

**HIDDEN VALLEY WATER DISTRICT**  
**Jefferson County, Colorado**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 and 2019**

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## **Independent Auditor's Report**

Board of Directors  
Hidden Valley Water District  
Jefferson County, Colorado

### **Report for the Financial Statements**

We have audited the accompanying financial statements of Hidden Valley Water District (District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hidden Valley Water District, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that governmental 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and legal compliance and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
April 13, 2021

## **BASIC FINANCIAL STATEMENTS**

**HIDDEN VALLEY WATER DISTRICT  
STATEMENTS OF NET POSITION  
December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 70,302	\$ 8,780
Cash and cash equivalents - restricted	2,162	13,876
Accounts receivable:		
Customers	13,414	9,023
County treasurer	578	580
Grants	18,220	129,350
Loan draws - Colorado Water Conservation Board	10,111	63,931
Property taxes receivable	151,515	87,000
Prepaid expense	450	-
Total current assets	266,752	312,540
<b>CAPITAL ASSETS</b>		
Capital assets, not being depreciated	292,274	286,877
Capital assets, being depreciated	1,843,037	405,473
	2,135,311	692,350
Less accumulated depreciation and amortization	(52,422)	(7,311)
Total capital assets	2,082,889	685,039
<b>TOTAL ASSETS</b>	\$ 2,349,641	\$ 997,579
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 30,163	\$ 192,585
Retainage payable	-	1,162
Interest payable	22,750	662
Total current liabilities	52,913	194,409
<b>NONCURRENT LIABILITIES</b>		
Loans payable		
Due within one year	6,076	5,875
Due in more than one year	1,786,352	425,746
Total noncurrent liabilities	1,792,428	431,621
Total liabilities	1,845,341	626,030
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property tax revenue	151,515	87,000
Total deferred inflows of resources	151,515	87,000
<b>NET POSITION</b>		
Net investment in capital assets	290,461	253,418
Restricted for emergencies	2,800	2,100
Restricted for debt service	2,162	13,876
Unrestricted	57,362	15,155
Total net position	352,785	284,549
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	\$ 2,349,641	\$ 997,579

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**HIDDEN VALLEY WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
Year Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUE</b>		
Water service fees	\$ 80,704	\$ 19,385
Late fees / miscellaneous income	1,430	-
Total operating revenue	<u>82,134</u>	<u>19,385</u>
<b>OPERATING EXPENSES</b>		
Administration		
Administrative/office expenses	3,219	1,503
Election costs	468	-
Insurance	1,889	2,732
Audit	5,800	-
Legal	2,465	477
Public relations	125	-
Management	32,868	20,473
Additional management services	17,064	1,037
Other professional services	800	400
Miscellaneous	-	172
Water Operations		
Treatment and testing	7,777	2,608
Accounting	2,742	430
Water lease - Clear Creek	3,058	-
Waste transport and disposal	329	-
EMD master meter charges	18,533	-
Water storage and miscellaneous charges	75	-
Repairs and maintenance	14,422	-
Electricity	3,372	303
General maintenance	37	-
Miscellaneous	206	-
Water Company transition costs	-	25,190
EMD Water Agreement costs	-	111,843
Depreciation	45,110	7,311
Total operating expenses	<u>160,359</u>	<u>174,479</u>
<b>OPERATING LOSS</b>	<u>(78,225)</u>	<u>(155,094)</u>
<b>NONOPERATING REVENUE AND (EXPENSES)</b>		
Property taxes	86,696	78,733
Specific ownership taxes	6,502	6,704
Net investment income	61	3
Grant funding - CDPHE	84,027	129,350
County treasurer's fees	(1,300)	(1,181)
Loan interest expense	(33,506)	(3,101)
Loan issuance costs	-	(23,467)
Total nonoperating revenue (expense)	<u>142,480</u>	<u>187,041</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<u>64,255</u>	<u>31,947</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Capital contributions - capital assets	-	415,423
Capital contributions - loan assumption	-	(342,921)
Capital contributions - cash contributions	3,981	180,100
Total capital contributions	<u>3,981</u>	<u>252,602</u>
<b>CHANGE IN NET POSITION</b>	68,236	284,549
<b>NET POSITION - BEGINNING OF YEAR</b>	284,549	-
<b>NET POSITION - END OF YEAR</b>	<u>\$ 352,785</u>	<u>\$ 284,549</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**HIDDEN VALLEY WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
Year Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 77,743	\$ 10,362
Payments to vendors	(209,874)	(42,830)
Net cash required by operating activities	(132,131)	(32,468)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital asset purchases	(1,512,369)	(207,518)
Loan proceeds - CWCB	1,420,502	26,721
Loan interest paid	(11,418)	(2,439)
Loan principal paid	(5,875)	(1,952)
Loan issuance costs	-	(23,467)
Grant proceeds	195,157	-
Capital contributions - cash contributions	3,981	180,100
Net cash required by capital financing activities	89,978	(28,555)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property and specific ownership taxes received	93,200	84,857
County treasurer's fees paid	(1,300)	(1,181)
Net cash provided by noncapital financing activities	91,900	83,676
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	61	3
Net cash provided by investing activities	61	3
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	49,808	22,656
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	22,656	-
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 72,464	\$ 22,656
<b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (78,225)	\$ (155,094)
Adjustments to reconcile operating loss to net cash required by operating activities:		
Depreciation	45,110	7,311
Effects of changes in operating assets and liabilities:		
Accounts receivable	(4,391)	(9,023)
Prepaid expenses	(450)	-
Accounts payable	(94,175)	124,338
Net cash required by operating activities	\$ (132,131)	\$ (32,468)
<b>NONCASH CAPITAL FINANCING ACTIVITIES:</b>		
Capital contributions - capital assets	\$ -	\$ 415,423
Capital contributions - loan assumption	-	(342,921)
	\$ -	\$ 72,502

