

Deer Creek Water District

Annual Financial Statements and Independent Auditor's Report

December 31, 2019


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Independent Auditor's Report

Members of the Board of Directors
Deer Creek Water District
Elbert County, Colorado

We have audited the accompanying financial statements of the business-type activities of Deer Creek Water District (the "District") as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Deer Creek Water District, as of December 31, 2019, 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.

Other-Matters

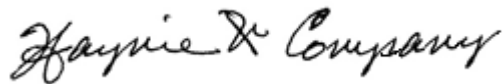
Required Supplementary Information

Management has omitted the management 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 an opinion on the financial statements that collectively comprise Deer Creek Water District's financial statements as a whole. The other supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The other 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado
September 21, 2020

Basic Financial Statements

Deer Creek Water District
Statement of Net Position
December 31, 2019

| | 2019 |
|--|--------------|
| Assets | |
| Current Assets | |
| Cash and cash equivalents - Unrestricted | \$ 121,539 |
| Cash and cash equivalents - Restricted | 10,002 |
| Investments | 212,636 |
| Property taxes receivable | 108,202 |
| Due from other entities | 1,296 |
| Accounts receivable, net | 84,233 |
| Total Current Assets | 537,908 |
| Capital Assets, net | 1,602,242 |
| Total Assets | \$ 2,140,150 |
| Liabilities and Net Position | |
| Liabilities | |
| Current liabilities | |
| Accounts payable | \$ 47,969 |
| Accrued interest payable | 2,488 |
| Current portion of bonds payable | 77,000 |
| Total Current Liabilities | 127,457 |
| Long-term liabilities | |
| Bonds payable | 785,000 |
| Capital leases payable | 88,245 |
| Total Long-term Liabilities | 873,245 |
| Total Liabilities | 1,000,702 |
| Deferred Inflows of Resources | |
| Deferred property tax revenue | 108,202 |
| Total Deferred Inflows of Resources | 108,202 |
| Net Position | |
| Net investment in capital assets | 651,997 |
| Restricted | 7,514 |
| Unrestricted | 371,735 |
| Total Net Position | 1,031,246 |
| Total Liabilities and Net Position | \$ 2,140,150 |

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

Deer Creek Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2019

| | 2019 |
|---|---------------------|
| Operating Revenues | |
| Charges for services | \$ 351,392 |
| Late fees | 1,212 |
| Total operating revenues | 352,604 |
| Operating Expenses | |
| Collection and Treatment | |
| Contract operator | 20,483 |
| Chemicals | 964 |
| Lab fees | 615 |
| Operating supplies | 5,414 |
| Maintenance | 51,639 |
| Electricity | 23,596 |
| Consultants | 8,501 |
| Water usage fee | 660 |
| Depreciation | 34,903 |
| General and Administrative | |
| Telephone | 1,222 |
| Management | 22,617 |
| Office supplies | 1,954 |
| Postage | 2,897 |
| Audit | 1,950 |
| Accounting | 13,011 |
| Insurance and bonds | 8,055 |
| Payment processing | 8,614 |
| Election | 56 |
| Legal | 19,557 |
| Other costs | 4,874 |
| Total operating expenses | 231,582 |
| Operating Income (Loss) | 121,022 |
| Nonoperating Revenues (Expenses) | |
| Property taxes | 82,091 |
| Specific ownership taxes | 14,782 |
| Investment earnings | 2,898 |
| Interest expense | (44,556) |
| Treasurer's fees | (2,425) |
| Miscellaneous income | 8,174 |
| Total Nonoperating Revenues (Expenses) | 60,964 |
| Change in Net Position | 181,986 |
| Net Position—Beginning of Year | 849,260 |
| Net Position—End of Year | \$ 1,031,246 |

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

Deer Creek Water District
Statement of Cash Flows
For the Year Ended December 31, 2019

