

**SNOWMASS WATER
& SANITATION DISTRICT**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2016



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SNOWMASS WATER & SANITATION DISTRICT

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Independent Auditor's Report



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Grand Junction

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Board of Directors
Snowmass Water & Sanitation District
Snowmass Village, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities of Snowmass Water & Sanitation District (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 District'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 respective financial position of the business-type activities of the District as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information on pages 20 and 21 is presented for the purpose of additional analysis and is not a part of the basic financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 auditing standards generally accepted in the United States of America. In our opinion, the budgetary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dalby, Wendland & Co., P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

July 14, 2017

Management's Discussion and Analysis

SNOWMASS WATER & SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2016

As management of the Snowmass Water & Sanitation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016, with comparative information presented for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

Financial Highlights

New Federal and State environmental regulations are causing the District to undertake a major upgrade and overhaul of its wastewater treatment plant. The new plant must be up and running by April 2020. District engineers have generated a plan which will use existing plant and equipment as much as possible. A new building will be constructed and much of the equipment in the existing buildings will be replaced. The project is expected to take 30 months to complete and cost approximately \$27,600,000. In May 2016, District voters approved a plan to issue bonds totaling \$19,850,000, which will be repaid through increased property taxes on those living in the District. Bonds with total face value of \$8,050,000 were issued by the District in November 2016 and a second bond offering totaling \$11,800,000 closed in early 2017. Construction of the new building is expected to start during 2017. Some cleaning out of older buildings and retirement of older equipment was begun in 2016. The District has estimated the total book value (cost less accumulated depreciation) of equipment and other assets which are expected to be retired as part of this project as \$2,682,000. This is reflected as a loss on the write down of assets associated with the new waste water treatment plant in the 2016 financial statements.

Excluding this write down, District operating results for 2016 were comparable to the previous year. System development fee revenues were down approximately \$370,000 but operating income more than offset this loss leaving the District modestly ahead of 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the District are presented as a special purpose government engaged in business type activities – providing water and sanitation services.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the District.

The *Statement of Revenues, Expenses and Changes in Net Position* report the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* reports the District's cash flows from operating, noncapital financing, capital and investing activities.

FINANCIAL SUMMARY AND ANALYSIS

These financial statements distinguish functions of the District that will be principally supported by service charges, system development fees and taxes. The functions of the District include effective and economical operation of District systems within the jurisdictional boundaries of the District. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|----------------------|----------------------|
| NET POSITION | | |
| ASSETS | | |
| Current assets | \$ 17,429,140 | \$ 5,573,693 |
| Capital assets | <u>39,081,682</u> | <u>40,663,020</u> |
| Total assets | <u>56,510,822</u> | <u>46,236,713</u> |
| LIABILITIES | | |
| Current liabilities | 1,245,524 | 551,660 |
| Long-term liabilities | <u>12,605,238</u> | <u>3,162,211</u> |
| Total liabilities | <u>13,850,762</u> | <u>3,713,871</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property tax revenue | <u>2,785,334</u> | <u>1,106,608</u> |
| Total deferred inflows of resources | <u>2,785,334</u> | <u>1,106,608</u> |
| NET POSITION | | |
| Net investment in capital assets | 37,216,264 | 38,636,811 |
| Restricted for: | | |
| Emergency reserves | 21,500 | 21,500 |
| Unrestricted | <u>2,636,962</u> | <u>2,757,923</u> |
| Total net position | <u>\$ 39,874,726</u> | <u>\$ 41,416,234</u> |

Assets

Current assets increased by \$11,855,000 compared with 2015. The District sold bonds with face value of \$8,050,000 in November. The bonds carry an interest rate of 5% which was above prevailing market rates resulting in a premium on the sale of \$1,950,000 also received by the District. These funds must be used to construct the new wastewater treatment plant.

Capital assets in total decreased by \$1,581,000 during 2016. The District wrote off wastewater treatment plant and equipment with book value of \$2,682,000 which will be replaced by the new wastewater treatment plant. Capital assets also decreased by \$1,252,000 of depreciation expense incurred during the year. Offsetting these decreases were capital plant and equipment purchases totaling \$2,377,000. Equipment purchases totaled \$415,000, a section of water line was replaced costing \$174,000, and planning and other costs associated with the new wastewater treatment plant were \$1,500,000.

Liabilities

Total liabilities increased \$10,137,000 during 2016. This is primarily due to the District's sale of general obligation bonds as noted above. The face value of the bonds is \$8,050,000 and they carry a premium from the sale of \$1,950,000.

Deferred Inflows of Resources

Deferred inflows of resources increased by \$1,678,000 during 2016. Property tax revenues to be collected during 2017 will increase by this amount in order to repay the bonds authorized by the taxpayers in 2016.

