

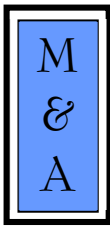
**Dillon Valley District
Dillon, Colorado**

**Financial Statements
December 31, 2023**

**Dillon Valley District
Financial Statements
December 31, 2023**

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Dillon Valley District
Dillon, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Dillon Valley District (the "District"), as of and for the year ended December 31, 2023, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). 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 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 opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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 District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
MATTHEW D. MILLER, CPA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Dillon Valley District
Dillon, Colorado

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 opinions. 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 U.S. GAAS 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 U.S. GAAS, 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 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 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

U.S. GAAP require the Management's Discussion and Analysis in section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Dillon Valley District
Dillon, Colorado

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The fund budgetary comparison in Section E and the Schedules of Water and Sewer Functions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information in section E and the Schedules of Water and Sewer Functions are not a required part of the basic financial statements but are supplementary information required by U.S. GAAP. Such 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 U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the historical schedule of capacity in the Joint Sewer Authority in section F but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



McMahan and Associates, L.L.C.
Avon, Colorado
June 20, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dillon Valley District

Management's Discussion and Analysis
December 31, 2023

We, the financial managers of the Dillon Valley District (the "District"), offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2023.

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 are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

Financial Statements: The financial statements are designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Statement of Net Position presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position shows how the government's net position changed during the most recent fiscal year by listing the revenues earned and expenses incurred. Revenues and expenses are recorded on the accrual basis. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., incurred but unpaid interest expense).

The Statement of Cash Flows shows the District's sources of cash inflows and outflows during the most recent fiscal year. Cash flows are categorized among operating, non-capital financing, capital and related financing and investing activities and unlike items reported in the Statement of Revenues, Expenses and Changes in Fund Net Position, these amounts are reported on the cash basis of accounting.

The business-type activity of the District relates to water and sewer services. There are currently no governmental-type activities occurring at the District.

The District's basic financial statements can be found in Section C of this report.

Proprietary Fund: The District maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report business-type activities. The District uses an enterprise fund to account for its water and sewer services.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report includes supplementary information. The Schedule of Revenues, Expenditures and Changes in Fund Net Position – Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis provides a detailed comparison of the District's actual revenues and expenditures to budgeted amounts. As the District's budget was adopted in a manner that is not consistent with Generally Accepted Accounting Principles ("GAAP"), this schedule is presented on a non-GAAP basis and is reconciled to GAAP basis. Supplementary information can be found in Section E of this report.

Financial Analysis of the District

The following table shows the District's assets, liabilities, and net position at the end of 2023 and 2022:

Dillon Valley District's Net Position

	<u>2023</u>	<u>2022</u>
Assets:		
Current and other assets	1,907,356	1,858,264
Capital assets	4,505,980	4,409,752
Total Assets	<u>6,413,336</u>	<u>6,268,016</u>
Liabilities:		
Current liabilities	303,196	285,976
Non-current liabilities	1,560,000	1,805,000
Total Liabilities	<u>1,863,196</u>	<u>2,090,976</u>
Net Position:		
Net investment in capital assets	2,700,980	2,364,752
Unrestricted	1,849,160	1,812,288
Total Net Position	<u>4,550,140</u>	<u>4,177,040</u>

In 2023, the District's net position increased by \$373,100. This increase was mostly the result of increased water and sewer fees and a decrease in water treatment costs.

Traditionally, the largest portion of the District's net position is its investment in capital assets used to deliver or provide services to its residents and visitors, less any related debt. The District's capital assets include land, raw water diversion facilities, drinking water treatment facilities, drinking water distribution systems, sewer collection systems, equipment, and part ownership of a sewage treatment plant. The District is involved in a joint venture with other districts and municipalities for a sewer treatment facility. This joint venture is described on page D9 in the Notes to the Financial Statements. The District's net investment in capital assets accounted for approximately 59% of its total net position at the end of 2023. This category of net position is not available for future spending. This results in an unrestricted net position balance of \$1,849,160.