| | <u>2019</u> |
|--|--------------------------|
| Cash Flows from Operating Activities: | |
| Cash received from customers | \$ 302,319 |
| Cash paid to suppliers for goods and services | <u>(157,748)</u> |
| Net Cash From Operating Activities | <u>144,571</u> |
| | |
| Cash Flows from Non-Capital Financing Activities: | |
| Cash received from property and specific ownership tax | 96,873 |
| Cash paid for treasurer's fees | <u>(2,425)</u> |
| Net Cash From Non-Capital Financing Activities | <u>94,448</u> |
| | |
| Cash Flows from Capital and Related Financing Activities: | |
| Acquisition and construction of capital assets | (125,905) |
| Principal paid | (97,709) |
| Interest paid | (44,556) |
| Miscellaneous income | 8,174 |
| Net Cash From Capital and Related Financing Activities | <u>(259,996)</u> |
| | |
| Cash Flows from Investing Activities: | |
| Investments purchased | (44,452) |
| Net investment income received | <u>2,898</u> |
| Net Cash from Investing Activities | <u>(41,554)</u> |
| | |
| Net Change in Cash and Cash Equivalents | (62,531) |
| | |
| Cash and Cash Equivalents—Beginning of Year | <u>194,072</u> |
| | |
| Cash and Cash Equivalents—End of Year | <u>\$ 131,541</u> |
| | |
| Cash and Cash Equivalents - reported as: | |
| Cash and Cash Equivalents - Unrestricted | \$ 121,539 |
| Cash and Cash Equivalents - Restricted | <u>10,002</u> |
| | <u>\$ 131,541</u> |
| | |
| Reconciliation of Net Operating Income to Net Cash From Operating Activities: | |
| Net operating income (loss) | \$ 121,022 |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 34,903 |
| Changes in assets and liabilities: | |
| Accounts receivable | (50,285) |
| Prepaid expenses | 4,400 |
| Accounts payable | 34,531 |
| Total Adjustments | <u>23,549</u> |
| | |
| Net Cash From Operating Activities | <u>\$ 144,571</u> |

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

Deer Creek Water District

Notes to Financial Statements

December 31, 2019

1. Definition of Reporting Entity

Deer Creek Water District (the District) is a quasi-municipal corporation created by an Order and Decree of the District Court in Elbert County, Colorado on November 24, 2008. The purpose of the District is to provide water service. The District is governed by an elected board of directors.

Since the major part of its income is derived from user charges, the District is classified and accounted for as an "Enterprise Fund". Because of the self-supporting nature of the District, its accounting is on the accrual basis much like a private, profit-making business. However, unlike a private business, the District is not subject to federal and state income taxes.

2. Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to local governments. A summary of the District's significant accounting policies applied in the preparation of these financial statements follows:

Financial Reporting Entity

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 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.

Fund Accounting

The Proprietary Fund is composed of water and sewer operations. It is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Deer Creek Water District
Notes to Financial Statements (continued)
December 31, 2019

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting

Enterprise fund accounting is utilized in accordance with generally accepted accounting principles. The financial statements are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Revenues received in advance are recorded as a liability for deferred revenue and the liability is removed when earned.

The District has elected to follow Governmental Accounting Standards Board (GASB) pronouncements.

Property, Plant and Equipment

Capital assets which include land, buildings, sewer distribution and collection systems and sewer treatment plant are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repair 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.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

| | |
|----------------|-------------|
| Infrastructure | 10-25 years |
| Equipment | 5-10 years |

Budget and Budgetary Accounting

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end. The District's budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) with the following exceptions: Principal retired is budgeted as an expense, depreciation and amortization of debt issuance costs are not budgeted, capital outlays and debt issuance costs are treated as expenses for budget purposes, and deferred revenues are treated as collected revenues for budgetary purposes.

The following table summarizes the 2019 individual fund budgeted expenditures, as originally adopted, and as revised. The general government budgetary information is presented to show the District's compliance with the amendment to Article X, Section 20 of the Colorado Constitution.

Deer Creek Water District
Notes to Financial Statements (continued)
December 31, 2019

2. Summary of Significant Accounting Policies (continued)

| | Original Budget | Total Revisions | Revised Budget |
|-----------------------|--------------------|--------------------|-------------------|
| General government | \$ 97,645 | \$ - | \$ 97,645 |
| Enterprise fund | 421,479 | - | 421,479 |
| Debt service fund | 223,562 | - | 223,562 |
| Capital projects fund | - | 240,000 | 240,000 |
| District total | \$ 742,686 | \$ 240,000 | \$ 982,686 |

The debt service fund expenditures of \$223,562 are also reflected above in the General Government and Enterprise Fund budgets as transfers to the Debt Service Fund for payment of debt service \$97,645 and \$125,917, respectively. The net revised appropriation for the District as a whole for 2019 is \$759,124.

Operations

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

Tap Fees and Contributions

Tap fees are recorded as revenue when received. There were no tap fees collected in the current year.

