

**EAST DILLON WATER DISTRICT
FRISCO, COLORADO**

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2000

**EAST DILLON WATER DISTRICT
FRISCO, COLORADO**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Dillon Water District
Frisco, Colorado

We have audited the accompanying financial statements of the East Dillon Water District, Frisco, Colorado, as of and for the year ended December 31, 2000, as listed in the table of contents. These financial statements are the responsibility of the East Dillon Water District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Dillon Water District, Frisco, Colorado, as of December 31, 2000, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Denver, Colorado
July 23, 2001

**EAST DILLON WATER DISTRICT
FRISCO, COLORADO
Comparative Balance Sheets
Proprietary Fund - Enterprise (Water) Fund
For Years Ended December 31, 2000 and 1999**

	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	\$ 356,757	\$ 405,315
Investments	1,085,268	1,311,972
Accounts receivable:		
Customer	126,614	95,150
Other	44,143	40,000
Property taxes	157,885	150,360
Inventory	22,403	1,997
Prepaid insurance	--	6,855
Total current assets	1,793,070	2,037,659
Fixed assets:		
Water lines	1,698,666	1,698,666
Water pump stations	1,573,441	1,559,749
Water storage tanks	953,227	873,205
Equipment	94,863	50,963
Meters	188,279	--
	4,508,476	4,182,583
Less: accumulated depreciation	1,621,163	1,481,319
	2,887,313	2,701,264
Land	39,916	39,916
Water rights	338,547	10,734
Net fixed assets	3,265,776	2,751,914
Other assets:		
Trustee escrow account	25,772	26,010
Bond issue costs - net of amortization	3,014	4,748
Total other assets	28,786	30,758
Total assets	\$ 5,087,632	\$ 4,794,321

The accompanying notes are an integral part of this statement.

**EAST DILLON WATER DISTRICT
FRISCO, COLORADO
Comparative Balance Sheets
Proprietary Fund - Enterprise (Water) Fund
For Years Ended December 31, 2000 and 1999**

	2000	1999
Liabilities and fund equity		
Current liabilities:		
Accounts payable	\$ 37,567	\$ 30,602
Current portion long-term debt	90,000	85,000
Accrued interest payable	2,160	3,142
Deferred property taxes	157,885	150,360
Deferred revenue	7,100	--
Total current liabilities	294,712	269,104
Long-term debt:		
Note payable - net of current portion	95,000	185,000
Total liabilities	389,712	454,104
Equity and other credits:		
Contributed capital:	2,827,985	2,623,571
Retained earnings;		
Reserved for Amendment 1	18,640	16,490
Unreserved	1,851,295	1,700,156
Total equity	4,697,920	4,340,217
Total liabilities and equity	\$ 5,087,632	\$ 4,794,321

The accompanying notes are an integral part of this statement.

**EAST DILLON WATER DISTRICT
FRISCO, COLORADO
Proprietary Fund - Enterprise (Water) Fund
Statement of Revenue, Expenses and Changes in Retained Earnings
For the Fiscal Years Ended December 31, 2000 and 1999**

	2000	1999
Operating revenues:		
User charges	\$ 343,047	\$ 297,945
Meters and supplies	11,716	9,012
Miscellaneous	3,719	2,750
Total revenues	358,482	309,707
Operating expenses:		
Operations:		
Water purchases	128,148	112,270
Depreciation	139,844	121,943
Repair and maintenance	23,343	48,463
Supplies and tests	15,527	2,420
Utilities - water pumping	15,935	14,743
Total operations	322,797	299,839
Administration:		
Accounting and legal	3,400	3,300
Administration	33,000	31,500
Meter reading	2,300	2,600
Directors fees	2,100	1,650
Engineering	1,330	3,243
Insurance and bonds	8,855	7,871
Legal fees	14,451	9,829
Miscellaneous	337	132
Office supplies	3,456	2,946
Dues and subscriptions	1,039	942
Plant operation manager	66,000	60,000
Telephone	2,441	2,209
Total administration	138,709	126,222
Debt service:		
Interest	18,055	23,650
Amortization - bond issue cost	1,734	1,734
County Treasurer fees	7,448	7,171
Total debt service	27,237	32,555
Total operating expenses	488,743	458,616
Non operating revenues:		
Property, specific ownership taxes	162,204	156,921
Interest	99,760	78,958
Total non operating revenues	261,964	235,879
Net income	131,703	86,970
Retained earnings, beginning of year	1,716,646	1,608,090
Add: Depreciation charged to contributed capital	21,586	21,586
Retained earnings, end of year	\$ 1,869,935	\$ 1,716,646

