

**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO**

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

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DECEMBER 31, 2011

**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO**

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# Hiratsuka & Associates, L.L.P.

Certified Public Accountants & Consultants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
East Dillon Water District  
Frisco, Colorado

We have audited the accompanying financial statements of the business-type activities of the East Dillon Water District (the District), Frisco, Colorado, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 business-type activities of the District as of December 31, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basis financial statements. Such information 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 basis financial statements is not affected by the information.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual was presented for the purpose of additional analysis and was not a required part of the financial statements. The Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual was the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 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.

*Hiratsuka & Associates, LLP*

Denver, Colorado  
September 28, 2012

**Denver**  
1873 South Bellaire Street Suite 1550  
Denver, CO 80222  
(303) 295-7077  
Fax (303) 296-6866

**Winter Park**  
P.O. Box 29  
79050 U.S. Highway 40  
Winter Park, CO 80482  
(970) 726-0322 Fax (970)726-0324

## Management's Discussion and Analysis

As management of the East Dillon Water District, Frisco, Colorado we offer readers of the East Dillon Water District's (the District) financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our annual audited financial statements.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,602,382 (net assets). Of this amount, \$5,195,436 was invested in capital assets of the District and may not be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$144,927.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) notes to the financial statements, and 3) other supplementary information that provides a comparison of budget on the non – US GAAP (Generally Accepted Accounting Principles) budgetary basis to actual.

**Business-type activities financial statements.** These financial statements are designed to provide readers with a broad overview of the District in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The business-type activities of the District report on the water distribution operations.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the District are reported in one fund. The District adopts an annual appropriated budget as required by State Statute. The budgetary comparison schedule is provided to demonstrate compliance with the state statutes.

**Proprietary Funds** - The District uses an Enterprise fund to account for its water operations.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

## Stand-alone Enterprise Fund Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a district's financial position. In the case of the District, assets exceeded liabilities by \$5,602,382 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (93 percent) reflects its investment in capital assets (e.g., land, medians, water rights, water lines, water pump stations, water storage tanks, equipment and meters). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net assets (\$306,706) may be used to meet the district's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net assets.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Depreciation expense (41 percent), operations contract (18 percent) and interest on long-term debt (13 percent) were the largest components of operating expenses. Other financial highlights include:

- The District completed the conversion to new water meters accordingly all of the older meters were scrapped. The cost of the old meters (\$275,234) and related accumulated depreciation was removed from the District books. In addition the District fully depreciated the older water meters in the amount of \$101,171 that accounted for 32 percent of total depreciation expense recorded in the current year. See also note 3 to the financial statements 'capital assets'.

### Comparative Statements of Net Assets as of December 31:

		<b>2011</b>		<b>2010</b>
Current and other assets	\$	628,446	\$	736,293
Capital assets		7,497,921		7,823,195
Total assets		8,126,367		8,559,488
Long-term liabilities				
Outstanding		2,302,485		2,585,707
Other liabilities		221,500		226,472
Total liabilities		2,523,985		2,812,179
Net assets:				
Invested in capital assets, net of related debt		5,195,436		5,237,488
Restricted		100,240		100,225
Unrestricted		306,706		409,596
Total net assets	\$	5,602,382	\$	5,747,309

## Comparative Statements of Activities

	<u>2011</u>		<u>2010</u>
Operating revenue	\$ 407,923	\$	439,170
Operating expense	379,517		324,570
Administrative expense	271,016		271,982
Debt service expense	108,355		129,847
Total expense	<u>758,888</u>		<u>726,399</u>
Net (loss) from operations	(350,965)		(287,229)
Non operating revenue	206,038		206,067
Net loss	<u>\$ (144,927)</u>	\$	<u>(81,162)</u>

### FUTURE PLANS:

The financial operations of the District are expected to remain stable for the next few years with no major projects anticipated. The District anticipates a nominal increase annually in the base water rate to maintain adequate funding for operating expenses. A low point in reserves is forecasted in 2012, but the fund is higher than the original long-term projections. The operating debt partially funding the water rights purchase will be retired in 2012. The debt for the installation of smart meters will be fully retired in 2013. The revenues allocated to the debt retirement will be directed to increasing the capital reserves for future infrastructure replacement. Limited growth is projected for the next five years in the District. Growth is a factor in the tap fee revenues of the District that contribute to the funding of infrastructure. Property tax revenues are allocated to the payment of the 30 year 2002 water rights loan and reimbursement for prior capital projects. The District continues to investigate options to increase the amount of wet water available for water service, particularly during drought periods.