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Financial Analysis of the District (continued):

The following table summarizes information relating to the District's Statement of Revenues, Expenses and Changes in Fund Net Position:

Dillon Valley District's Change in Net Position

	<u>2023</u>	<u>2022</u>
Revenues:		
Sewer fees	627,062	590,020
Water fees	957,059	893,176
Other operating	20,390	9,600
Interest revenue	20,480	62
Capital asset contributions	-	31,588
Gain (loss) on investment in JSA	21,419	10,097
Tap fees	21,732	1,753
Total Revenues	<u>1,668,142</u>	<u>1,536,296</u>
Expenses:		
Administration	149,913	150,994
Wastewater	473,161	437,333
Water treatment	627,238	702,535
Interest expense	34,268	38,220
Total Expenses	<u>1,295,042</u>	<u>1,329,082</u>
Change in Net Position	373,100	207,214
Net Position - Beginning of Year	<u>4,177,040</u>	<u>3,969,826</u>
Net Position - End of Year	<u>4,550,140</u>	<u>4,177,040</u>

Revenues increased \$131,846 during the past fiscal year. Most of the increase was due to a increase in other operating revenue during 2023.

Sewer and water fees were the most significant sources of revenue in 2023, accounting for 38% and 57% of operating revenues, respectively. In 2022, sewer fees accounted for 38% of operating revenues and water fees represented 58% of operating revenues.

When compared to 2022, District expenses decreased by \$34,040 in fiscal year 2023. This is primarily due to decreased expenses related to water treatment. The decrease was primarily due to the previous year having unanticipated significant repair and maintenance costs.

Water treatment expenses comprised the highest percentage of the District's costs at 48% (53% in 2022). Administration costs, which include insurance, legal and accounting fees, contract administrative and water plant costs, and miscellaneous expense, represented 12% of total District expenses (11% in 2022). Wastewater expenses accounted for 37% of 2023 expenses (33% in 2022).

Capital Asset and Debt Administration

Capital Assets: The District's capital assets increased by \$96,228 during 2023, as capital asset additions were \$407,189 and depreciation expense was \$310,961.

Additional information, as well as a detailed classification of the District's capital assets, can be found in the Notes to the Financial Statements on page D7.

Long Term Debt: The District paid \$240,000 in principal on its Enterprise Revenue Refunding Loan, Series 2021, reducing the balance due on the bonds from \$2,045,000 to \$1,805,000.

Additional information on long term debt can be found on page D7 – D8.

Next Year's Budget and Rates

The 2024 budget anticipates revenues of \$1,623,014 and expenditures of \$2,277,394. The District plans to use beginning reserves to cover the deficit.

Request for Information

This financial report is designed to provide a general overview of the 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 information should be addressed to: Angelique Justich, District Administrator, Dillon Valley District, P.O. Box 3428, Dillon, CO 80435.

BASIC FINANCIAL STATEMENTS

Dillon Valley District
Statement of Net Position
December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
Assets:		
Current Assets:		
Cash and cash equivalents	980,846	958,555
Accounts receivable, net	460,304	454,922
Total Current Assets	1,441,150	1,413,477
Non-current Assets:		
Investment in Joint Sewer Authority	466,206	444,787
Capital assets:		
Non-depreciable	327,978	327,978
Depreciable, net	4,178,002	4,081,774
Total Non-current Assets	4,972,186	4,854,539
Total Assets	6,413,336	6,268,016
Liabilities:		
Current Liabilities:		
Accounts payable	55,251	36,811
Unearned revenue	2,945	9,165
Current portion long-term debt	245,000	240,000
Total Current Liabilities	303,196	285,976
Non-current Liabilities:		
Debt payable - net of current portion	1,560,000	1,805,000
Total Non-current Liabilities	1,560,000	1,805,000
Total Liabilities	1,863,196	2,090,976
Net Position:		
Net investment in capital assets	2,700,980	2,364,752
Unrestricted	1,849,160	1,812,288
Total Net Position	4,550,140	4,177,040