The accompanying notes are an integral part of this statement.

**EAST DILLON WATER DISTRICT
FRISCO, COLORADO
Proprietary Fund - Enterprise (Water) Fund
Schedule of Revenues, Expenditures and Changes in Retained Earnings
Budget (Non - GAAP) Basis and Actual
For the Fiscal Year Ended December 31, 2000**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues;			
User charges	\$ 310,000	\$ 343,047	\$ 33,047
Property, specific ownership taxes	164,360	162,204	(2,156)
Interest	65,000	99,760	34,760
Tap fees	96,000	226,000	130,000
Meters and supplies	--	11,716	11,716
Miscellaneous	750	3,719	2,969
Total revenues	636,110	846,446	210,336
Operating expenses:			
Operations:			
Water purchases	125,000	128,148	(3,148)
Repair and maintenance	40,000	23,343	16,657
Supplies and tests	3,500	15,527	(12,027)
Utilities - water pumping	16,000	15,935	65
Total operations	184,500	182,953	1,547
Administration:			
Accounting and legal	3,400	3,400	--
Administration	33,000	33,000	--
Meter reading	2,600	2,300	300
Directors fees	1,875	2,100	(225)
Engineering	5,000	1,330	3,670
Insurance and bonds	8,900	8,855	45
Legal fees	12,000	14,451	(2,451)
Miscellaneous	500	337	163
Office supplies	3,500	3,456	44
Dues and subscriptions	1,250	1,039	211
Plant operation manager	66,000	66,000	--
Telephone	2,400	2,441	(41)
Contingency	10,000	--	10,000
Total administration	150,425	138,709	11,716
Debt service:			
Bond principal	85,000	85,000	--
Interest	19,040	18,055	985
County Treasurer fees	7,518	7,448	70
Total debt service	111,558	110,503	1,055
Total expenses	446,483	432,165	14,318
Net income non GAAP budgetary basis	189,627	414,281	224,654

(continued)

The accompanying notes are an integral part of this statement.

**EAST DILLON WATER DISTRICT
FRISCO, COLORADO
Proprietary Fund - Enterprise (Water) Fund
Schedule of Revenues, Expenditures and Changes in Retained Earnings
Budget (Non - GAAP) Basis and Actual
For the Fiscal Year Ended December 31, 2000**

	Budget	Actual	Variance Favorable (Unfavorable)
Adjustments to GAAP basis:			
Add:			
Bond principal		85,000	
Less:			
Tap fees		(226,000)	
Depreciation and amortization		(141,578)	
		<u>131,703</u>	
Net income		131,703	
Retained earnings, beginning of year		1,716,646	
Add: Depreciation charged to contributed capital		21,586	
		<u>21,586</u>	
Retained earnings, end of year		<u>\$ 1,869,935</u>	

The accompanying notes are an integral part of this statement.