### Requests for Information

This financial report is designed to provide a general overview of the East Dillon Water District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the:

East Dillon Water District  
Bob Polich, District Administrator  
PO Box 3428  
Dillon, CO 80445  
(970) 668-5655  
(877) 874-1102 Fax  
[admin@eastdillon.com](mailto:admin@eastdillon.com)  
[www.eastdillon.com](http://www.eastdillon.com)

**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO  
Proprietary Fund - Enterprise (Water) Fund  
Statement of Net Assets  
December 31, 2011**

**2011**

<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	13,917
Investments	218,806
Accounts receivable:	
Customer	127,615
Cost reimbursement	7,415
Taxes	198,449
Inventory	542
<b>Total current assets</b>	<b>566,744</b>
<b>Capital assets - depreciable:</b>	
Water lines	2,077,261
Water pump stations	1,573,441
Water storage tanks	2,837,563
Equipment	591,174
Meters	485,621
	7,565,060
Less: accumulated depreciation	3,818,760
<b>Net depreciable capital assets</b>	<b>3,746,300</b>
<b>Capital assets - non depreciable</b>	
Land	39,915
Medians	220,065
Master plan	21,334
Water rights	3,470,307
<b>Net capital assets</b>	<b>7,497,921</b>
<b>Other assets:</b>	
Long-term note escrow account	61,702
<b>Total other assets</b>	<b>61,702</b>
<b>Total assets</b>	<b>8,126,367</b>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	8,912
Current portion long-term debt	127,056
Accrued interest payable	14,763
Deferred property taxes	197,825
<b>Total current liabilities</b>	<b>348,556</b>
<b>Long-term debt:</b>	
Notes, lease payable - net of current portion	2,175,429
<b>Total liabilities</b>	<b>2,523,985</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5,195,436
Restricted for:	
TABOR	23,340
Reserved for Colorado Water Conservation Board - note	15,198
Reserved for Wells Fargo - loan	61,702
Unrestricted	306,706
<b>Total net assets</b>	<b>5,602,382</b>

The accompanying notes are an integral part of this statement

**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO  
Proprietary Fund - Enterprise (Water) Fund  
Statement of Activities  
For the year ended December 31, 2011**

<b>Operating revenues:</b>	
User charges	\$ 388,023
Meters and supplies	(2,600)
Tap fees	22,500
<b>Total operating revenues</b>	<b>407,923</b>
<b>Operating expenses:</b>	
<b>Operations:</b>	
Depreciation	316,961
Repair and maintenance	36,001
Supplies and tests	3,126
Utilities - water pumping	23,429
<b>Total operations expense</b>	<b>379,517</b>
<b>Administration:</b>	
Accounting	6,500
Administration	70,800
Meter interest	8,708
Directors fees	1,800
Engineering	3,755
Insurance and bonds	14,540
Legal fees	13,820
Miscellaneous	1,153
Office supplies	5,379
Dues and subscriptions	1,819
Operations contract	137,400
Telephone	5,342
<b>Total administration</b>	<b>271,016</b>
<b>Debt service:</b>	
Interest	98,449
County Treasurer fees	9,906
<b>Total debt service</b>	<b>108,355</b>
<b>Total operating expenses</b>	<b>758,888</b>
<b>Net (loss) from operations</b>	<b>(350,965)</b>
<b>Non operating revenues (expenses):</b>	
Property, specific ownership taxes	204,758
Interest income	1,280
<b>Total non operating revenues (expenses)</b>	<b>206,038</b>
<b>Net (loss)</b>	<b>(144,927)</b>
Net assets, beginning of year	5,747,309
<b>Net assets, end of year</b>	<b>\$ 5,602,382</b>

