

# **Deer Creek Water District**

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## **Annual Financial Statements and Independent Auditor's Report**


**December 31, 2021**


# Table of Contents

	<b>Page</b>
<b>Independent Auditor's Report</b> .....	I-III
<b>Basic Financial Statements</b>	
Statement of Net Position .....	1
Statement of Revenues, Expenses and Change in Net Position .....	2
Statement of Cash Flows .....	3
Notes to Financial Statements .....	4
<b>Other Supplementary Information</b>	
Schedule of Revenues, Expenses and Change in Net Position Budget and Actual (Non-GAAP Budgetary Basis) .....	17



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## Independent Auditor's Report

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

### Opinion

We have audited the accompanying financial statements of the business-type activities of the Deer Creek Water District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Deer Creek Water District as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Deer Creek Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Deer Creek Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Deer Creek Water District's ability to continue as a going concern for a reasonable period of time.

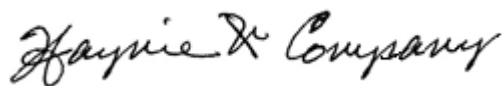
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

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

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Deer Creek Water District's basic financial statements. The Schedule of Revenues, Expenses, and Change in Net Position Budget and Actual (Non-GAAP) Budgetary Basis is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado

July 26, 2022

## **Basic Financial Statements**

**Deer Creek Water District**  
**Statement of Net Position**  
**December 31, 2021**

	<b>2021</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents - Unrestricted	\$ 40,085
Cash and cash equivalents - Restricted	1,014
Investments	153,931
Property taxes receivable	113,128
Due from other entities	1,732
Accounts receivable, net	24,354
Total Current Assets	334,244
<b>Capital Assets, net</b>	4,104,010
Total Assets	\$ 4,438,254
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 20,878
Accrued interest payable	23,037
Current portion of bonds payable	84,000
Current portion of CWRPDA Water Resource Loan	102,052
Current portion of leases payable	25,723
Total Current Liabilities	255,690
Long-term liabilities	
Bonds payable	620,000
CWRPDA Water Resource Loan	2,265,061
Capital leases payable	13,127
Total Long-term Liabilities	2,898,188
Total Liabilities	3,153,878
<b>Deferred Inflows of Resources</b>	
Deferred property tax revenue	113,128
Total Deferred Inflows of Resources	113,128
<b>Net Position</b>	
Net investment in capital assets	994,047
Restricted for operations and maintenance	63,302
Unrestricted	113,899
Total Net Position	1,171,248
Total Liabilities and Net Position	\$ 4,438,254

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

**Deer Creek Water District**  
**Statement of Revenues, Expenses, and Change in Net Position**  
**For the Year Ended December 31, 2021**

	<b>2021</b>
<b>Operating Revenues</b>	
Charges for services	\$ 208,459
Total operating revenues	208,459
<b>Operating Expenses</b>	
Collection and Treatment	
Contract operator	13,180
Chemicals	3,013
Lab fees	4,098
Operating supplies	27,696
Maintenance	83,009
Electricity	25,036
Consultants	140
Water usage fee	220
Depreciation	91,524
General and Administrative	
Telephone	2,262
Postage	1,920
Audit	11,000
Accounting	39,683
Insurance and bonds	2,164
Payment processing	12,294
Legal	3,474
Other costs	14,018
Total operating expenses	334,731
<b>Operating Income (Loss)</b>	<b>(126,272)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Property taxes	106,896
Specific ownership taxes	19,175
Capital improvement fee	166,609
Investment earnings	722
Interest expense	(108,188)
Treasurer's fees	(3,153)
Miscellaneous income	9,793
Total Nonoperating Revenues (Expenses)	191,854
Change in Net Position	65,582
<b>Net Position—Beginning of Year</b>	<b>1,105,666</b>
<b>Net Position—End of Year</b>	<b>\$ 1,171,248</b>