**EAST DILLON WATER DISTRICT
FRISCO, COLORADO
Statement of Cash Flows - Proprietary Fund - Enterprise (Water) Fund Type
For the Fiscal Year Ended December 31, 2000
(with Comparative Totals for 1999)**

	2000	1999
Cash flows from operating activities:		
Cash received from customers	\$ 322,984	\$ 257,222
Cash paid to suppliers	(347,631)	(339,778)
Net cash (used) by operating activities	(24,647)	(82,556)
Cash flows from capital financing activities:		
Capitalized tap fees and developer contributions	226,000	380,000
Property and specific ownership taxes received	162,525	158,127
Acquisition of capital assets	(653,662)	(218,562)
Principal payments on bonds	(85,000)	(80,000)
Net cash provided (used) by capital financing activities	(350,137)	239,565
Cash flows from investing activities:		
Redemption (Purchase) of investments	226,704	(399,193)
Change in bond escrow account	(238)	184
Interest on investments	99,760	78,958
Net cash provided (used) by investing activities	326,226	(320,051)
Net (decrease) in cash	(48,558)	(163,042)
Cash and cash equivalents, beginning of year	405,315	568,357
Cash and cash equivalents, end of year	\$ 356,757	\$ 405,315
Reconciliation of net operating income to net cash provided (used) by operations		
Net (loss) from operations	\$ (130,261)	\$ (148,909)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation expense	139,844	121,943
Amortization expense	1,734	1,734
(Increase) decrease in:		
Accounts receivable	(31,464)	(52,485)
Other accounts receivable	(4,034)	--
Inventory	(20,406)	(668)
Prepaid insurance	6,855	441
(Decrease) increase in:		
Accounts payable	6,967	(3,702)
Deferred revenue	7,100	--
Accrued bond interest payable	(982)	(910)
Total adjustments	105,614	66,353
Net cash (used) by operating activities	\$ (24,647)	\$ (82,556)

The accompanying notes are an integral part of this statement.

1. Summary of significant accounting policies

The accounting policies of the East Dillon Water District, (the District), conform to generally accepted principles as applicable to governments. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Reporting entity

The East Dillon Water District (the District), Frisco, Colorado, was organized in 1970, and is governed by a five member elected Board of Directors. As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the District that is legally separate and financially independent of other state and local governments. The District supplies water for the geographical area organized as the East Dillon Water District. The District has no component units as defined by the Governmental Accounting Standards Board (GASB), Statement 14.

Measurement focus, basis of accounting and basis of presentation

The accounts of the District are organized and operated on the basis of a fund. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District has one fund type:

Proprietary funds - are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with GASB Statement No. 20 the District has elected to only apply FASB, APB and ARB materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds include the following fund type.

Enterprise (water) fund - is used to account for those operations that are financed and operated in a manner similar to private business.

District water is provided on a metered rate basis. The District accounts for tap fees as contributions of capital.

Property taxes and user fees are susceptible to accrual.

Assets, liabilities and equity

Deposits and Investments

The District considers cash and cash equivalents to include demand deposits and certificates of deposit.

1. Summary of significant accounting policies (continued)

Assets, liabilities and equity (continued)

Fair value of financial instruments

The District's financial instruments include cash and cash equivalents, investments, bond escrow deposits, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2000 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Estimates

The preparation of financial statements in conformity with accounting principles general accepted in the United States of America requires District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in two equal installments due February 28 and June 15 if paid in installments, or April 30 with a single payment. Taxes are delinquent as of August 1. If the taxes are not paid within subsequent statutory periods, the property will be sold at public auction. The County bills and collects the property taxes and remits collections, on a monthly basis, to the District. No provision has been made for uncollected taxes, as all taxes are deemed fully collectible.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method.

Fixed assets

All purchased fixed assets of the water distribution system and related equipment is valued at cost. These assets are depreciated using the straight-line method over their estimated useful lives of 5 to 40 years.

Long-term obligations

Bond issue costs are deferred and amortized over the life of the revenue bonds.

Fund equity

The District's contributed capital represents equity contributed by developers and tap fees received.

1. Summary of significant accounting policies (continued)

Assets, liabilities and equity (continued)

Comparative data

Comparative total data for the prior year have been presented in of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations.

2. Stewardship, compliance and accountability

Budgetary information

Budgets are adopted on a non-GAAP basis. Contributed capital and tap fees are budgeted as revenue; bond principal payments are budgeted as expenses. Depreciation and amortization are excluded from budgeted expenses.