Contributions

Contributions consist of contributions in aid of construction (CAC). CAC represent facilities, or cash payments for facilities, received from property owners, governmental agencies and customers who receive benefit from such facilities. Contributions are recognized in the statement of revenues, expenses, and changes in fund net position, after non-operating revenues (expenses), when earned. There were no contributions in the current year.

Cash and Cash Equivalents

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

Investments

The District's policy is to account for investments at fair market value in accordance with GASB 31. Gains or losses on the sale of investments are recognized when the investment is sold.

Deer Creek Water District
Notes to Financial Statements (continued)
December 31, 2019

2. Summary of Significant Accounting Policies (continued)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2019 are recorded as prepaid items.

Accounts Receivable

Accounts receivable are determined to be fully collectible as shown at December 31, 2019; therefore, an allowance for doubtful accounts is not recorded in the financial statements.

Deferred Inflows Of Resources

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and therefore will not be recognized as an inflow of resources until then. The District has unearned property tax revenue. These items are reported as deferred inflows on the statement of net position.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted – This component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed through constitutional provisions or enabling legislation.
- Unrestricted – The component of net position that does not meet the definition above.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Deer Creek Water District
Notes to Financial Statements (continued)
December 31, 2019

3. Cash, Cash Equivalents and Investments

The District collects property tax from property owners within the district based on assessed values at December 31 of the prior year. Property owners are to pay these assessments either in full by April 30th or in halves by February 28/29th and June 15th. These taxes are collected by Elbert County and remitted to the district on the 10th day of the month following collection. Tax revenues remitted to the District for 2018 totaled \$82,091.

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 specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District had cash balances on deposit with original maturities of less than three months stated at cost, which approximates market, as follows:

| December 31, 2019 | <u>Book</u> | <u>Bank</u> |
|---------------------------------|--------------------|--------------------|
| Cash in checking | \$ 131,541 | \$ 131,901 |
| Total cash and cash equivalents | <u>\$ 131,541</u> | <u>\$ 131,901</u> |

The District's cash deposits and investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes deposits not covered by depository insurance and uncollateralized. Category 2 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. At , December 31, 2019 all of the District's deposits were insured.

Investments

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

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,

Deer Creek Water District
Notes to Financial Statements (continued)
December 31, 2019

3. Cash, Cash Equivalents and Investments (continued)

- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

Interest Rate Risk - Although the District has no formal policy regarding interest rate risk, district management limits the weighted average of maturity of its portfolios to no more than three years.

Credit Risk - The District's investments are recorded at fair value based on quoted market prices. District investments are securities that are held by the entity or its agent in the District's name, and are insured or registered by the District or its agent. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, or would further limit its investment choices. The District places no limit on the amount the District may invest in any one issuer.

Local Government Investment Pools – As of December 31, 2019 the District had \$182,184 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAM by Standard and Poor's. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. The District funds are only invested in Colotrust Plus+. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colotrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust.

Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method.

Deer Creek Water District
Notes to Financial Statements (continued)
December 31, 2019

3. Cash, Cash Equivalents and Investments (continued)

At December 31, 2019, cash deposits and investment, are classified on the statement of net position as follows:

| | | |
|---------------------------|----|-------------------|
| Cash and Cash Equivalents | \$ | 131,541 |
| Investments | | <u>212,636</u> |
| Total | | <u>\$ 344,177</u> |

At December 31, 2019, the District had the following investments:

| Investment | Rating | Investment Maturities (in Years) | | Total |
|-----------------------------------|--------|-------------------------------------|------------------|-------------------|
| | | Less than 1 | 1 to 5 | |
| Certificates of Deposit | N/A | \$ - | \$ 30,452 | \$ 30,452 |
| Money Market and Investment Pools | AAAm | <u>182,184</u> | <u>-</u> | <u>182,184</u> |
| | | <u>\$ 182,184</u> | <u>\$ 30,452</u> | <u>\$ 212,636</u> |

Fair Value Measurement and Application – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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. All of the District’s investments, except those that are held in local government investment pools, are measured at fair value using Level 1 inputs.