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, 2021**

	<b>2021</b>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 760,455
Cash paid to suppliers for goods and services	(644,730)
Net Cash From Operating Activities	115,725
 Cash Flows from Non-Capital Financing Activities:	
Cash received from property and specific ownership tax	126,071
Cash paid for treasurer's fees	(3,153)
Net Cash From Non-Capital Financing Activities	122,918
 Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(274,314)
Principal paid	(205,583)
Interest paid	(97,558)
Capital improvement fee	166,609
Miscellaneous income	9,792
Net Cash From Capital and Related Financing Activities	(401,054)
 Cash Flows from Investing Activities:	
Investments sold	90,390
Net investment income received	722
Net Cash from Investing Activities	91,112
<b>Net Change in Cash and Cash Equivalents</b>	<b>(71,299)</b>
Cash and Cash Equivalents—Beginning of Year	112,398
Cash and Cash Equivalents—End of Year	<b>\$ 41,099</b>
 <b>Cash and Cash Equivalents - reported as:</b>	
Cash and Cash Equivalents - Unrestricted	\$ 40,085
Cash and Cash Equivalents - Restricted	1,014
	<b>\$ 41,099</b>
 <b>Reconciliation of Net Operating Income to Net Cash From Operating Activities:</b>	
Net operating income (loss)	\$ (126,272)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	91,524
Changes in assets and liabilities:	
Accounts receivable	551,996
Accounts payable	(401,523)
Total Adjustments	241,997
<b>Net Cash From Operating Activities</b>	<b>\$ 115,725</b>

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



# Deer Creek Water District

## Notes to Financial Statements

### December 31, 2021

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#### 1. Definition of Reporting Entity

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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.

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#### 2. Significant Accounting Policies

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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 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

### December 31, 2021 (continued)

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## 2. Summary of Significant Accounting Policies (continued)

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### 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, and infrastructures 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 2021 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

December 31, 2021 (continued)

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### 2. Summary of Significant Accounting Policies (continued)

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	Original Budget	Total Revisions	Revised Budget
General government	\$ 127,585	\$ -	\$ 127,585
Enterprise fund	311,766	-	311,766
Debt service fund	306,493	-	306,493
Capital projects fund	310,000	-	310,000
District total	<u>\$ 1,055,844</u>	<u>\$ -</u>	<u>\$ 1,055,844</u>

The debt service fund expenditures of \$306,493 include expenditures in the General Government and Enterprise Fund budgets reflected as transfers to the Debt Service Fund for payment of debt service of \$120,510 and \$109,691, respectively. There were no revised appropriations for the District as a whole for 2021.

For the year ended December 31, 2021, budgeted expenditures exceeded appropriations, which may be a violation of State statute.

#### 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

### December 31, 2021 (continued)

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## 2. Summary of Significant Accounting Policies (continued)

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### Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2021 are recorded as prepaid items.

### Accounts Receivable

Accounts receivable are determined to be fully collectible as shown at December 31, 2021; 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

December 31, 2021 (continued)

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### 3. Cash, Cash Equivalents and Investments

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Property taxes are levied by the District's board of directors. The levy is based on assessed valuations determined by the county assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the county commissioners to put the tax lien on the individual properties as of January 1 of the following year. The county treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The county treasurer remits the taxes collected monthly to the District. Tax revenues remitted to the District for 2021 totaled \$106,896.

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:

<b>December 31, 2021</b>	<b>Book</b>	<b>Bank</b>
Cash - unrestricted	\$ 40,085	\$ 40,085
Cash - restricted	1,014	1,014
Total cash and cash equivalents	<u>\$ 41,099</u>	<u>\$ 41,099</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, 2021 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,

# Deer Creek Water District

## Notes to Financial Statements

### December 31, 2021 (continued)

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### 3. Cash, Cash Equivalents and Investments (continued)

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- general obligation and revenue bonds of U.S. local government entities,
- banker' acceptances of certain banks,
- 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, 2021 the District had \$107,256 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. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption notice period. 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

### December 31, 2021 (continued)

### 3. Cash, Cash Equivalents and Investments (continued)

At December 31, 2021, cash deposits and investment, are classified on the statement of net position as follows:

Cash and Cash Equivalents - Unrestricted	\$	40,085
Cash and Cash Equivalents - Restricted		1,014
Investments		153,931
Total	\$	195,030

At December 31, 2021, the District had the following investments:

Investment	Rating	Investment Maturities (in Years)		
		Less than 1	1 to 5	Total
Certificates of Deposit	N/A	\$ -	\$ 30,836	\$ 30,836
Money Market and Investment Pools	AAAm	123,095	-	123,095
		\$ 123,095	\$ 30,836	\$ 153,931

**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, 2021 follows:

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021
Capital assets, not being depreciated:				
Land	\$ 96,000	\$ -	\$ -	\$ 96,000
Water rights	845,872	-	-	845,872
Construction in progress	2,550,194	274,314	(2,824,508)	-
Total capital assets, not being depreciated	3,492,066	274,314	(2,824,508)	941,872

# Deer Creek Water District

## Notes to Financial Statements

December 31, 2021 (continued)

### 4. Capital Assets (continued)

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021
Capital assets, being depreciated:				
Buildings	25,151	-	-	25,151
Machinery and equipment	154,739	-	-	154,739
Infrastructure	596,250	2,824,508	-	3,420,758
Total capital assets, being depreciated	776,140	2,824,508	-	3,600,648
Less accumulated depreciation:				
Buildings	(12,120)	(1,010)	-	(13,130)
Machinery and equipment	(86,990)	(9,300)	-	(96,290)
Infrastructure	(247,876)	(81,214)	-	(329,090)
Total accumulated depreciation	(346,986)	(91,524)	-	(438,510)
Total capital assets being depreciated, net	429,154	2,732,984	-	3,162,138
Total capital assets, net	\$ 3,921,220	\$ 3,007,298	\$ (2,824,508)	\$ 4,104,010

Depreciation expense was \$91,524 for the year ended December 31, 2021.

### 5. Long-Term Debt

The following schedule provides an analysis of long-term debt for the year ended December 31, 2021:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
General obligation bonds	\$ 785,000	\$ -	\$ (81,000)	\$ 704,000	\$ 84,000
Total bonded debt	785,000	-	(81,000)	704,000	84,000
CWRPDA water resource loan	2,466,663	-	(99,550)	2,367,113	102,054
Total notes payable	2,466,663	-	(99,550)	2,367,113	102,054
Leases payable	63,884	-	(25,034)	38,850	25,723
Total other obligations	63,884	-	(25,034)	38,850	25,723
	\$ 3,315,547	\$ -	\$ (205,584)	\$ 3,109,963	\$ 211,777



# Deer Creek Water District

## Notes to Financial Statements

### December 31, 2021 (continued)

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#### 5. Long-Term Debt (continued)

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##### 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 15<sup>th</sup> and principal and interest payable on December 15<sup>th</sup>. 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.

Events of default include the following:

- a) Failure to make any payment of principal of or interest on the Bonds when due;
- b) Breach by the District of any material covenant in the agreement or failure by the District to perform any material duty imposed on it hereunder and the continuation of such breach or failure for a period of 30 days after receipt by the President of written notice thereof from the Owners of 25% in aggregate principal amount of the Bonds then Outstanding, provided that such 30 day period shall be extended so long as the District has commenced and continues a good faith effort to remedy such breach or failure; or
- c) An order of decree by a court: of competent jurisdiction declaring the District bankrupt under federal bankruptcy law or appointing a receiver of all or any material portion of the District's assets or revenues is entered with the consent or acquiescence of the District or is entered without the consent or acquiescence of the District but is not vacated, discharged or stayed within 30 days after it is entered.

Upon the occurrence and continuance of an Event of Default, the Owner of any Bond may proceed to protect and enforce the rights of any Owner under this Resolution by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction; provided, however, that acceleration shall not be an available remedy. All such proceedings shall be instituted, had, and maintained for the equal benefit of all Owners of the Bonds Outstanding.

##### Colorado Water Resources and Power Development Authority (CWRPDA) Drinking Water Revolving Fund Loan

In August 2019, the District entered into a loan agreement (the "Agreement") with the Colorado Water Resource and Power Development Authority ("CWRPDA") for a principal amount of \$2,474,673. The loan accrues interest at 2.5% and is payable in semi-annual principal and interest payments beginning on November 1, 2020. The loan is secured by the net revenues of the District, as defined within the Agreement.