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

Prior to October 15, of each year the District manager (not an elected official) submits a proposed operating budget for the fiscal year commencing the following January 1 to the Board of Directors (elected officials). The operating budget, for the fund, includes proposed expenses and the means of financing them.

Public hearings are held at the regular Board of Directors meetings to obtain taxpayer input. Prior to December 15 the budget is legally enacted through passage of a budget resolution. The Board of Directors must approve revisions that change total expenditures of the fund.

A supplemental budget was adopted increasing appropriations to acquire additional water rights. State statutes require a balanced budget.

3. Detailed notes concerning the fund

Cash and investments

Cash

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 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 equal to 102% of the aggregate uninsured deposits.

**EAST DILLON WATER DISTRICT
FRISCO, COLORADO
Notes to Financial Statements
December 31, 2000**

3. Detailed notes concerning the fund (continued)

Cash and investments (continued)

Cash (continued)

Deposits are categorized to give an indication of risk assumed by the government at the end of the year. Category 1 includes deposits that are insured. Category 2 includes collateralized deposits held by the pledging institution's department or agent in the District's name. Category 3 includes uncollateralized, uninsured deposits. At December 31, 2000 the District deposits are categorized as follows:

	Bank Balance	Carrying Balance
Categorized deposits:		
Deposits covered by federal insurance – Category 1	\$ 300,000	\$ 300,000
Deposits collateralized in a single Institution Pool – Category 2	112,391	56,757
Total	\$ 412,391	\$ 356,757

Investments

Colorado statues specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include:

- Local government investment pools
- Obligations of the United States Government

The District invests in one Local Government Investment Pool, the Colorado Government Liquid Assets Trust (COLOTRUST, pools A and B). Investments in the pool are not categorized because the investments are not evidenced by securities that exist in physical or book entry form. As of December 31, 2000, District investments in COLOTRUST, carrying and fair value, was \$988,274.

As of December 31, 2000 the District owned one United States Treasury bill held in the name of the District - Category 1. The Bill had a carrying and fair value of \$96,994

Receivables

It is the policy of the District to record the property tax receivable in the year in which the taxes are levied and to recognize the property tax revenues in the year in which the lien attaches to the property. Property taxes are reported as a receivable and as deferred revenue in the amount of \$157,885.

**EAST DILLON WATER DISTRICT
FRISCO, COLORADO
Notes to Financial Statements
December 31, 2000**

3. Detailed notes concerning the fund (continued)

Receivables (continued)

During 1998, service was upgraded to four lots to which the District had already provided water service. The owners agreed to pay the District \$10,000, for the water service to each lot, over a period not to exceed four years. As Of December 31, 2000, the District had recorded an account receivable of \$44,143.

Fixed assets

The following is a summary of the District's accumulated depreciation and depreciation expense at December 31, 2000:

	Accumulated depreciation	Depreciation expense
Water lines	\$ 736,462	\$ 42,417
Water pump stations	504,362	61,976
Water tanks	359,495	21,201
Well field\pumps	2,140	924
Equipment	12,427	7,049
Meters	6,277	6,277
Total	\$ 1,621,163	\$ 139,844

Note payable

In 1990, the District entered into an agreement with the Colorado Water Resources and Power Development Authority. The District's participation, related to the Authority's, 1990 Series A, Small Water Resources Revenue Bond Issue, to finance improvements to the District's water pumping system. A fifteen year note in the amount of \$825,000, finances the improvements with interest rates from 6.0% to 7.25%, payable in annual installments of varying amounts.

Annual debt service requirements to maturity on the note, including \$19,835 of interest and servicing fees, are as follows:

Year ending December 31,	Amount
2001	\$ 103,090
2002	101,745
Total	\$ 204,835

**EAST DILLON WATER DISTRICT
FRISCO, COLORADO
Notes to Financial Statements
December 31, 2000**

3. Detailed notes concerning the fund (continued)

Note payable (continued)

The note is secured solely by the District's rates, fees and other charges from the use and operation of the District's water system (the "Water System"), after the payment of Water System operation and maintenance expenses, and from such other funds of the Water System legally available thereof (the "Pledged Revenues"). The obligations of the District under the Loan Agreement and its Governmental Agency Bond do not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provisions or limitation, and shall not be considered or held to be general obligations of the District.