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

Dillon Valley District
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
Operating Revenues:		
Sewer fees	627,062	590,020
Water fees	957,059	893,176
Penalties	10,790	-
Rent income	9,600	9,600
Total Operating Revenues	1,604,511	1,492,796
Operating Expenses:		
Administration	149,913	150,994
Wastewater	473,161	437,333
Water treatment	627,238	702,535
Bad debt expense	10,462	-
Total Operating Expenses	1,260,774	1,290,862
Operating Income (Loss)	343,737	201,934
Non-operating Revenues (Expenses):		
Interest income	20,480	62
Interest expense	(34,268)	(38,220)
Gain (loss) on investment in Joint Sewer Authority	21,419	10,097
Total Non-operating Revenues (Expenses)	7,631	(28,061)
Income Before Capital Contributions	351,368	173,873
Capital Contributions		
Tap fees	21,732	1,753
Capital asset contribution	-	31,588
Total Capital Contributions	21,732	33,341
Change in Net Position	373,100	207,214
Total Net Position - Beginning	4,177,040	3,969,826
Total Net Position - Ending	4,550,140	4,177,040

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

Dillon Valley District
Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash Flows from Operating Activities:		
Cash received from customers	1,583,305	1,474,395
Other cash receipts	9,600	9,600
Cash paid for goods and services	(931,369)	(1,097,603)
Net Cash Provided by Operating Activities	661,536	386,392
Cash Flows from Capital and Related Financing Activities:		
Tap fees received	21,732	15,193
Cash paid for interest on debt	(34,268)	(38,220)
Cash paid for principal on debt	(240,000)	(235,000)
Cash paid for construction and acquisition of capital assets	(407,189)	(239,929)
Net Cash (Used) by Capital and Related Financing Activities	(659,725)	(497,956)
Cash Flows from Investing Activities:		
Interest received	20,480	62
Net Cash Provided by Investing Activities	20,480	62
Net Change in Cash	22,291	(111,502)
Cash and Cash Equivalents - Beginning	958,555	1,070,057
Cash and Cash Equivalents - Ending	980,846	958,555
Financial Statement Captions:		
Cash and cash equivalents	980,846	958,555
Cash and Cash Equivalents - Ending	980,846	958,555
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:		
Operating (loss)	343,737	201,934
Adjustments:		
Depreciation	310,961	282,156
(Increase) decrease in accounts receivable	(5,382)	(15,025)
Increase (decrease) in accounts payable	18,440	(88,893)
Increase (decrease) in unearned revenue	(6,220)	6,220
Total Adjustments	317,799	184,458
Net Cash Provided by Operating Activities	661,536	386,392
Non-cash Non-capital and Financing Activities:		
Gain (loss) on investment in Joint Sewer Authority	21,419	10,097
Non-cash Capital and Financing Activities:		
Capital contributions	-	31,588

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

NOTES TO THE FINANCIAL STATEMENTS

Dillon Valley District
Notes to the Financial Statements
December 31, 2023

I. Summary of Significant Accounting Policies

Dillon Valley District (the “District”) is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District, comprising a section of Summit County, Colorado, was established to provide water and sewer services within its boundaries.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

The District is governed by an elected Board, which is responsible for setting policy, engaging administrative contractors and adopting an annual budget in accordance with the provisions of the Colorado Special District Act. The reporting entity consists of (a) the primary government (i.e., the District), and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

The District is not financially accountable for any other entity based on the above criteria nor is the District a component unit of any other entity.

B. Fund Accounting

The District uses an enterprise fund to report on its financial position, the results of its operations and its cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District uses a proprietary fund-type, an enterprise fund, to account for its activities, providing wastewater treatment and water services to taxpayers within the District’s boundaries. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Dillon Valley District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Financial Statement Presentation

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

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District.

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligation and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds

**Dillon Valley District
Notes to the Financial Statements
December 31, 2023
(continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established, as the District considers all accounts to be collectible.

3. Capital Assets

Capital assets, which include land, water rights, a water plant and distribution systems and related improvements and equipment, and sewer collection systems and related improvements and equipment, are reported in the financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is expensed as incurred..

Capital assets, except land and water rights, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water plant and distribution systems	10-35
Collection and distribution systems	15-35

4. Use of Estimates

The preparation of financial statements to conformity with GAAP 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Restricted Assets

When both restricted and unrestricted assets are available for expenditure, it is the District's policy to first use restricted assets and then use unrestricted assets as necessary.

Dillon Valley District
Notes to the Financial Statements
December 31, 2023
(continued)

II. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law.