# Deer Creek Water District

## Notes to Financial Statements

### December 31, 2021 (continued)

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#### 5. Long-Term Debt (continued)

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Events of default under the loan include the following:

- a) Failure by the District to pay, or cause to be paid, any Loan Repayment required to be paid hereunder when due, which failure shall continue for a period of thirty (30) days;
- b) Failure by the District to make, or cause to be made, any required payments of interest and principal, redemption premium, if any, and interest on any bonds, notes, or other obligations of the District for borrowed money (other than the Loan and the District Bond), after giving effect to the applicable grace period, the payments of which are secured by the Pledged Property;
- c) Failure by the District to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under the agreement, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the District; provided, however, that if the failure stated in such notice is correctable, but cannot be corrected within the applicable period, the CWRPDA may consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the Event of Default is corrected;
- d) any representation made by or on behalf of the District contained in the agreement, or in any instrument furnished in compliance with or with reference to the agreement or the Loan, is false or misleading in any material respect; or
- e) a petition is filed by or against the District under any federal or state bankruptcy or insolvency law, or other similar law in effect on the date of the agreement or thereafter enacted, unless in the case of any such petition filed against the District such petition shall be dismissed within thirty (30) days after such filing, and such dismissal shall be final and not subject to appeal; or (ii) the District shall become insolvent, or bankrupt or make an assignment for the benefit of its creditors; or (iii) aa custodian (including, without limitation, a receiver, liquidator, or trustee of the District or any of its property) shall be appointed by court order, or take possession of the District, or its property or assets, if such order remains in effect, or such possession continues, for more than thirty (30) days.

Upon default, CWRPDA shall have the right to withhold disbursement of Loan funds remaining and take such other action at law or in equity as may appear necessary to enforce the performance and observance of any duty, covenant, obligation, or agreement of the District hereunder, including, without limitation, appointment ex parte of a receiver of the System.

#### **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

# Deer Creek Water District

## Notes to Financial Statements

### December 31, 2021 (continued)

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#### 5. Long-Term Debt (continued)

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beginning in March 2016, through March 2023. Interest accrues on the outstanding balance at 2.82% per annum. As of December 31, 2021 there was \$647 accrued interest on the loan and the principal amount of \$21,206 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, 2021 there was \$488 accrued interest on the loan and the principal amount of \$17,644 was outstanding.

Capital assets of \$33,462 less accumulated depreciation of \$91,524 are reported related to the above lease agreements.

Events of default under the lease agreements include the following:

- a) Failure by Lessee to pay any Rental Payment or other payment required to be paid hereunder at the time and manner specified herein; or
- b) Failure by Lessee to observe and perform any other covenant, condition or agreement on its part to be observed or performed hereunder for a period of thirty (30) days after written notice to Lessee by Lessor specifying such failure and requesting that it be remedied, unless Lessor shall agree in writing to an extension of such time prior to its expiration; or
- c) Any certificate, statement, representation, warranty or audit contained herein or heretofore or hereafter furnished with respect hereto by or on behalf of Lessee proving to have been false in any material respect at the time as of which the facts therein set forth were stated or certified, or having omitted any substantial contingent or unliquidated liability or claim against Lessee; or
- d) Commencement by Lessee of a case or proceeding under the Federal bankruptcy laws or filing by Lessee of any petition or answer seeking reorganization, arrangement, composition, readjustment, liquidation, moratorium or similar relief under any existing or future bankruptcy, insolvency or other similar laws.

In the event of default, Lessor shall have the right, at its sole option without any further demand or notice, to take one or any combination of the following remedial steps:

- (a) Terminate this Agreement, retake possession of the Equipment and sell, lease or sublease it, or any item thereof for the account of Lessor, holding Lessee liable for all payments and charges due up to the effective date of such termination.
- (b) Require Lessee to deliver the Equipment to Lessor at the point of origin or any other reasonable location designated by Lessor at Lessee's sole risk, cost and expense and in the condition required by Section 7.02 hereof; or c) Take whatever other action at law or in equity that may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Lessee under this Agreement.