4. Capital Assets

An analysis of the changes in net capital asset for the year ended December 31, 2019 follows:

| | Balance December 31, 2018 | Additions | Retirements | Balance December 31, 2019 |
|---|---------------------------------|----------------|-------------|---------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 96,000 | \$ - | \$ - | \$ 96,000 |
| Water rights | 845,872 | - | - | 845,872 |
| Construction in progress | <u>70,408</u> | <u>125,905</u> | <u>-</u> | <u>196,313</u> |
| Total capital assets, not being depreciated | <u>1,012,280</u> | <u>125,905</u> | <u>-</u> | <u>1,138,185</u> |

Deer Creek Water District
Notes to Financial Statements (continued)
December 31, 2019

4. Capital Assets (continued)

| | Balance December 31, 2018 | Additions | Retirements | Balance December 31, 2019 |
|---|--|------------------|--------------------|--|
| Capital assets, being depreciated: | | | | |
| Buildings | 25,151 | - | - | 25,151 |
| Machinery and equipment | 154,739 | - | - | 154,739 |
| Infrastructure | 596,250 | - | - | 596,250 |
| Total capital assets, being depreciated | 776,140 | - | - | 776,140 |
| Less accumulated depreciation: | | | | |
| Buildings | (10,100) | (1,010) | - | (11,110) |
| Machinery and equipment | (68,392) | (9,299) | - | (77,691) |
| Infrastructure | (198,688) | (24,594) | - | (223,282) |
| Total accumulated depreciation | (277,180) | (34,903) | - | (312,083) |
| Total capital assets being depreciated, net | 498,960 | (34,903) | - | 464,057 |
| Total capital assets, net | 1,511,240 | 91,002 | - | 1,602,242 |

Depreciation expense was \$34,903 for the year ended December 31, 2019.

5. Long-Term Debt

The following schedule provides an analysis of long-term debt for the year ended December 31, 2019:

| | Balance December 31, 2018 | Additions | Reductions | Balance December 31, 2019 | Due Within One Year |
|--------------------------|--|------------------|-------------------|--|------------------------------------|
| General obligation bonds | \$ 936,000 | \$ - | \$ (74,000) | \$ 862,000 | 77,000 |
| Leases payable | 111,954 | - | (23,709) | 88,245 | 24,361 |
| | \$ 1,047,954 | \$ - | \$ (97,709) | \$ 950,245 | \$ 101,361 |

Deer Creek Water District
Notes to Financial Statements (continued)
December 31, 2019

5. Long-Term Debt (continued)

General Obligation Bonds Series 2009

On March 4, 2009 the District issued \$1,536,000 of General Obligation Bonds Series 2009. The Series 2009 bonds carry a coupon rate of 4.45% and mature annually commencing in 2009 through 2028 with interest payable on June 15th and principal and interest payable on December 15th. The Bonds maturing on and after December 15, 2028 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, on March 4, 2019, or on any date thereafter, upon payment of par plus accrued interest, without redemption premium. The Bonds are subject to mandatory sinking fund redemption at a price equal to the principal amount thereof plus accrued interest to the redemption date. The Bonds are payable from the proceeds of taxes levied upon the taxable property of the District.

Leases Payable

During 2016, the District entered into a lease agreement for \$91,769 to purchase a water tank refurbishment. Monthly payments of \$7,269 are due under the lease agreement beginning in March 2016, through March 2023. Interest accrues on the outstanding balance at 2.82% per annum. As of December 31, 2019 there was \$397 accrued interest on the loan and the principal amount of \$48,130 was outstanding.

During 2016, the District entered into an additional lease agreement for \$72,000 for the water tank refurbishment. Monthly payments of \$6,037 are due under the lease agreement beginning in March 2017, through March 2023. Interest accrues on the outstanding balance at 2.64 per annum. As of December 31, 2019 there was \$309 accrued interest on the loan and the principal amount of \$40,115 was outstanding.

Capital assets of \$167,310 less accumulated depreciation of \$26,770 are reported related to the above lease agreements.

A summary of the debt service requirements to maturity for the above-mentioned loans is as follows:

| | Principal | Interest | Total |
|----------|------------------|-----------------|--------------|
| 2020 | 101,361 | 40,610 | 141,971 |
| 2021 | 106,034 | 36,511 | 142,545 |
| 2022 | 109,723 | 32,217 | 141,940 |
| 2023 | 101,127 | 27,770 | 128,897 |
| 2024 | 92,000 | 23,674 | 115,674 |
| 025-2028 | 440,000 | 51,932 | 491,932 |
| | \$ 950,245 | \$ 212,714 | \$ 1,162,959 |

Deer Creek Water District
Notes to Financial Statements (continued)
December 31, 2019

6. Net Position

The District has net position consisting of three components — net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation. As of December 31, 2019, the District had net investment in capital assets of \$651,997.