The District makes monthly payments of \$8,670 into a trust account in order to make the required payments on the note to Colorado Water Resources and Power Development Authority. The funds are held in a bank, as trustee, in an Investment Management and Trust Fund. The balance in the account at December 31, 2000, at cost, was \$25,772.

Contributed capital

Changes in contributed capital are as follows:

Balance December 31, 1999	\$	2,623,571
Add: Tap fees collected		226,000
Less: Depreciation charged to contributed capital		(21,586)
Balance December 31, 2000	\$	2,623,985

4. Other information

Insurance pools

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool provides property and general liability, public official's liability, and boiler and machinery coverage's to the District. Members of the Pool may be required to make additional surplus contributions. 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.

4. Other information (continued)

Commitments

Water purchase agreement

The District is obligated under an agreement dated June 23, 1983 to pay quarterly, for a minimum of three million gallons of water per month. The rate per gallon is adjusted each March 1, to increase at the rate of the Denver\Boulder Consumer Price Index or 10%, which ever is less. Minimum purchase requirements are recomputed annually. In addition, the agreement grants the District right of first refusal should the underlying water rights be offered for sale by the current holder of the rights.

The District entered a Purchase Agreement with Vidler Water Company, Inc. on December 15, 2000 that would transfer to the District the Vidler wells and water rights allocated to the District under the June 23, 1983 Memorandum of Agreement. The Purchase Agreement is for \$3,100,000 with closing to be on or before November 30, 2002. The existing Memorandum of Agreement will automatically terminate at closing. The District also entered an Assignment Agreement on December 15, 2000 with the City of Golden and Vidler purchasing additional 20 consumptive acre-feet of water for \$300,000. The District believes the water rights being acquired through the Purchase Agreement and the Assignment will provide sufficient water rights to meet the build out demands of the District.

Contractual services agreement

The District is obligated under an agreement dated March 6, 1995, for the maintenance, repair and general operation of its facilities to include well fields, pumping and plant equipment, water and service lines, and controls. The initial agreement was for the three years ending December 31, 1994, and automatically renews for three additional years. In compliance with the terms of the agreement now in force the District paid \$60,000 for the year ended December 31, 2000. The current term of the agreement runs from January 1, 1995 to December 31, 2000, either party may terminate this agreement, for any reason, with ninety days written notice.

In addition the District is leasing office space to the party providing the contractual services in exchange for snow plowing of the office access driveway, installation of a telephone, and providing office furniture. The basic term of the lease, including renewal provisions, corresponds to the contractual service agreement.

4. Other information (continued)

TABOR Amendment

In November 1992, Colorado voters approved Amendment 1 to the State Constitution, which is commonly known as the Taxpayer's Bill of Rights or the TABOR Amendment. The Amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refundings to lower interest rates and adding employees to pension plans). The amendment does not apply to units of local government that are defined as an "enterprise."

The Amendment defined the District's year-end, December 31, 1992, as the initial base year for purposes of defining compliance with the Amendment. The Amendment defines inflation and local growth. Future year's revenue, based upon prior year's revenue, is only allowed to increase based upon the inflationary and local growth factors. The District must refund revenue received in excess of the prior year's revenue to the voters, unless the voters approve retention of the excess revenue.

The amendment also requires the District to establish an "Emergency Reserve" which must be equal to 3% of current year's revenue. Conditions under which these reserves may be spent are severity limited.

The property tax levy relates to pre-TABOR debt that was incurred to retire the revenue bonds (see Note 3, Note Payable), the tax levy ceases upon the retirement of the debt. The District is exempt from the 10% property tax rule and qualifies as an "enterprise".

The District believes that it complies with the provisions of TABOR, as it is currently understood. Many of the provisions may not become fully understood with out judicial review.