

**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO**

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

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DECEMBER 31, 2001

**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, 2001, 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, 2001, 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 30, 2002

**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO  
Comparative Balance Sheets  
Proprietary Fund - Enterprise (Water) Fund  
For Years Ended December 31, 2001 and 2000**

	2001	2000
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 9,512	\$ 356,757
Investments	62,857	1,085,268
Accounts receivable:		
Customer	113,507	126,614
Other	47,612	44,143
Property taxes	165,756	157,885
Inventory	7,287	22,403
<b>Total current assets</b>	<b>406,531</b>	<b>1,793,070</b>
<b>Fixed assets:</b>		
Water lines	1,759,387	1,698,666
Water pump stations	1,573,441	1,573,441
Water storage tanks	2,748,020	953,227
Equipment	135,776	94,863
Meters	207,323	188,279
	6,423,947	4,508,476
Less: accumulated depreciation	1,767,442	1,621,163
	4,656,505	2,887,313
Land	39,916	39,916
Water rights	355,096	338,547
<b>Net fixed assets</b>	<b>5,051,517</b>	<b>3,265,776</b>
<b>Other assets:</b>		
Trustee escrow account	16,975	25,772
Bond issue costs - net of amortization	--	3,014
<b>Total other assets</b>	<b>16,975</b>	<b>28,786</b>
<b>Total assets</b>	<b>\$ 5,475,023</b>	<b>\$ 5,087,632</b>

(continued)

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, 2001 and 2000**

	2001	2000
<b>Liabilities and fund equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 162,490	\$ 37,567
Current portion long-term debt	95,000	90,000
Accrued interest payable	1,113	2,160
Deferred property taxes	165,756	157,885
Deferred revenue	--	7,100
<b>Total current liabilities</b>	<b>424,359</b>	<b>294,712</b>
<b>Long-term debt:</b>		
Note payable - net of current portion	--	95,000
<b>Total liabilities</b>	<b>424,359</b>	<b>389,712</b>
<b>Equity and other credits:</b>		
Contributed capital:	3,051,399	2,827,985
Retained earnings;		
Reserved for Amendment 1	18,640	18,640
Unreserved	1,980,625	1,851,295
<b>Total equity</b>	<b>5,050,664</b>	<b>4,697,920</b>
<b>Total liabilities and equity</b>	<b>\$ 5,475,023</b>	<b>\$ 5,087,632</b>

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, 2001 and 2000**

	2001	2000
<b>Operating revenues:</b>		
User charges	\$ 386,890	\$ 343,047
Meters and supplies	7,502	11,716
Miscellaneous	2,756	3,719
<b>Total revenues</b>	<b>397,148</b>	<b>358,482</b>
<b>Operating expenses:</b>		
<b>Operations:</b>		
Water purchases	154,042	128,148
Depreciation	146,280	139,844
Repair and maintenance	8,052	23,343
Supplies and tests	20,293	15,527
Utilities - water pumping	17,019	15,935
<b>Total operations</b>	<b>345,686</b>	<b>322,797</b>
<b>Administration:</b>		
Accounting	3,400	3,400
Administration	39,000	33,000
Meter reading	1,200	2,300
Directors fees	2,025	2,100
Engineering	820	1,330
Insurance and bonds	8,635	8,855
Legal fees	12,741	14,451
Miscellaneous	237	337
Office supplies	6,447	3,456
Dues and subscriptions	1,557	1,039
Operations contract	72,000	66,000
Telephone	2,030	2,441
<b>Total administration</b>	<b>150,092</b>	<b>138,709</b>
<b>Debt service:</b>		
Interest	12,043	18,055
Amortization - bond issue cost	3,014	1,734
County Treasurer fees	7,915	7,448
<b>Total debt service</b>	<b>22,972</b>	<b>27,237</b>
<b>Total operating expenses</b>	<b>518,750</b>	<b>488,743</b>
<b>Net (loss) from operations</b>	<b>(121,602)</b>	<b>(130,261)</b>
<b>Non operating revenues:</b>		
Property, specific ownership taxes	172,101	162,204
Interest	57,245	99,760
<b>Total non operating revenues</b>	<b>229,346</b>	<b>261,964</b>
<b>Net income</b>	<b>107,744</b>	<b>131,703</b>
Retained earnings, beginning of year	1,869,935	1,716,646
Add: Depreciation charged to contributed capital	21,586	21,586
<b>Retained earnings, end of year</b>	<b>\$ 1,999,265</b>	<b>\$ 1,869,935</b>