The accompanying notes are an integral part of this statement



**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO  
Proprietary - Enterprise (Water) Fund  
Statement of Cash Flows  
For the year ended December 31, 2011**

<b>Cash flows from operating activities:</b>		
Cash received from customers	\$	396,483
Cash paid to suppliers		(447,363)
<b>Net cash (used) by operating activities</b>		<b>(50,880)</b>
<b>Cash flows from capital and related financing activities:</b>		
Property and specific ownership taxes received		204,758
Principal payments on loans, notes and capital leases		(283,222)
Sale of capital assets		32,108
<b>Net cash (used) by capital financing activities</b>		<b>(46,356)</b>
<b>Cash flows from investing activities:</b>		
Redemption (Purchase) of investments		79,176
Interest on investments		1,280
<b>Net cash (used) by investing activities</b>		<b>80,456</b>
<b>Net decrease in cash</b>		<b>(16,780)</b>
Cash and cash equivalents, beginning of year		30,697
<b>Cash and cash equivalents, end of year</b>	<b>\$</b>	<b>13,917</b>
<b>Reconciliation of net operating (loss) to net cash provided by operations</b>		
<b>Net (loss) from operations</b>	<b>\$</b>	<b>(350,965)</b>
<b>Adjustments to reconcile net operating (loss) to net cash provided by operating activities:</b>		
Depreciation expense		316,961
(Increase) decrease in:		
Accounts receivable		(11,440)
Deferred taxes		(464)
(Decrease) increase in:		
Accounts payable		(3,999)
Deferred property taxes		-
Accrued interest payable		(973)
<b>Total adjustments</b>		<b>300,085</b>
<b>Net cash (used) by operating activities</b>	<b>\$</b>	<b>(50,880)</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, Frisco, Colorado, (the District), conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The following is a summary of the more significant policies consistently applied in the preparation of the financial statements.

**Reporting entity**

The District was established by state statute in 1966 and is governed by a five member elected Board of Directors. As required by US GAAP, these financial statements present the activities of the District which 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 No 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

**Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on the *business-type activities* of the District, which rely to a significant extent on user fees and charges for support. The statement of activities demonstrates the degree to which expenses of the *business-type activities* are supported by user fees.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, where revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

The District generally applies all applicable GASB pronouncements as well as relevant Financial Accounting Standards (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case GASB prevails.

The *business-type* fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations, the delivery of water. Operating expenses for the District include operating, administrative and debt service expenses. All revenues and expenses not meeting this definition, including property, specific ownership taxes and interest income are reported as non-operating revenues.

The District has one proprietary fund. District water is provided on a metered rate. The District accounts for tap fees as operating revenue to be expended for capital improvements.

**1. Summary of significant accounting policies (continued)**

**Measurement focus, basis of accounting and financial statement presentation  
(continued)**

**Assets, liabilities and net assets**

**Cash and cash equivalents**

For purposes of the statement of cash flows the District considers demand deposits to be cash equivalents.

**Fair value of financial instruments**

The District's financial instruments include cash and cash equivalents, investments, accounts receivable, accounts payable, accrued interest and long-term debt. The District estimates that the fair value of all financial instruments at December 31, 2011 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 US GAAP 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 tax lien will be sold at public auction. Summit 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**

Impressed inventories are valued at cost using the first-in/first-out method.

**Capital assets**

All purchased capital 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.

**2. Stewardship, compliance and accountability**

**Budgetary information**

Budgets are adopted on a non – US GAAP basis. Depreciation expense is not budgeted.

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.

No supplemental budgetary appropriations were made during the period. Colorado Revised Statutes require a balanced budget.

**3. Detailed notes concerning the fund**

**Deposits and investments – Custodial Credit Risk**

Deposits

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.

As of December 31, 2011, all of the District's deposits were insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

Investments

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local state regulated investment pools. The Town invests in one such pool, COLOTRUST - Prime. This investment is not categorized because the investment is not evidenced by securities that exist in physical or book entry form. COLOTRUST is rated AAAM by Standard & Poor's.