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**HIDDEN VALLEY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Hidden Valley Water District (District), was organized on December 14, 2017 as a quasi-municipal corporation and political subdivision of the State of Colorado, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District assumed ownership and operation of an existing public water supply system previously owned and operated by the Hidden Valley Mutual Water Company (Water Company), a Colorado non-profit corporation. It is anticipated that the District will also construct, own, and operate additional public improvements for the Hidden Valley residential community, and that the District's boundaries will encompass the entirety of the community. The District is governed by an elected Board of Directors.

On October 1, 2019, the District acquired the Water Company's water supply system consisting of certain parcels of land, easement interests, two water storage tanks, a water treatment building, an existing water distribution system, and the Water Company's water rights, including but not limited to, the water rights associated with three decreed water wells and a decreed plan for augmentation. In addition, on October 1, 2019, the Water Company transferred its existing U.S. Department of Agriculture (USDA) loan to the District. See NOTE 5 LONG-TERM OBLIGATIONS. The Water Company also assigned its grant award from the Colorado Department of Public Health and Environment to the District. See NOTE 11- GRANT AGREEMENT.

The District has no employees and all operations and administration functions are contracted.

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 financial 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The more significant accounting policies of the District are described as follows:

**HIDDEN VALLEY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**Basis of Accounting**

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemptions of bonds and loans are recorded as reductions in liabilities. System development fees and contributed assets from developers are recorded as capital contributions when received.

**Operating Revenues and Expenses**

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**Budgets**

In accordance with the Local Government Budget Law of Colorado, 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 appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

**Property Taxes**

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 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.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

**Accounts Receivable**

Accounts receivable consist of uncollected water service revenue. Due to the District's broad powers of collection, no allowance for uncollectible water service revenue receivables has been reported.

**HIDDEN VALLEY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**Cash Equivalents**

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**Capital Assets**

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

The costs of normal maintenance and repairs 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 capital assets, as applicable.

Depreciation and amortization expense has been computed using the straight-line method over the estimated remaining economic useful lives:

Water distribution system	10 years
Water storage tanks	23-26 years
Water treatment facility	9-24 years
Wells	5-18 years

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**Loan Issue Costs**

Loan issuance costs are treated as a period cost and expensed in the year incurred.

**Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the Statements of Net Position. Deferred inflows of resources reported are property taxes levied for the ensuing year.

**HIDDEN VALLEY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE 3 - CASH AND INVESTMENTS**

Cash and cash equivalents as of December 31, 2020 and 2019 are classified in the accompanying statements of net position and statements of cash flows as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents - unrestricted	\$ 70,302	\$ 8,780
Cash and cash equivalents - restricted	2,162	13,876
	<u>\$ 72,464</u>	<u>\$ 22,656</u>

	<u>2020</u>	<u>2019</u>
Cash deposits	\$ 17,412	\$ 22,656
Investments	55,052	-
	<u>\$ 72,464</u>	<u>\$ 22,656</u>

**Custodial Credit Risk**

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 determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District had cash deposits with a bank balance of \$29,048 and a carrying balance of \$17,412. At December 31, 2019, the District had cash deposits with a bank balance of \$33,263 and a carrying balance of \$22,656.