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, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues;</b>			
User charges	\$ 325,000	\$ 386,890	\$ 61,890
Property, specific ownership taxes	171,885	172,101	216
Interest	60,000	57,245	(2,755)
Tap fees	280,000	245,000	(35,000)
Meters and supplies	--	7,502	7,502
Miscellaneous	10,750	2,756	(7,994)
<b>Total revenues</b>	<b>847,635</b>	<b>871,494</b>	<b>23,859</b>
<b>Operating expenses:</b>			
<b>Operations:</b>			
Water purchases	135,000	154,042	(19,042)
Repair and maintenance	35,000	8,052	26,948
Supplies and tests	3,500	20,293	(16,793)
Utilities - water pumping	17,000	17,019	(19)
<b>Total operations</b>	<b>190,500</b>	<b>199,406</b>	<b>(8,906)</b>
<b>Administration:</b>			
Accounting	3,400	3,400	--
Administration	39,000	39,000	--
Meter reading	1,200	1,200	--
Directors fees	1,875	2,025	(150)
Engineering	2,500	820	1,680
Insurance and bonds	10,000	8,635	1,365
Legal fees	12,000	12,741	(741)
Miscellaneous	500	237	263
Office supplies	3,500	6,447	(2,947)
Dues and subscriptions	1,250	1,557	(307)
Operations contract	72,000	72,000	--
Telephone	2,600	2,030	570
Contingency	12,000	--	12,000
<b>Total administration</b>	<b>161,825</b>	<b>150,092</b>	<b>11,733</b>
<b>Debt service:</b>			
Bond principal	90,000	90,000	--
Interest	13,090	12,043	1,047
County Treasurer fees	7,894	7,915	(21)
<b>Total debt service</b>	<b>110,984</b>	<b>109,958</b>	<b>1,026</b>
<b>Total expenses</b>	<b>463,309</b>	<b>459,456</b>	<b>3,853</b>
<b>Net income non GAAP budgetary basis</b>	<b>384,326</b>	<b>412,038</b>	<b>27,712</b>

(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, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Adjustments to GAAP basis:</b>			
Add:			
Bond principal		90,000	
Less:			
Tap fees		(245,000)	
Depreciation and amortization		(149,294)	
		<u>107,744</u>	
<b>Net income</b>		107,744	
Retained earnings, beginning of year		1,869,935	
Add: Depreciation charged to contributed capital		21,586	
		<u>21,586</u>	
<b>Retained earnings, end of year</b>		<u>\$ 1,999,265</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, 2001  
(with Comparative Totals for 2000)**

	<b>2001</b>	<b>2000</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 399,686	\$ 322,984
Cash paid to suppliers	(230,465)	(347,631)
<b>Net cash provided (used) by operating activities</b>	<b>169,221</b>	<b>(24,647)</b>
<b>Cash flows from capital financing activities:</b>		
Capitalized tap fees and developer contributions	245,000	226,000
Property and specific ownership taxes received	172,101	162,525
Acquisition of capital assets	(1,932,020)	(653,662)
Principal payments on bonds	(90,000)	(85,000)
<b>Net cash (used) by capital financing activities</b>	<b>(1,604,919)</b>	<b>(350,137)</b>
<b>Cash flows from investing activities:</b>		
Redemption (Purchase) of investments	1,022,411	226,704
Change in bond escrow account	8,797	(238)
Interest on investments	57,245	99,760
<b>Net cash provided by investing activities</b>	<b>1,088,453</b>	<b>326,226</b>
<b>Net (decrease) in cash</b>	<b>(347,245)</b>	<b>(48,558)</b>
Cash and cash equivalents, beginning of year	356,757	405,315
<b>Cash and cash equivalents, end of year</b>	<b>\$ 9,512</b>	<b>\$ 356,757</b>
<b>Reconciliation of net operating income to net cash provided (used) by operations</b>		
<b>Net (loss) from operations</b>	<b>\$ (121,602)</b>	<b>\$ (130,261)</b>
<b>Adjustments to reconcile net income to net cash provided (used) by operating activities:</b>		
Depreciation expense	146,279	139,844
Amortization expense	3,014	1,734
(Increase) decrease in:		
Accounts receivable	13,107	(31,464)
Other accounts receivable	(3,469)	(4,034)
Inventory	15,116	(20,406)
Prepaid insurance	--	6,855
(Decrease) increase in:		
Accounts payable	124,923	6,967
Deferred revenue	(7,100)	7,100
Accrued bond interest payable	(1,047)	(982)
<b>Total adjustments</b>	<b>290,823</b>	<b>105,614</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 169,221</b>	<b>\$ (24,647)</b>