**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO  
Notes to Financial Statements  
December 31, 2011**

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

**Contract services**

The District has no employees and contracts for all operational and management services.

**Loan escrow account**

Per the loan agreement with the Wells Fargo Bank the District has restricted cash deposited in a money market account with a fair value of \$61,702 at December 31, 2011.

**Capital assets**

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions (Deletions)	Ending Balance
<b>Not being depreciated:</b>			
Land	\$ 39,915	\$ --	\$ 39,915
Medians	220,065	--	220,065
Master plan	21,334	--	21,334
Water rights	3,470,307	--	3,470,307
<b>Total non-depreciable assets</b>	<b>\$ 3,751,621</b>	<b>\$ --</b>	<b>\$ 3,751,621</b>
<b>Being depreciated:</b>			
Water lines	\$ 2,077,261	\$ --	\$ 2,077,261
Water pump stations	1,573,441	--	1,573,441
Water storage tanks	2,837,563	--	2,837,563
Equipment	591,174	--	591,174
Meters	768,869	(283,248)	485,621
	7,698,373	(283,248)	7,565,060
<b>Less:</b>			
Accumulated depreciation	3,776,734	42,026	3,818,760
<b>Total depreciable assets</b>	<b>\$ 4,071,574</b>	<b>\$ (325,274)</b>	<b>\$ 3,746,300</b>

As noted in Management's Discussion & Analysis the District completed the replacement of all old water meters as of December 31, 2011. The old meters were fully depreciated and removed from the books of the District.

**Long-term debt**

In 2002 the District acquired 86 acre-feet of senior water rights from the Vidler Water Company including the rights to five acre-feet of storage water in the Dillon Reservoir, and ten wells located in the Soda Creek alluvium. The District had acquired 20 acre-feet of senior water rights from the City of Golden in 2001. These rights were acquired with financing provided by a loan and a Revenue Note.

**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO  
Notes to Financial Statements  
December 31, 2011**

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

**Long-term debt (continued)**

On November 10, 2002 the District executed a loan in the principal amount of \$2,550,000 with the State of Colorado, Department of Natural Resources, and the Colorado Water Conservation Board as authorized by the voters in the District at a May 7, 2003 election. The note bears an interest rate of 4.25%, payable in yearly installments of \$151,976 for a period of thirty years. The District pledges to repay the note from general revenues from taxes received each year as authorized by the District's election and resolution dated May 7, 2002.

The District has reserved net assets in the amount of \$15,198 as required by the loan agreement.

On May 17, 2002 the District executed an Enterprise Revenue Note in the principal amount of \$1,017,500 with a bank. The note bears an interest rate of 5.25%, payable in 20 bi-annual installments of \$66,043. The note is a limited and special obligation debt of the District payable from all legally available pledged revenues of the District. The District has reserved net assets in the amount of \$61,702 as required by the loan agreement.

Annual debt service requirements to maturity are as follows:

	<b>Water Resources Note</b>			<b>Revenue Note</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	63,413	88,563	151,976	63,645	1,690	65,334
2013	66,108	85,868	151,976			
2014	68,917	83,058	151,975			
2015	71,846	80,129	151,975			
2016	74,900	77,076	151,976			
2017-21	425,041	334,837	759,878			
2022-26	523,373	236,505	759,878			
2027-31	644,453	115,424	759,877			
2032	145,780	6,196	151,976			
<b>Total</b>	<b>\$ 2,083,831</b>	<b>\$ 1,107,655</b>	<b>\$ 3,191,486</b>	<b>\$ 63,645</b>	<b>\$ 1,690</b>	<b>\$ 65,334</b>

The District has entered into a lease agreement on May 19, 2008 for financing replacement of the water meter system in the amount of \$484,398 at 3.80%. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO  
Notes to Financial Statements  
December 31, 2011**

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

**Long-term debt (continued)**

The lease requires yearly payments for the next nine years in the amount of \$53,644. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

Total minimum lease payments	\$ 253,587
Less: amount representing interest	<u>98,580</u>
Present value of minimum lease payments	<u>\$ 155,007</u>

**Changes in long-term debt**

The following is an analysis of changes in long term debt for the period ended December 31, 2011.