# Deer Creek Water District

## Notes to Financial Statements

December 31, 2021 (continued)

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### 5. Long-Term Debt (continued)

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In addition, Lessee will remain liable for all legal fees and other costs and expenses, including court costs, incurred by Lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to Lessor.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 211,775	\$ 90,761	\$ 302,536
2023	205,748	83,746	289,494
2024	199,253	77,019	276,272
2025	205,951	70,227	276,178
2026	212,717	63,188	275,905
2027-2028	2,074,519	354,596	2,429,115
	<u>\$ 3,109,963</u>	<u>\$ 739,537</u>	<u>\$ 3,849,500</u>

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### 6. Net Position

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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, 2021, the District had net investment in capital assets of \$994,047.

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, 2021 of \$63,302.

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, 2021, the District had unrestricted net position of \$113,899.

# Deer Creek Water District

## Notes to Financial Statements

### December 31, 2021 (continued)

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#### **7. Risk Management**

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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.

#### **8. TABOR**

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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.

## **Supplementary Information**

**Deer Creek Water District**  
**Schedule of Revenues, Expenses and Change in Net Position**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2021**

	<u>Original</u>	<u>Final</u>	<u>2021 Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Operating Revenues</b>				
Charges for services	\$ 371,350	\$ 371,350	\$ 208,459	\$ (162,891)
Total operating revenues	<u>371,350</u>	<u>371,350</u>	<u>208,459</u>	<u>(162,891)</u>
<b>Operating Expenses</b>				
Collection and Treatment				
Contract operator	12,000	12,000	13,180	(1,180)
Chemicals	2,400	2,400	3,013	(613)
Lab fees	5,500	5,500	4,098	1,402
Operating supplies	500	500	27,696	(27,196)
Maintenance	102,950	102,950	83,009	19,941
Electricity	22,000	22,000	25,036	(3,036)
Consultants	4,000	4,000	140	3,860
Tools & Equipment	500	500	-	500
Operating Expense - Other	1,250	1,250	-	1,250
Propane	600	600	-	600
Septic Pumping	800	800	-	800
Security System	500	500	-	500
Water usage fee	-	-	220	(220)
General and Administrative				
Telephone	2,000	2,000	2,262	(262)
Management	15,000	15,000	-	15,000
Office supplies	1,200	1,200	-	1,200
Postage	250	250	1,920	(1,670)
Audit	12,000	12,000	11,000	1,000
Accounting	14,000	14,000	39,683	(25,683)
Insurance and bonds	4,600	4,600	2,164	2,436
Payment processing	12,500	12,500	12,294	206
Legal	6,000	6,000	3,474	2,526
Other costs	5,025	5,025	14,018	(8,993)
Total operating expenses	<u>225,575</u>	<u>225,575</u>	<u>243,207</u>	<u>(17,632)</u>
<b>Operating Income (Loss)</b>	<u>145,775</u>	<u>145,775</u>	<u>(34,748)</u>	<u>(180,523)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Property taxes	106,907	106,907	106,896	(11)
Specific ownership taxes	12,000	12,000	19,175	7,175
Investment earnings	423	423	722	299
Capital Improvement Fee	165,000	165,000	166,609	1,609
Capital Outlay	(310,000)	(310,000)	(274,314)	35,686
Bond payments	(81,000)	(81,000)	(81,000)	-
Lease/Loan payments	(185,632)	(185,632)	(124,583)	61,049
Interest expense	(36,361)	(36,361)	(108,188)	(71,827)
Treasurer's fees	(3,207)	(3,207)	(3,153)	54
Miscellaneous income	-	-	9,793	9,793
Total Nonoperating Revenues (Expenses)	<u>(331,870)</u>	<u>(331,870)</u>	<u>(288,043)</u>	<u>43,827</u>
<b>Change in Net Position</b>	(186,095)	(186,095)	(322,791)	(136,696)
<b>Net Position—Beginning of Year</b>	270,650	270,650	1,105,666	835,016
<b>Net Position—End of Year</b>	<u>\$ 84,555</u>	<u>\$ 84,555</u>	<u>\$ 782,875</u>	<u>\$ 698,320</u>
<b>Reconciliation to GAAP-Basis Financial Statements</b>				
Depreciation			\$ (91,524)	
Capital outlay			274,314	
Bond payments			81,000	
Lease/Loan payments			124,583	
<b>Net Position—End of Year (GAAP-Basis)</b>			<u>\$ 1,171,248</u>	