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 1966, 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, 2001 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.

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, 2001**

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**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, 2001 the District deposits are categorized as follows:

	<b>Bank Balance</b>	<b>Carrying Balance</b>
Categorized deposits:		
Deposits covered by federal insurance – Category 1	\$ 42,803	\$ 9,512
<b>Total</b>	<b>\$ 42,803</b>	<b>\$ 9,512</b>

**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

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, 2001, District investments in COLOTRUST, carrying and fair value, was \$62,857.

**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 \$165,756.

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, 2001, the District had recorded an account receivable of \$47,612

**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO  
Notes to Financial Statements  
December 31, 2001**

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**3. Detailed notes concerning the fund (continued)**

**Fixed assets**

The following is a summary of the District's accumulated depreciation and depreciation expense at December 31, 2001:

	<b>Accumulated depreciation</b>	<b>Depreciation expense</b>
Water lines	\$ 780,398	\$ 43,936
Water pump stations	566,201	61,839
Water tanks	380,697	21,201
Well field\pumps	3,065	924
Equipment	17,620	5,193
Meters	19,463	13,187
<b>Total</b>	<b>\$ 1,767,442</b>	<b>\$ 146,280</b>

**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, a final payment of \$101,745, principal and interest, is due in 2002.

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, 2001, at cost, was \$16,975.

**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO  
Notes to Financial Statements  
December 31, 2001**

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**3. Detailed notes concerning the fund (continued)**

**Contributed capital**

Changes in contributed capital are as follows:

Balance December 31, 1999	\$	2,827,985
Add: Tap fees collected		245,000
Less: Depreciation charged to contributed capital		(21,586)
<b>Balance December 31, 2001</b>	<b>\$</b>	<b>3,051,399</b>

**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.

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.

**Water purchase agreement**

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. See also Note 5.

**4. Other information (continued)**

**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 \$72,000 for the year ended December 31, 2001. The current term of the agreement runs from January 1, 1995 to December 31, 2001, 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.

**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". See also Note 5.

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 without judicial review.

**5. Subsequent events**

On May 7, 2002, the voters approved borrowing funds from the Colorado Water Conservation Board and authorized the use of property taxes from the existing mill levy to retire the loan.

In 2002 the District received approval from the Colorado Water Conservation Board for a loan in the amount of \$2,550,000 repayable over 30 years at a fixed interest rate of 4.25%. The loan requires fixed annual payments of \$151,976 beginning one year from the date of the loan closing to be repaid from property taxes. The District is also required to deposit funds equal to one year's payment which the District will be allowed to fund at the rate of \$15,198 per year over the next 10 years. Proceeds from the loan will be used to partially fund the \$3,100,000 payment due per the terms of the December 2000 Vidler Water Agreement. The District expects to close the loan in November 2002.

On May 17, 2002 the District closed on a Revenue Note in the amount of \$1,017,500 payable over 10 years with a fixed interest rate of 5.25%. The note requires equal semi-annual payments of \$66,043 beginning November 17, 2002. The loan will be repaid with operating revenues. Proceeds from the note will be used to complete the funding of the December 2000 Vidler Water Agreement, completion of the Snowberry Tank project and to provide funding for the well field improvement project.