**Investments**

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements

**HIDDEN VALLEY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

**Interest Rate Risk**

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirement.

At December 31, 2020 and 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>	
		<u>2020</u>	<u>2019</u>
Colostrust Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 55,052	\$ -

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

At December 31, 2020 the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's.

**Valuation**

Governmental Accounting Standards Board (GASB) Statements require or permit investments measured at fair value on a recurring basis in the statement of net position at the end of each reporting period to be categorized. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has investments not categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net

**HIDDEN VALLEY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments.

COLOTRUST is measured and reported at the NAV as of December 31, 2020.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

**RESTRICTED CASH AND INVESTMENTS**

At December 31, 2020, cash and cash equivalents in the amount of \$2,162 is restricted for debt service in connection with the USDA Loan. At December 31, 2019, cash and cash equivalents in the amount of \$13,876 is restricted for debt service which includes the \$432 reserve required by the USDA Loan (See Note 5).

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**HIDDEN VALLEY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	<b>Balance at December 31, 2019</b>	<b>Additions</b>	<b>Disposals/ Retirements</b>	<b>Balance at December 31, 2020</b>
Capital assets, not being depreciated:				
Land	\$ 9,950	\$ -	\$ -	\$ 9,950
Water rights	180,000	631	-	180,631
Construction in progress	96,927	1,403,486	(1,398,720)	101,693
Total capital assets, not being depreciated	<u>286,877</u>	<u>1,404,117</u>	<u>(1,398,720)</u>	<u>292,274</u>
Capital assets, being depreciated:				
EMD master meter connection	-	1,398,720	-	1,398,720
Water distribution system	97,013	-	-	97,013
Water storage tanks	180,000	-	-	180,000
Water treatment facility	43,460	-	-	43,460
Wells	85,000	-	-	85,000
Water meters	-	38,843	-	38,843
Total capital assets being depreciated	<u>405,473</u>	<u>1,437,563</u>	<u>-</u>	<u>1,843,036</u>
Less accumulated depreciation for:				
EMD master meter connection	-	(14,570)	-	(14,570)
Water distribution system	(2,425)	(9,701)	-	(12,126)
Water storage tanks	(1,831)	(7,324)	-	(9,155)
Water treatment facility	(811)	(3,246)	-	(4,057)
Wells	(2,244)	(8,974)	-	(11,218)
Water meters	-	(1,295)	-	(1,295)
Total accumulated depreciation	<u>(7,311)</u>	<u>(45,110)</u>	<u>-</u>	<u>(52,421)</u>
Total capital assets being depreciated, net	<u>398,162</u>	<u>1,392,453</u>	<u>-</u>	<u>1,790,615</u>
Total capital assets, net	<u>\$ 685,039</u>	<u>\$ 2,796,570</u>	<u>\$ (1,398,720)</u>	<u>\$ 2,082,889</u>

**HIDDEN VALLEY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020 and 2019**

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	<b>Balance at December 31, 2018</b>	<b>Additions</b>	<b>Disposals/ Retirements</b>	<b>Balance at December 31, 2019</b>
Capital assets, not being depreciated:				
Land	\$ -	\$ 9,950	\$ -	\$ 9,950
Water rights	-	180,000	-	180,000
Construction in progress	-	96,927	-	96,927
Total capital assets, not being depreciated	-	286,877	-	286,877
Capital assets, being depreciated:				
Water distribution system	-	97,013	-	97,013
Water storage tanks	-	180,000	-	180,000
Water treatment facility	-	43,460	-	43,460
Wells	-	85,000	-	85,000
Total capital assets being depreciated	-	405,473	-	405,473
Less accumulated depreciation for:				
Water distribution system	-	(2,425)	-	(2,425)
Water storage tanks	-	(1,831)	-	(1,831)
Water treatment facility	-	(811)	-	(811)
Wells	-	(2,244)	-	(2,244)
Total accumulated depreciation	-	(7,311)	-	(7,311)
Total capital assets being depreciated, net	-	398,162	-	398,162
Total capital assets, net	\$ -	\$ 685,039	\$ -	\$ 685,039

The District recorded the capital assets conveyed by the Water Company at estimated fair value. The assets are being depreciated over the estimated remaining useful lives.