Restricted net position includes net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2019 of \$7,514.

Unrestricted net position consists of net position that does not meet the definition of invested in capital assets or restricted. When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are considered expended. At December 31, 2019, the District had unrestricted net position of \$371,735.

7. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado Special Districts Property and Liability Pool (the “Pool”), which is an organization created by inter-governmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate.

It provides coverage for property claims up to the values declared, and liability claims for up to \$1,000,000. It is reinsured for up to 80% of the first \$250,000 of each casualty claim and for 100% of the excess. Public official liability claims are reinsured for the full limit of \$1,000,000.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members.

Deer Creek Water District
Notes to Financial Statements (continued)
December 31, 2019

8. TABOR

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes they are exempt from the provisions of the bill.

9. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which may negatively impact operations of the District. Other financial impact could occur, though such potential impact is unknown at this time.

Supplementary Information

Deer Creek Water District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

| | <u>Original Budgeted Amounts</u> | <u>2019 Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|--|------------------------|---|
| Operating Revenues | | | |
| Charges for services | \$ 180,751 | \$ 351,392 | \$ 170,641 |
| Late fees | - | 1,212 | 1,212 |
| Total operating revenues | <u>180,751</u> | <u>352,604</u> | <u>171,853</u> |
| Operating Expenses | | | |
| Collection and Treatment | | | |
| Contract operator | 44,341 | 20,483 | 23,858 |
| Chemicals | - | 964 | (964) |
| Lab fees | - | 615 | (615) |
| Operating supplies | - | 5,414 | (5,414) |
| Maintenance | 34,003 | 51,639 | (17,636) |
| Electricity | - | 23,596 | (23,596) |
| Consultants | - | 8,501 | (8,501) |
| Water usage fee | - | 660 | (660) |
| General and Administrative | | | |
| Telephone | - | 1,222 | (1,222) |
| Management | 37,218 | 22,617 | 14,601 |
| Office supplies | - | 1,954 | (1,954) |
| Postage | - | 2,897 | (2,897) |
| Audit | - | 1,950 | (1,950) |
| Accounting | - | 13,011 | (13,011) |
| Insurance and bonds | - | 8,055 | (8,055) |
| Payment processing | - | 8,614 | (8,614) |
| Election | - | 56 | (56) |
| Legal | - | 19,557 | (19,557) |
| Other costs | - | 4,874 | (4,874) |
| Total operating expenses | <u>115,562</u> | <u>196,679</u> | <u>(81,117)</u> |
| Operating Income (Loss) | <u>65,189</u> | <u>155,925</u> | <u>90,736</u> |
| Nonoperating Revenues (Expenses) | | | |
| Property taxes | 83,294 | 82,091 | (1,203) |
| Specific ownership taxes | 14,402 | 14,782 | 380 |
| Water System Upgrade Loan | 240,000 | - | (240,000) |
| Investment earnings | 286 | 2,898 | 2,612 |
| Capital Improvement Fee | 164,640 | - | (164,640) |
| Capital Outlay | (180,000) | (125,905) | 54,095 |
| Water System Upgrade Expenses | (240,000) | - | 240,000 |
| Bond payments | (115,652) | (74,000) | 41,652 |
| Lease/Loan payments | (107,910) | (23,709) | 84,201 |
| Interest expense | - | (44,556) | (44,556) |
| Treasurer's fees | - | (2,425) | (2,425) |
| Miscellaneous income | - | 8,174 | 8,174 |
| Total Nonoperating Revenues (Expenses) | <u>(140,940)</u> | <u>(162,650)</u> | <u>(21,710)</u> |
| Change in Net Position | (75,751) | (6,725) | 69,026 |
| Net Position—Beginning of Year | <u>304,479</u> | <u>849,260</u> | <u>544,781</u> |
| Net Position—End of Year | <u>\$ 228,728</u> | <u>\$ 842,535</u> | <u>\$ 613,807</u> |

Deer Creek Water District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2019

| | |
|--|----------------------------|
| Reconciliation to GAAP-Basis Financial Statements | |
| Depreciation | \$ (34,903) |
| Capital outlay | 125,905 |
| Bond payments | 74,000 |
| Lease/Loan payments | <u>23,709</u> |
| Net Position—End of Year (GAAP-Basis) | <u>\$ 1,031,246</u> |