The budget for the proprietary fund is adopted on a non-GAAP basis and is reconciled to GAAP as follows:

Change in Net Position - Non-GAAP Basis	15,453
Adjustments to GAAP Basis:	
Gain (loss) on investment in Joint Sewer Authority	21,419
Depreciation	(310,961)
Capitalized assets	407,189
Debt principal payments	240,000
Total Adjustments	<u>357,647</u>
 Change in Net Position - GAAP Basis	 <u><u>373,100</u></u>

Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2023:

- (1) For the 2023 budget, prior to August 25, 2022, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2022 only once by a single notification to the District.
- (2) On or before October 15, 2022, the District's management submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes, if applicable, needed along with other available revenues to meet the District's operating requirements.
- (3) For the 2023 budget, prior to December 15, 2022, the District computed and certified to the County Commissioners a rate of a levy that derived the necessary property taxes, if applicable, as computed in the proposed budget.
- (4) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (c) approve emergency appropriations; and (d) reduce appropriations for which originally estimated revenues are insufficient.

**Dillon Valley District
Notes to the Financial Statements
December 31, 2023
(continued)**

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increases, a mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR exempts an entity from its requirements if the entity qualifies as a TABOR defined enterprise. Based on TABOR's definition, the District believes it qualifies as an enterprise and is therefore exempt from TABOR.

III. Detailed Notes on the Fund

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. There were no investment requiring disclosure of the fair value hierarchy.

The carrying amounts of the District's demand deposits were \$980,846 at December 31, 2023, and are summarized below:

	Standard & Poor's Rating	Carrying Amounts	Maturities	
			Less than one year	Less than five years
<i>Deposits:</i>				
Checking	Not rated	523,005	523,005	-
Savings	Not rated	457,841	457,841	-
Total		980,846	980,846	-

The investment pool represents an investment in the Colorado Government Liquid Asset Trust ("COLOTRUST") which is a 2a7-like pool. The investment is measured at the net asset value, and the fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

Dillon Valley District
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on the Fund (continued)

A. Deposits and Investments (continued)

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities, the District has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, congressionally authorized mortgage lenders and investments that are federally guaranteed.

Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. Colorado's PDPA requirement noted above mitigates concentration of credit risk.

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Dillon Valley District
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on the Fund (continued)

B. Capital Assets

Capital asset activity for 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	91,350	-	-	91,350
Water rights	236,628	-	-	236,628
Total capital assets, not being depreciated	<u>327,978</u>	<u>-</u>	<u>-</u>	<u>327,978</u>
Capital assets, being depreciated:				
Water plant and distribution system	7,687,193	386,626	-	8,073,819
Sewer collection system	2,179,414	20,563	-	2,199,977
Total capital assets, being depreciated	<u>9,866,607</u>	<u>407,189</u>	<u>-</u>	<u>10,273,796</u>
Less accumulated depreciation for:				
Water plant and distribution system	(4,210,163)	(236,482)	-	(4,446,645)
Sewer collection system	(1,574,670)	(74,479)	-	(1,649,149)
Total accumulated depreciation	<u>(5,784,833)</u>	<u>(310,961)</u>	<u>-</u>	<u>(6,095,794)</u>
Total capital assets, being depreciated, net	<u>4,081,774</u>	<u>96,228</u>	<u>-</u>	<u>4,178,002</u>
Total Capital Assets, Net	<u><u>4,409,752</u></u>	<u><u>96,228</u></u>	<u><u>-</u></u>	<u><u>4,505,980</u></u>

C. Long Term Debt

On March 15, 2021, The District entered into a loan agreement with JP Morgan Chase Bank, N.A. in the amount of \$2,480,000 to refund the Districts 2012 Enterprise Revenue Bonds (Series 2012 above). The Series 2021 loan bears interest at a rate of 1.68% per annum. Principal is due December 1 each year and interest is due June 1 and December 1 each year, commencing on June 1, 2021 with a maturity date of December 1, 2030. The loan may be prepaid on or after December 1, 2026 in whole, but not in part. The total cash flows under the Series 2012 Bonds exceeded the total cash flows under the Series 2021 Loan; however, the District was unable to obtain or calculate the amount of net present value savings on the refunding.

As of December 31, 2023, the District had drawn \$2,480,000 of bond proceeds and paid \$675,000 of principal since the inception of the loan.