**NOTE 5 – LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2020:

	<b>Balance at January 1, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2020</b>	<b>Due Within One Year</b>
Direct placement loans:					
USDA Loan	\$ 340,969	\$ -	\$ 5,875	\$ 335,094	\$ 6,076
Colorado Water Conservation Board - Loan	90,652	1,366,682	-	1,457,334	-
Total long-term obligations	\$ 431,621	\$ 1,366,682	\$ 5,875	\$ 1,792,428	\$ 6,076

**HIDDEN VALLEY WATER DISTRICT  
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The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2019:

	<b>Balance at January 1, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2019</b>	<b>Due Within One Year</b>
Direct placement loans:					
USDA Loan	\$ -	\$ 342,921	\$ 1,952	\$ 340,969	\$ 5,875
Colorado Water Conservation Board - Loan	-	90,652	-	90,652	-
Total long-term obligations	<u>\$ -</u>	<u>\$ 433,573</u>	<u>\$ 1,952</u>	<u>\$ 431,621</u>	<u>\$ 5,875</u>

**U.S. Department of Agriculture Loan**

On October 1, 2019, the District accepted the transfer of the 2012 U.S. Department of Agriculture Loan (USDA Loan) in the principal amount of \$342,921. The USDA Loan bears interest at 3.375%. The District is to make monthly payments in the amount of \$1,441 by the 10<sup>th</sup> of each month. The USDA Loan matures in 2052.

The Districts' revenue (excluding ad valorem taxes) is pledged towards the repayment of the USDA Loan. The District is required to maintain a reserve in accordance with the USDA Loan documents. At December 31, 2020 and 2019, the District was in compliance with the reserve requirement.

**Colorado Water Conservation Board Loan**

On August 6, 2019, the District entered into an Intergovernmental Loan Contract (Loan Contract) with Colorado Water Conservation Board (CWCB) in the principal amount of \$1,737,200 for the purpose of funding the Master Water Meter Connection Project (Master Meter). In the event that the District does not use the full amount authorized by the Loan Contract, the total principal loan amount may be decreased. The total loan amount will be determined upon the earlier of the substantial completion date of the project or five years. Principal and interest is payable in annual equal payments with the first payment due and payable one year from the substantial completion of the project and annually thereafter for a period of thirty years. Interest on the loan is to accrue at a rate of 3.0% per year.

The Loan is a general obligation loan. The full faith and credit of the District is pledged for repayment of the Loan Contract. Per the Loan Contract, the required mill levy is stipulated as an amount sufficient to pay the principal and interest on the Loan as they become due and payable without limitation of rate.

The District is to establish and maintain a debt service reserve. The District is to deposit an amount equal to one-tenth of the annual payment into its debt service reserve on the due date of its first annual loan payment and annually thereafter for the first ten years of repayment of the Loan Contract. The debt service reserve requirement is in effect until the Loan Contract is paid in full. The debt service reserve requirement is not required until the project is complete and the

**HIDDEN VALLEY WATER DISTRICT  
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loan repayment schedule is finalized therefore, no debt service reserve has been established as of December 31, 2020.

If any annual payment is not paid when due or any default under the Loan Contract occurs, the CWCB may declare the entire outstanding principal balance of the Loan Contract, all accrued interest, and any outstanding late charges immediately due and payable, and the indebtedness shall bear interest at the rate of 7% per annum from the date of default.

No interest was capitalized during 2020, interest incurred and charged to expense totaled \$22,130.66.

The District's USDA Loan long-term obligation will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal *</u>	<u>Interest *</u>	<u>Total</u>
2021	\$ 6,076	\$ 11,216	\$ 17,292
2022	6,284	11,008	17,292
2023	6,500	10,792	17,292
2024	6,722	10,570	17,292
2025	6,953	10,339	17,292
2026-2030	38,507	47,953	86,460
2031-2035	45,574	40,885	86,459
2036-2040	53,939	32,521	86,460
2041-2045	63,840	22,620	86,460
2046-2050	75,557	10,903	86,460
2051-2052	25,142	676	25,818
	<u>\$ 335,094</u>	<u>\$ 209,483</u>	<u>\$ 544,577</u>

\* Principal and interest allocation will vary depending on payment date.

