Pipeline Project, the Castle Rock Pipeline IGA requires the CAB to assume the District's obligation to complete the Castle Rock Pipeline Project.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and worker's compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the state of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

**DOMINION WATER & SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District operates as an enterprise fund under Title 37, Article 45.1, C.R.S., to provide wholesale water and wastewater services in accordance with its Service Plan. An enterprise fund under Section 20 of the Colorado Constitution may receive less than 10% of its annual revenue in grants from Colorado state and local governments combined. See Note 1 for related information.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**DOMINION WATER & SANITATION DISTRICT
ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE –
BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Water Service Fees - Residential/Commercial	\$ 708,000	\$ 653,771	\$ (54,229)
Water Service Fees - Construction	1,010,000	1,008,909	(1,091)
Water Service Fees - Irrigation	121,000	175,198	54,198
Sewer Service Fees	173,000	263,941	90,941
Pipeline Project - CRW Share - Easements/Admin	-	51,370	51,370
Pipeline Project - CRW Share - Construction	5,600,000	5,567,287	(32,713)
Pipeline Project - CAB Share - Construction	-	324,015	324,015
Water Tap Fees	10,711,890	10,564,981	(146,909)
Sewer Tap Fees	3,100,768	3,134,670	33,902
Reimbursed Expenditures	1,100,200	1,055,138	(45,062)
Other Income	-	31,199	31,199
Net Investment Income (Loss)	275,000	402,329	127,329
Sterling Ranch Entities Advances	10,404,537	6,285,000	(4,119,537)
Note Proceeds - Series 2020A	5,000,000	5,000,000	-
Loan Proceeds - CWCB	4,200,000	4,191,990	(8,010)
Total Revenues	42,404,395	38,709,798	(3,694,597)
EXPENDITURES			
Management - O&M:			
Personnel	1,032,708	824,343	208,365
Other Personnel Benefits	12,325	1,376	10,949
Contracted Personnel:			
Investment Advisory Fee	30,000	16,828	13,172
District Management	3,000	-	3,000
Accounting	140,000	119,781	20,219
Audit	10,000	10,300	(300)
Legislative Lobbyist	120,000	40,000	80,000
Trustee Fee	3,500	3,500	-
Total Contracted Personnel	306,500	190,409	116,091
District Office:			
Relocation Expenses	2,200	-	2,200
Office Utilities	2,400	-	2,400
Rent	71,500	45,896	25,604
Equipment	1,800	3,539	(1,739)
Communications - Telephone	6,720	4,800	1,920
Office Supplies	3,800	2,182	1,618
Postage	348	129	219
Insurance	52,750	51,492	1,258
Miscellaneous/Contingency	5,400	6,738	(1,338)
Technical Support Services	9,600	9,634	(34)
Total District Office	156,518	124,410	32,108
Management - Capital:			
Capital:			
Computers and Printers	9,200	2,402	6,798
Software	18,000	9,466	8,534
Asset Management	23,080	-	23,080
Office Furniture and Fixtures	11,000	1,656	9,344
Vehicle	35,000	1,850	33,150
Total Capital	96,280	15,374	80,906
Total Management	1,604,331	1,155,912	448,419

**DOMINION WATER & SANITATION DISTRICT
ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE –
BUDGETARY BASIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (CONTINUED)			
Leadership/Customer Service - O&M:			
Board Communication	\$ 5,700	\$ 48	\$ 5,652
Dues and Subscriptions	10,000	9,175	825
SMWSA Participation	17,500	17,741	(241)
District Engineering	105,000	96,872	8,128
District Policies	50,400	25,860	24,540
District Legal Services	224,350	314,153	(89,803)
Public Relations	59,300	52,503	6,797
Leadership/Customer Service - Capital:			
Customer Entitlement Support	154,000	62,598	91,402
Total Leadership/ Customer Service	<u>626,250</u>	<u>578,950</u>	<u>47,300</u>
Water Supply - Capital:			
Agreements/ Partnerships	25,000	25,000	-
South Metro WISE Authority	6,076,379	6,010,284	66,095
WISE - Reuter Hess to Parker (Canyons)	915,596	915,596	-
WISE - Parker to Castle Rock (Outtermarker)	880,100	880,100	-
WISE - Parker to Canyons System (Parker Parallel)	452,000	248,080	203,920
Water Acquisition/Purchase	1,817,000	251,570	1,565,430
Transmission Infrastructure	150,000	200,000	(50,000)
Total Water Supply	<u>10,316,075</u>	<u>8,530,630</u>	<u>1,785,445</u>
Master Planning - Capital	280,000	364,516	(84,516)
Water System - O&M:			
Distribution and Storage Operations	179,000	183,830	(4,830)
Water Treatment Operations	671,000	618,676	52,324
Master Meter Contracts	24,360	-	24,360
System Operations	28,000	3,523	24,477
Water Delivery	842,000	792,671	49,329
Drinking Water Regulatory Compliance	64,000	61,642	2,358
Water System - Capital:			
Treatment Development - Roxborough WTP	460,700	43,038	417,662
Eastern Regional Pipeline - Dominion	7,300,000	6,477,041	822,959
Eastern Regional Pipeline - CR Water	5,600,000	4,361,142	1,238,858
Distribution and Storage Development:			
Potable Water Tanks	5,000,000	4,803,729	196,271
So Platte Diversion - Effluent Return	175,000	74,572	100,428
Chatfield Reallocation	50,000	90,353	(40,353)
Chatfield Reallocation Participation Fee	-	228,500	(228,500)
Chatfield Reallocation Project Share	4,200,000	4,150,485	49,515
High Zone Pump Station Design	-	221,274	(221,274)
Construction Contingency	1,000,000	-	1,000,000
Total Distribution and Storage Development	<u>10,425,000</u>	<u>9,568,913</u>	<u>856,087</u>
Total Water System	<u>25,594,060</u>	<u>22,110,476</u>	<u>3,483,584</u>