**Dillon Valley District
Notes to the Financial Statements
December 31, 2023
(continued)**

III. Detailed Notes on the Fund (continued)

C. Long Term Debt (continued)

An estimated schedule of debt service to maturity is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	245,000	30,324	275,324
2025	250,000	26,208	276,208
2026	255,000	22,008	277,008
2027	260,000	17,724	277,724
2028	260,000	13,356	273,356
2029 - 2030	535,000	13,524	548,524
	<u>1,805,000</u>	<u>123,144</u>	<u>1,928,144</u>

A schedule of changes in long term debt is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2021 Enterprise Revenue					
Refunding Loan	2,045,000	-	(240,000)	1,805,000	245,000
	<u>2,045,000</u>	<u>-</u>	<u>(240,000)</u>	<u>1,805,000</u>	<u>245,000</u>

IV. Other Information

A. Silverthorne Dillon Joint Sewer Authority ("JSA")

The JSA was formed in 1970 to provide sewage collection and treatment facilities for the central basin of Summit County, Colorado. JSA has participation contracts with the District, the Buffalo Mountain Metropolitan District, and the Mesa Cortina Water and Sanitation District. The JSA is governed by a board comprised of two members from each of the towns of Silverthorne and Dillon and one member from each of the contracting parties.

The following is a summary of the District's investment in the JSA as of year-end:

Fund equity at December 31, 2023	17,203,157
Dillon Valley District ownership percentage	2.71%
Net investment at December 31, 2023	<u>466,206</u>

The investment in the JSA is evidenced by the capacity that the District owns in the treatment facility. There are two types of capacity: 1) reserved capacity is the right to own a certain number of single family equivalents (SFEs) when the plant is built out to the planned maximum and, 2) constructed capacity, which is that portion of the reserved capacity that is available for use.

A historical summary of the District's ownership capacity in the Treatment Plant, Joint Interceptor, and East Bank Interceptor through December 31, 2023 is presented on page F3.

Dillon Valley District
Notes to the Financial Statements
December 31, 2023
(continued)

IV. Other Information (continued)

A. Silverthorne Dillon Joint Sewer Authority (“JSA”) (continued)

Operating costs are determined quarterly based on the District's capacity in use at the end of the previous quarter times a rate determined annually when the JSA prepares its budget. The District's share of 2023 JSA costs totaled \$359,355.

On July 1, 2012, the District entered into the First Amendment to the Revised Intergovernmental Agreement for the Joint Sewer Authority (the “Amendment”). Under the Amendment, the JSA participants have reallocated the capacity rights to amend imbalances between such rights and the needs of the participants.

The Amendment also allows the participants to waive some of the Excess Capital I&I compensation payments required by the Revised Intergovernmental Agreement upon receipt by the JSA of reasonable evidence that participants have spent at least the amount of such Excess Capital I&I compensation payments toward eliminating the Excess Capital I&I and Excess Operating I&I by a certain date, as set forth in more detail in the Amendment.

The Amendment sets forth the correction of system imbalances and waivers of I&I compensation payments in the context of the Paper Expansion expected January 1, 2012, under which participants may receive a capital payment calculated by the application of a formula in Exhibit B of the Revised Intergovernmental Agreement.

There are separately issued financial statements for the JSA as of and for the year ended December 31, 2023.

B. Inter-Governmental Agreements

1. Town of Silverthorne

The District entered into an Inter-Governmental Agreement with the Town of Silverthorne (“Silverthorne”) on June 27, 2018 to allow for receipts of potable water from Town of Silverthorne on a limited, temporary basis, in the event of an emergency. The term of this agreement shall be for five years from the effective date and shall automatically renew for successive 5-year terms unless either party provides written notice of termination to the other party at least 24 months prior to a renewal. For water delivered pursuant to this Agreement, Silverthorne will bill the District based on the volume of water delivered to the District at a rate of one and a half (1½) times Silverthorne's second most expensive domestic pricing tier in effect at the time of the emergency delivery.

2. Town of Dillon

The District entered into an Inter-Governmental Agreement with the Town of Dillon (“Dillon”) on May 1, 2002 to deliver treated water to the District (or for the District to deliver treated water to Dillon) promptly after the affected local government certifies that it is unable to produce from its own facilities and rights sufficient water supplies, that such delivery is necessary for the public health and benefit of its residents and visitors, and is required for emergency conditions. Dillon and the District shall share equally the responsibility and cost for maintaining the permanent interconnection facilities necessary to convey the water to the delivered to each of them.