**Authorized Debt**

At December 31, 2020, the District had the following authorized but unissued debt:

	<u>Authorized November 7, 2017 Election</u>	<u>Authorization Used</u>	<u>Remaining at December 31, 2020</u>
Water	\$3,000,000	\$1,737,200 **	\$1,262,800
Refunding Debt	3,000,000	-	3,000,000
Intergovernmental Agreements	3,000,000	-	3,000,000
	<u>\$9,000,000</u>	<u>\$1,737,200</u>	<u>\$7,262,800</u>

\*\* The District has entered into a Loan Contract in the amount of \$1,737,200. However, amount will be reduced if full Loan Amount is not needed for construction.

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**NOTE 6 – WATER DELIVERY AGREEMENT**

On October 1, 2019, the District entered into a Water Delivery Agreement (WDA) with Evergreen Metropolitan District (Evergreen) in order to secure a potable water supply from Evergreen for treatment and delivery to the District's service area. In the WDA, Evergreen agreed to deliver potable water to the District through Evergreen's transmission mains to the point of connection with the Master Meter. The District will use the water facilities within the District to distribute the potable water from Evergreen and will pay service charges to Evergreen for the delivery and use of such potable water.

Evergreen will supply potable water to the District in such quantities and for such uses as allowed by Evergreen's water rights, subject to the following limits: (i) up to 344,000 gallons per month; (ii) up to 3,557,776 gallons per year; and (iii) up to 10,655,328 gallons per any consecutive thirty-six month rolling period. The District is not entitled to receive any more potable water from Evergreen than these limits; however, Evergreen may deliver water exceeding those limits in its sole discretion and subject to the District's payment of penalty charges.

The District is to construct, operate, maintain and repair the Master Meter facility, all distribution mains and other water facilities within the District's service area that are necessary to deliver potable water from Evergreen at the District's expense. All water facilities within the District's water system are owned by and property of the District.

Under the WDA, the District agreed to acquire water rights and water storage rights for the purpose of offsetting the increased water demand on Evergreen's existing water rights, water storage rights, and water facilities to supply the District with potable water. The District agreed to convey such water rights and storage capacity to Evergreen with good and merchantable title, by bargain and sale deed or by assignment agreement. The District and Evergreen also agreed that an adjudication of the District's water rights (a change case) would be commenced and prosecuted by Evergreen at the District's sole expense. All legal, engineering and related costs incurred by Evergreen are to be reimbursed by the District within 30 days following receipt of an invoice. The WDA requires conveyance of the District's water rights to Evergreen within ten days of the issuance of a satisfactory final decree in the change case. To date, the District has acquired certain ditch company water rights, and Evergreen has filed the change case for those water rights, which case is currently pending. The ditch company water rights are being held in escrow until the conclusion of the change case, pursuant to the WDA as mentioned above. The District has not yet acquired the water storage rights.

The WDA anticipates commencement of water service to the District prior to the conclusion of the change case. To commence providing water service to the District during the pendency of the change case, Evergreen will need to obtain a Substitute Water Supply Plan from the Division of Water Resources. The District is to pay all costs incurred by Evergreen in connection with the preparation, submittal, approval and annual renewal of the Substitute Water Supply Plan.

In order to compensate Evergreen for the District's anticipated use of the Evergreen water facilities, the District shall pay a capital participation fee in the amount of \$360,000 to Evergreen, which amount is based upon an estimated monthly usage of 8,600 gallons per equivalent residential unit from forty equivalent residential units connected to the District's water system. If actual deliveries of potable water over any thirty-six month tolling period exceeds 12,384,000 gallons, the District will be required to pay additional capital participation fees, based on the amount of actual water deliveries.

**HIDDEN VALLEY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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The District is to pay monthly water delivery charges and, if applicable, penalty charges to Evergreen for all potable water delivered through the Master Meter for distribution at current rates as follows: (i) a monthly base rate for each residential unit of \$29.50 x 64 residential units equals \$1,888.00; (ii) water delivery rate of \$2.90 per 1,000 gallons for actual usage up to 344,000 gallons per month; (iii) penalty charges for actual water deliveries in excess of 344,000 gallons per month of \$5.00 per 1,000 gallons as measured at the Master Meter; and (iv) drought penalty charges for actual water deliveries in excess of 344,000 gallons per month of \$15.00 per 1,000 gallons above 344,000 when Evergreen has imposed Level II or more restrictive drought restrictions on its users.