**DOMINION WATER & SANITATION DISTRICT
ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE –
BUDGETARY BASIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES (CONTINUED)			
Wastewater System - O&M:			
Treatment Operations	\$ 276,000	\$ 163,569	\$ 112,431
CDPHE Permit	6,000	4,538	1,462
Collection System Operations	217,000	237,424	(20,424)
Regulatory Compliance	118,000	59,509	58,491
Wastewater System - Capital:			
Treatment Development:			
Roxborough WWTP - Contingent Purchase	157,000	-	157,000
Chatfield Water Reclamation Facility	-	36,702	(36,702)
Waterton WRF - Prelim Design/Construct	700,000	73,343	626,657
Infrastructure Lease	1,200,000	-	1,200,000
Caretaker Road Maintenance	82,500	-	82,500
Total Treatment Development	<u>2,139,500</u>	<u>110,045</u>	<u>2,029,455</u>
Collection Development:			
Lift Station LS-4 (Prospect-West)	350,000	110,983	239,017
Filing 6 Collection System Design and Permitting	70,000	-	70,000
Total Collection Development	<u>420,000</u>	<u>110,983</u>	<u>309,017</u>
Total Wastewater System	<u>3,176,500</u>	<u>686,068</u>	<u>2,490,432</u>
Debt Service:			
Interest - 2016 Bonds	4,937,325	4,914,154	23,171
Interest - DC Burns	140,400	140,400	-
Interest - Red Hill Note	235,200	235,200	-
Interest - CWCBC Loan	250,000	4,878	245,122
Interest - Series 2020A Note	-	230,208	(230,208)
Interest - Vehicle Lease	-	1,546	(1,546)
Principal - 2016 Bonds	1,425,000	1,425,000	-
Principal - 2016 Bonds - EMR	1,123,147	1,551,000	(427,853)
Principal - Red Hill Note	250,000	250,000	-
Principal - Vehicle Lease	-	8,325	(8,325)
Cost of Issuance	-	177,750	(177,750)
Total Debt Service	<u>8,361,072</u>	<u>8,938,461</u>	<u>(577,389)</u>
Total Expenditures	<u>49,958,288</u>	<u>42,365,013</u>	<u>7,593,275</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(7,553,893)</u>	<u>(3,655,215)</u>	<u>3,898,678</u>
FUNDS AVAILABLE - BEGINNING	<u>21,450,458</u>	<u>19,231,210</u>	<u>(2,219,248)</u>
FUNDS AVAILABLE - ENDING	<u>\$ 13,896,565</u>	<u>\$ 15,575,995</u>	<u>\$ 1,679,430</u>
ADJUSTMENTS TO RECONCILE BUDGET BASIS TO GAAP BASIS			
Excess of Revenue Over (Under) Expenditures (Budget Basis)		\$ (3,655,215)	
Debt issuance		(15,476,990)	
Interest Expense Accruals		(3,098,047)	
Capital Outlay		29,628,906	
Debt and Leases - Principal Reduction		3,234,325	
Bonds Discount Amortization		(88,096)	
Depreciation/Amortization		(562,393)	
CHANGE IN NET POSITION		<u>9,982,490</u>	
Net Position - Beginning of Year		<u>(3,840,646)</u>	
NET POSITION - END OF YEAR		<u>\$ 6,141,844</u>	

OTHER INFORMATION

**DOMINION WATER & SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
YEAR ENDED DECEMBER 31, 2020**

<u>Bonds and Interest Maturing in the Year Ended December 31,</u>	\$85,025,000 Tap Fee Revenue Bonds, Series 2016 Issued on December 29, 2016 Principal Payable December 1 Interest Rates of 5.25% - 6.00%, Payable June 1 and December 1		
	Principal	Interest	Total
2021	\$ 1,500,000	\$ 4,769,453	\$ 6,269,453
2022	1,580,000	4,690,703	6,270,703
2023	1,665,000	4,607,753	6,272,753
2024	1,750,000	4,520,340	6,270,340
2025	1,845,000	4,428,465	6,273,465
2026	1,940,000	4,331,603	6,271,603
2027	2,040,000	4,229,753	6,269,753
2028	2,150,000	4,122,653	6,272,653
2029	2,270,000	3,999,028	6,269,028
2030	2,405,000	3,868,503	6,273,503
2031	2,540,000	3,730,215	6,270,215
2032	2,685,000	3,584,165	6,269,165
2033	2,840,000	3,429,778	6,269,778
2034	3,005,000	3,266,478	6,271,478
2035	3,180,000	3,093,690	6,273,690
2036	3,360,000	2,910,840	6,270,840
2037	3,438,000	2,717,640	6,155,640
2038	3,640,000	2,511,360	6,151,360
2039	3,862,000	2,292,960	6,154,960
2040	4,094,000	2,061,240	6,155,240
2041	4,336,000	1,815,600	6,151,600
2042	4,597,000	1,555,440	6,152,440
2043	4,873,000	1,279,620	6,152,620
2044	5,169,000	987,240	6,156,240
2045	5,480,000	677,100	6,157,100
2046	5,805,000	348,300	6,153,300
Total	\$ 82,049,000	\$ 79,829,920	\$ 161,878,920

Note: The principal amounts shown above assume mandatory sinking fund payments are made, but assume no optional redemptions, special mandatory redemptions, or extraordinary mandatory redemptions will be made prior to maturity.