Dillon Valley District
Notes to the Financial Statements
December 31, 2023
(continued)

IV. Other Information (continued)

B. Inter-Governmental Agreements (continued)

3. Town of Dillon (continued)

The rates charged for water produced and delivered under this agreement shall be one and one half (1½) times the rate for domestic water charged by producing government for customers within its boundaries. This agreement is perpetual, and shall continue in effect until modified by mutual written agreement of Dillon and the District (the "Parties").

The District entered into an Amended and Restated Inter-Governmental Agreement with the Town of Dillon on June 4, 2019 to design, purchase and complete installation of a pump on or before three years from the date of this Agreement. Dillon will act as the lead agency for the Parties, including project management, during the pump installation. The Parties agree to limit the engineering design costs to no more than \$25,000 and to share those engineering costs equally (50/50) up to that limit, unless it is mutually agreed to increase the design cost. After both Parties have agreed to the improvements proposed in the engineering design, the Parties agree to move forward with the improvements and will equally share (50/50) all project design costs and expenses for design, purchase, and installation of the pump, including project management.

For water produced and delivered under this Amended Agreement, the Producing Party will bill the Receiving Party based on volume of water delivered at a rate equal to Dillon's third-tier rate in effect at the time of delivery, currently \$8.37 per 1,000 gallons (with a maximum rate increase of 2% per year after the date of the Agreement). In the event that the Producing Party incurs additional unanticipated expenses due to the delivery of water to the Receiving Party in excess of the rate set forth above, the Producing Party may bill for additional costs. In lieu of billing for the delivery of water, the Producing Party may request that the other Party deliver an equal amount of water to the Producing Party at an agreed upon future time.

Per the Amended Agreement, the Parties have jointly funded and constructed the Silverthorne/Dillon Interconnect and will equally share the cost to maintain the Silverthorne/Dillon Interconnect. Silverthorne, Dillon or the District can be the Receiving Party or the Producing Party at any time under this Agreement. Section 2 of the Agreement defines the respective rights and obligations of the Parties to each other when they are taking delivery of water from Silverthorne through the Silverthorne/Dillon Interconnect

Dillon will send quarterly bills to the District for the District's portion of the costs of maintaining and operating the Dillon/DVD Interconnect and the Silverthorne/Dillon Interconnect. In the event that either Party delivers water to the other Party at the Dillon/DVD Interconnect, the Producing Party will send invoices to the Receiving Party on a monthly basis or following the conclusion of the temporary delivery of water.

**Dillon Valley District
Notes to the Financial Statements
December 31, 2023
(continued)**

IV. Other Information (continued)

C. Management Agreements

1. Water Solutions

The District has an agreement with Water Solutions, Inc. to provide general operation and maintenance of the water plant for the District. The District paid \$209,012 to Water Solutions, Inc. for these services during 2023.

2. T Services, LLC

Effective January 1, 2022, the District entered into an agreement with T Services, LLC, to assume administrative, budgeting, financial management and billing services for the District. The term of the agreement is from January 1, 2022 to December 31, 2022 and will automatically renew for successive one year periods. The District paid \$69,400 to T Services, LLC for these services during 2023.

D. Risk Management

Except as provided within the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or injuries to employees. The District is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool (the "Pool"). The Pool is an organization created by an intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public official's coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. 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.

A summary of audited statutory financial information for the Pool as of for the year ended December 31, 2022 (the latest audited information available) is as follows:

Assets	69,212,177
Liabilities	45,329,704
Capital and surplus	23,882,473
Total	69,212,177
Revenue	27,526,998
Expenses	(25,447,966)
Net Income (Loss)	2,079,032

SUPPLEMENTARY INFORMATION

Dillon Valley District
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts for 2022)