During 2020, the Master Meter project was completed and Evergreen began billing the District for water usage in accordance with the WDA. In addition, the District paid the required capital participation fees in the amount of \$360,000 to Evergreen in 2020.

**NOTE 7 – WATER LEASING AGREEMENT**

On October 1, 2019, the District entered into an Assignment and Assumption of Water Leasing Agreement the Water Company, whereby the District acquired the Water Company's rights and interest as lessee under the Water Company's Water Leasing Agreement with the Board of County Commissioners of Clear Creek County (Clear Creek County).

The Water Leasing Agreement provides for Clear Creek County to lease up to three acre-feet of water per year, subject to the terms and conditions set forth in the Leasing Agreement, as needed by the Water Company. The price for water purchased by the Water Company is a delivered base rate of \$2,200 per acre foot of water. The base rate automatically will change to 110% of Clear Creek's then-current water rates for in-county business consumptive use every five years beginning April 1, 2008.

The District gave notice to Clear Creek terminating the Water Leasing Agreement effective July 31, 2020.

**NOTE 8 - NET POSITION**

The District's net position consists of three components – net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and, if applicable, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2020 and 2019, the District had \$290,461 and \$253,418, respectively, of net investment in capital assets.

Restricted net position includes amounts that are 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's restricted net position consists of \$2,800 and \$2,100 as of December 31, 2020 and 2019, respectively, as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 10). The District's restricted net position for debt service was \$2,162 as of December 31, 2020 which represents the debt service reserve requirement under the USDA Loan (see Note 5). The District's restricted net position for debt service as of December 31, 2019 includes \$432 under the USDA Loan (see Note 5) and \$13,444 of unspent taxes levied for debt service.

**HIDDEN VALLEY WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 9 - RISK MANAGEMENT**

Except as provided by the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., as may be amended from time to time, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2020. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past four fiscal years.

The District pays annual premiums to the Pool for property, liability, public officials' liability, boiler and machinery, and workers compensation 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.

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS**

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 that 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.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

The District's voters approved the following ballot questions at the November 7, 2017 election:

Shall the District taxes be increased \$125,000 annually (for collection in calendar year 2018) and by the amounts, whether more or less than \$125,000, that are raised annually thereafter by the imposition of an unlimited ad valorem property tax levy as adjusted from time to time due to legislative and constitutional adjustments, or such less amount as necessary to pay the District's administration, covenant enforcement, design review, operations, maintenance and other similar expenses by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition, to pay such expense and shall the proceeds of such taxes and investment income thereon be collected, retained and spent by the District in fiscal year

**HIDDEN VALLEY WATER DISTRICT  
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2018 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on any increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenue or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Shall the District taxes be increased \$125,000 annually (for collection in calendar year 2018) and by the amounts, whether more or less than \$125,000, that are raised annually thereafter by the imposition of an unlimited ad valorem property tax levy as adjusted from time to time due to legislative and constitutional adjustments, or such less amount as necessary to pay for capital costs of public improvements, by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition, to pay such expense and shall the proceeds of such taxes and investment income thereon be collected, retained and spent by the District in fiscal year 2018 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on any increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenue or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Shall the District taxes be increased \$125,000 annually (for collection in calendar year 2018) and by the amounts, whether more or less than \$125,000, that are raised annually thereafter by the imposition of an unlimited ad valorem property tax levy as adjusted from time to time due to legislative and constitutional adjustments, or such less amount as necessary to pay the District's administration, covenant enforcement, design review, operations, maintenance and other similar expenses by the imposition of by the imposition of a fee or fees imposed, without limitation as to rate or amount or any other condition, to pay such expense and shall the proceeds of such taxes and investment income thereon be collected, retained and spent by the District in fiscal year 2018 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on any increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenue or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Shall the District taxes be increased \$125,000 annually (for collection in calendar year 2018) and by the amounts, whether more or less than \$125,000, that are raised annually thereafter by the imposition of an unlimited ad valorem property tax levy as adjusted from time to time due to legislative and constitutional adjustments, or such less amount as necessary for the payment of such amounts due pursuant to one or more intergovernmental agreements or other contract, or for payment of regional improvements for which the District is authorized or obligated pursuant to its service plan, ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition, for the payment of such amounts due and shall the proceeds of such taxes and investment income thereon be collected, retained and spent by the District in fiscal year 2018 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on any increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenue or