	<b>Balance January 1, 2011</b>		<b>Additions</b>		<b>Payments</b>	<b>Balance December 31, 2011</b>
Water Resources note	\$ 2,144,659	\$	--	\$	60,828	\$ 2,083,831
Revenue note	187,655		--		123,812	63,843
Capital lease	253,587		--		98,580	155,007
	<u>\$ 2,585,901</u>	\$	--	\$	<u>283,220</u>	<u>\$ 2,302,684</u>

**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. No distributions were made during the year ended December 31, 2011.

**Contractual services agreement**

The District is obligated under an agreement with an outside party 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 agreement automatically renews for successive one year periods. However, either party may terminate this agreement, for any reason, with ninety days written notice to the other party. In compliance with the terms of the agreement the District paid \$137,400 for the year ended December 31, 2011.

**4. Other information**

The District contracts with an outside party under an agreement dated December 31, 2006 to provide financial management to the District. The agreement automatically renews for successive one year periods. However, either party may terminate this agreement, for any reason, with ninety days written notice to the other party. In compliance with the terms of the agreement the District paid \$70,800 for the year ended December 31, 2011.

**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), which 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 without judicial review.



**EAST DILLON WATER DISTRICT  
FRISCO, COLORADO  
Proprietary Fund - Enterprise (Water) Fund  
Schedule of Revenues, Expenditures and Changes in Net Assets -  
Budget (Non - US GAAP) Basis and Actual  
For the year ended December 31, 2011**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
User charges	\$ 410,000	\$ 388,023	\$ (21,977)
Property, specific ownership taxes	206,825	204,758	(2,067)
Interest	2,400	1,280	(1,120)
Tap fees	22,500	22,500	-
Miscellaneous	1,500	-	(1,500)
Meters and supplies	-	(2,600)	(2,600)
<b>Total revenues</b>	<b>643,225</b>	<b>613,961</b>	<b>(29,264)</b>
<b>Expenditures:</b>			
<b>Operations:</b>			
Repair and maintenance	50,000	36,001	13,999
Supplies and tests	5,000	3,126	1,874
Utilities - water pumping	25,000	23,429	1,571
<b>Total operating expenditures</b>	<b>80,000</b>	<b>62,556</b>	<b>17,444</b>
<b>Administration:</b>			
Accounting	7,000	6,500	500
Administration	70,800	70,800	-
Directors fees	2,500	1,800	700
Engineering	6,000	3,755	2,245
Insurance and bonds	16,000	14,540	1,460
Interest	-	3,966	(3,966)
Legal fees	20,000	13,820	6,180
Office supplies	6,600	1,153	5,447
Miscellaneous	1,000	5,379	(4,379)
Dues and subscriptions	2,000	1,819	181
Operations contract	137,400	137,400	-
Telephone	6,000	5,342	658
<b>Total administration expenditures</b>	<b>275,300</b>	<b>266,274</b>	<b>9,026</b>
<b>Debt service:</b>			
Bond payments:			
Interest	91,148	91,178	(30)
County Treasurer fees	9,891	9,906	(15)
Revenue note payments:			
Interest	8,275	3,304	4,971
Meter lease payments:			
Interest	8,709	8,709	-
<b>Total debt service expenditures</b>	<b>118,023</b>	<b>113,097</b>	<b>4,926</b>
<b>Total expenditures</b>	<b>473,323</b>	<b>441,927</b>	<b>31,396</b>
<b>Net income non US GAAP budgetary basis</b>	<b>\$ 169,902</b>	<b>172,034</b>	<b>\$ 2,132</b>
<b>Adjustments to US GAAP basis:</b>			
Less:			
Depreciation expense		(316,961)	
<b>Net (loss)</b>		(144,927)	
Net assets, beginning of year		5,747,309	
<b>Net assets, end of year</b>		<b>\$ 5,602,382</b>	

See independent auditor's report