	2023			2022
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Sewer fees	616,394	627,062	10,668	590,020
Water fees	1,002,340	957,059	(45,281)	893,176
Penalties	-	10,790	10,790	-
Tap fees	-	21,732	21,732	1,753
Interest	200	20,480	20,280	62
Rent income	9,600	9,600	-	9,600
Total Revenues	1,628,534	1,646,723	18,189	1,494,611
Expenditures:				
Administration:				
Directors' expenses	6,000	4,900	1,100	4,824
Insurance	24,000	24,785	(785)	20,255
Telephone	3,200	3,927	(727)	3,869
Legal service	15,000	18,796	(3,796)	18,828
Audit	8,000	9,500	(1,500)	14,400
Dues and subscriptions	2,000	1,713	287	1,017
Office supplies	5,000	2,822	2,178	4,853
Miscellaneous	4,000	8,329	(4,329)	4,525
Engineering	10,000	-	10,000	-
Contract services	74,744	74,840	(96)	76,860
Banking fees	1,000	6	994	974
Other expense	450	295	155	589
Total Administration	153,394	149,913	3,481	150,994
Wastewater:				
Sewage treatment fees	365,400	380,255	(14,855)	346,816
Sewer lines - Repair and maintenance	45,000	18,426	26,574	30,099
Total Wastewater	410,400	398,681	11,719	376,915
Water Treatment:				
Utilities	44,100	41,071	3,029	35,918
Operating expenses	199,362	188,752	10,610	183,571
Chemicals	54,600	46,990	7,610	47,249
Water plant - Repairs and maintenance	75,000	55,731	19,269	47,670
Water purchases	20,000	10,072	9,928	10,837
Water line breaks - repairs	200,000	48,142	151,858	155,552
Total Water Treatment	593,062	390,758	202,304	480,797

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

Dillon Valley District
Schedule of Revenues, Expenditures and Changes in Fund Net Position
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts for 2022)
(continued)

	2023		Variance Favorable (Unfavorable)	2022
	Original and Final Budget	Actual		Actual
Expenditures (continued):				
Bad Debt Expense:				
Bad debt expense	-	10,462	(10,462)	-
Total Bad Debt Expense	-	10,462	(10,462)	-
Debt Service:				
Debt principal payments	240,000	240,000	-	235,000
Interest expense	34,355	34,268	87	38,220
Total Debt Service	274,355	274,268	87	273,220
Capital Outlay:				
Capital Outlay	550,000	407,188	142,812	239,929
Total Capital Outlay	550,000	407,188	142,812	239,929
Total Expenditures	1,981,211	1,631,270	349,941	1,521,855
Change in Net Position - Non-GAAP Basis	(352,677)	15,453	368,130	(27,244)
Adjustments to GAAP Basis:				
Gain (loss) on investment in Joint Sewer Authority		21,419		10,097
Depreciation		(310,961)		(282,156)
Capitalized assets		407,189		239,929
Capital contributions		-		31,588
Debt principal payments		240,000		235,000
Total Adjustments		357,647		234,458
Change in Net Position - GAAP Basis		373,100		207,214

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

Dillon Valley District
Schedule of Water and Sewer Functions
Estimated Allocation of Assets, Liabilities, and Net Position
December 31, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Assets:			
Current Assets:			
Cash and cash equivalents	46,097	934,749	980,846
Accounts receivable, net	303,538	156,766	460,304
Total Current Assets	<u>349,635</u>	<u>1,091,515</u>	<u>1,441,150</u>
Non-current Assets:			
Investment in Joint Sewer Authority	-	466,206	466,206
Capital assets:			
Non-depreciable	282,303	45,675	327,978
Depreciable, net	3,627,174	550,828	4,178,002
Total Non-current Assets	<u>3,909,477</u>	<u>1,062,709</u>	<u>4,972,186</u>
Total Assets	<u>4,259,112</u>	<u>2,154,224</u>	<u>6,413,336</u>
Liabilities:			
Current Liabilities:			
Accounts payable	36,340	18,911	55,251
Unearned revenue	1,779	1,166	2,945
Current portion long-term debt	245,000	-	245,000
Total Current Liabilities	<u>283,119</u>	<u>20,077</u>	<u>303,196</u>
Non-current Liabilities:			
Debt payable - net of current portion	1,560,000	-	1,560,000
Total Non-current Liabilities	<u>1,560,000</u>	<u>-</u>	<u>1,560,000</u>
Total Liabilities	<u>1,843,119</u>	<u>20,077</u>	<u>1,863,196</u>
Net Position:			
Net investment in capital assets	2,104,477	596,503	2,700,980
Unrestricted	311,516	1,537,644	1,849,160
Total Net Position	<u>2,415,993</u>	<u>2,134,147</u>	<u>4,550,140</u>