**HIDDEN VALLEY WATER DISTRICT  
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expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Shall Hidden Valley Water District be authorized to collect, retain, and spend the full amount of all taxes, tax increment revenues, tap fees, park fees, facility fees, service charges, inspection charges, administrative charges, gifts, grants or any other fee, rate, toll, penalty, income or charged authorized by law or contract to be imposed, collected or received by the District in fiscal year 2018 and in each fiscal year thereafter, such amounts to constitute a voter-approved revenue change and be collected, retained and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

**NOTE 11 – GRANT AGREEMENT**

In 2016, the Water Company was awarded a grant from the State of Colorado's Department of Public Health and Environment (CDPHE Grant) in the amount of \$840,000 for purposes of improving water quality and public health by connecting a transmission line and master meter to Lookout Mountain Water District. On December 30, 2019, the grant was assigned to the District with a change in project description from Lookout Mountain Water District to Evergreen Metropolitan District and an extension of time June 18, 2021. At the time the grant was assigned to the District, the remaining available grant funding was \$263,338.89.

The District submitted eligible expenditures under the grant in the amount of \$84,027 during 2020 of which \$18,220 is reported as grant receivable at December 31, 2020. At December 31, 2020, the District has \$49,962 of available grant funding.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

**HIDDEN VALLEY WATER DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**Year Ended December 31, 2020**

	<b>Budgeted Amounts Original and Final</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Water service fees	\$ 75,000	\$ 80,704	\$ 5,704
Late fees / miscellaneous income	1,900	1,430	(470)
Property taxes - operations	87,000	86,696	(304)
Specific ownership taxes	5,250	6,502	1,252
Net investment income	100	61	(39)
Grant funding - CDPHE	134,000	84,027	(49,973)
Loan proceeds - CWCB	1,614,000	1,366,682	(247,318)
Contributed capital - cash advances	4,000	3,981	(19)
Total Revenues	<u>1,921,250</u>	<u>1,630,083</u>	<u>(291,167)</u>
<b>EXPENDITURES</b>			
Administration			
Administrative/office expenses	2,700	3,219	(519)
Election costs	300	468	(168)
Engineering	1,000	-	1,000
Insurance	4,500	1,889	2,611
Audit	-	5,800	(5,800)
Legal	3,000	2,465	535
Public relations	-	125	(125)
Management	20,000	32,868	(12,868)
Additional management services	-	17,064	(17,064)
Other professional services	-	800	(800)
County treasurer's fees	2,050	1,300	750
Water Operations			
Treatment and testing	25,000	7,777	17,223
Accounting	2,000	2,742	(742)
Water lease - Clear Creek	8,000	3,058	4,942
Waste transport and disposal	-	329	(329)
EMD Master Meter charges	26,600	18,533	8,067
Water storage and misc. charges	7,500	75	7,425
Repairs and maintenance	1,600	14,422	(12,822)
Electricity	2,000	3,372	(1,372)
General maintenance	1,000	37	963
Miscellaneous	-	206	(206)
Debt Service:			
USDA Loan - principal	5,810	5,875	(65)
USDA Loan - interest	11,490	11,375	115
CWCB Loan - interest	-	22,131	(22,131)
Capital Outlay:			
Water meters	201,000	38,843	162,157
Water rights & augmentation plan	288,000	84,658	203,342
EMD Capital Participation Fee	360,000	360,000	-
EMD master meter connection	900,000	959,459	(59,459)
Total expenditures	<u>1,873,550</u>	<u>1,598,890</u>	<u>274,660</u>
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	47,700	31,193	(16,507)
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	11,610	31,131	19,521
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 59,310</u>	<u>\$ 62,324</u>	<u>\$ 3,014</u>

Funds available are computed as follows:

Current assets	\$ 266,752
Current liabilities	(52,913)
Deferred inflows of resources	(151,515)
	<u>\$ 62,324</u>

**HIDDEN VALLEY WATER DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENTS OF  
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
Year Ended December 31, 2020**

Revenue (budgetary basis)	\$ 1,630,083
Loan proceeds - CWCB	(1,366,682)
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	263,401
Expenditures (budgetary basis)	1,598,890
Depreciation	45,110
Capital outlay	(1,442,960)
Loan principal payment	(5,875)
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	195,165
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	\$ 68,236