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

Dillon Valley District
Schedule of Water and Sewer Functions
Estimated Allocation of Revenues, Expenses, and Net Position
For the Year Ended December 31, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues:			
Charges for service	957,059	627,062	1,584,121
Penalties	6,519	4,271	10,790
Rent income	4,800	4,800	9,600
Total Operating Revenues	<u>968,378</u>	<u>636,133</u>	<u>1,604,511</u>
Operating Expenses:			
Administration	74,956	74,957	149,913
Operating expenses	632,469	478,392	1,110,861
Total Operating Expenses	<u>707,425</u>	<u>553,349</u>	<u>1,260,774</u>
Operating (Loss)	<u>260,953</u>	<u>82,784</u>	<u>343,737</u>
Non-operating Revenues (Expenses):			
Interest revenue	10,240	10,240	20,480
Interest expense	(34,268)	-	(34,268)
Gain (loss) on investment in Joint Sewer Authority	-	21,419	21,419
Total Non-operating Revenues (Expenses)	<u>(24,028)</u>	<u>31,659</u>	<u>7,631</u>
Income Before Capital Contributions	236,925	114,443	351,368
Capital Contributions			
Tap fees	10,866	10,866	21,732
Total Capital Contributions	<u>10,866</u>	<u>10,866</u>	<u>21,732</u>
Change in Net Position	247,791	125,309	373,100
Total Net Position - Beginning	<u>2,168,202</u>	<u>2,008,838</u>	<u>4,177,040</u>
Total Net Position - Ending	<u>2,415,993</u>	<u>2,134,147</u>	<u>4,550,140</u>

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

**Dillon Valley District
Historical Schedule of Capacity with Joint Sewer Authority**

Date	Transaction	Treatment Plant				Joint Interceptor				East Bank Interceptor					
		EQRs in Treatment Plant		Total Nominal Plant Capacity		EQRs in Joint Interceptor		Total Nominal Joint Interceptor Capacity		EQRs in East Bank Interceptor			Total Nominal East Bank Interceptor Capacity		
		Constructed Capacity	Reserved Capacity	Constructed Capacity	Reserved Capacity	Lower Joint Interceptor	Upper Joint Interceptor	Lower Joint Interceptor	Upper Joint Interceptor	Lower Segment	Middle Segment	Upper Segment	Lower Segment	Middle Segment	Upper Segment
7/20/1971	Dillon Valley Agreement		1,900			1,900	1,900	7,000	7,000	1,900	1,900	1,900	3,900	3,900	3,900
2/28/1973	Addendum			1,500	11,400			3,800	3,200				330	330	(170)
[1]	First expansion	154		840											
[1]	Second expansion	103		560											
[1]	Plant expansion	543		2,800											
6/13/1980	JSA-County Agreement			(22)											
[1]	JSA Sale to County Plant			(10)											
10/1/1980	Expansion			2,000											
5/11/1981	East Bank Interceptor Report											711	480	270	
7/6/1981	Joint Authority Agreement	500													
7/27/1981	DVD-BMMD Agreement	(30)	(300)			(300)	(300)								
10/1/1987	Sludge Dewatering Project			(50)											
12/23/1993	DVD-BMMD Assignment	(55)	(55)												
12/29/1993	DVD-BMMD Agreement					(55)	(55)								
1/24/1995	DVD-BMMD Agreement														
2/13/1995	DVD-Mesa Cortina														
4/18/1996	DVD-BMMD Agreement					(336)	(336)								
12/31/2002	Contract 35			2,350											
10/21/2010	DVD to Mesa Cortina					(26)	(26)								
1/1/2013	Net effect of Amendment 1									(717)	(717)	(717)	(414)	(414)	(414)
12/31/2013	Cumulative Total	<u>1,183</u>	<u>1,183</u>	<u>10,000</u>	<u>11,400</u>	<u>1,183</u>	<u>1,183</u>	<u>10,800</u>	<u>10,200</u>	<u>1,183</u>	<u>1,183</u>	<u>1,183</u>	<u>4,527</u>	<u>4,296</u>	<u>3,586</u>

[1] - Date unknown

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