Net Position

The largest portion of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Overall, the District's total net position decreased by \$1,541,000 during 2016, mostly as a result of the write off of capital equipment for the new wastewater treatment plant.

| CHANGES IN NET POSITION | | <u>2016</u> | <u>2015</u> |
|---|---|----------------------|----------------------|
| Revenues | | | |
| Operating Revenues | | | |
| Water sales | | \$ 2,532,137 | \$ 2,197,951 |
| Sewer sales | | 2,171,255 | 2,122,737 |
| | <i>Total Operating Revenues</i> | <u>4,703,392</u> | <u>4,320,688</u> |
| Non-operating Revenues | | | |
| Taxes | | 1,143,744 | 1,102,441 |
| Interest | | 22,507 | 2,418 |
| | <i>Total Non-operating Revenues</i> | <u>1,166,251</u> | <u>1,104,859</u> |
| | <i>Total Revenue</i> | <u>5,869,643</u> | <u>5,425,547</u> |
| Expenses | | | |
| Operating Expenses | | | |
| Water | | 2,150,469 | 2,215,481 |
| Sewer | | 1,528,072 | 1,735,902 |
| | <i>Total Operating Expenses</i> | <u>3,678,541</u> | <u>3,951,383</u> |
| Non-operating Expenses | | | |
| Interest | | 117,586 | 87,403 |
| Bond issuance costs | | 141,426 | - |
| Other | | 52,321 | 50,565 |
| Loss on disposal of assets | | 2,683,626 | 4,230 |
| | <i>Total Non-operating Expenses</i> | <u>2,994,959</u> | <u>142,198</u> |
| General and Administrative Expenses | | <u>1,092,460</u> | <u>1,080,858</u> |
| | <i>Total Expenses</i> | <u>7,765,960</u> | <u>5,174,439</u> |
| | <i>Income (Loss) Before Capital Contributions</i> | <u>(1,896,317)</u> | <u>251,108</u> |
| Capital Contributions | | <u>354,809</u> | <u>816,056</u> |
| | <i>Changes in Net Position</i> | <u>(1,541,508)</u> | <u>1,067,164</u> |
| Net Position – beginning of the year | | <u>41,416,234</u> | <u>40,349,070</u> |
| Net Position – end of the year | | <u>\$ 39,874,726</u> | <u>\$ 41,416,234</u> |

Revenues

Water sales for 2016 increased 15.2% compared with 2015. The District raised its water rates by 14% in 2016. Sanitation revenues increased by 2.3% after the District raised sewer rates by 2% in 2016. Tax revenues for 2016 were in line with the previous year.

Expenses

Water operating expenses decreased by about 3% in 2016. Sanitation expenses, excluding the loss on the write off of capital assets, decreased by \$209,000 or 12% during 2016. Costs were lower for supplies, repairs and depreciation. General and administrative expenses were in line with the previous year.

Capital Contributions

Capital contributions consist of system development fees and contributions of capital assets by developers (usually water and sewer lines in new developments). System development fees represent the cost to a

builder to add a project on to the District's water and sanitation systems. It is a uniform charge, based on the size of the project. As such, system development fee revenues increase and decrease along with building activity in the District. Building activity has been picking up in recent years, but in 2016 it fell and system development revenues decreased by \$370,000 or 51%. Water and sewers lines costing the developer approximately \$91,000 were contributed in 2015 while there were no contributed assets during 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets is outlined below:

| | December 31, 2016 | Net Changes | December 31, 2015 | Net Changes | December 31, 2014 |
|----------------------------|----------------------|-----------------------|----------------------|---------------------|----------------------|
| Capital assets | | | | | |
| Land and land rights | \$ 4,317,421 | \$ - | \$ 4,317,421 | \$ - | \$ 4,317,421 |
| Water rights | 773,024 | - | 773,024 | - | 773,024 |
| Construction in progress | 1,601,613 | 1,392,770 | 208,843 | 113,393 | 95,450 |
| Water system | 31,305,593 | 195,440 | 31,110,153 | 723,269 | 30,386,884 |
| Sanitation system | 22,794,655 | (3,956,901) | 26,751,556 | - | 26,751,556 |
| Equipment | 2,925,648 | 388,486 | 2,537,162 | 119,266 | 2,417,896 |
| Total capital assets | <u>63,717,954</u> | <u>(1,980,205)</u> | <u>65,698,159</u> | <u>955,928</u> | <u>64,742,231</u> |
| Accumulated depreciation | 24,636,272 | (398,867) | 25,035,139 | 1,125,046 | 23,910,093 |
| Total capital assets - net | <u>\$ 39,081,682</u> | <u>\$ (1,581,338)</u> | <u>\$ 40,663,020</u> | <u>\$ (169,118)</u> | <u>\$ 40,832,138</u> |

Additional information on the District's capital assets can be found in Note 5 to financial statements.

Debt Administration

In November 2016, the District issued new General Obligation Bonds with face value of \$8,050,000. The bonds carry an interest rate of 5% and are repayable between 15 and 20 years from the date of issue. Because the market rate of interest was below the rate being paid on the bonds, they were sold at a premium of \$1,949,585. Interest is paid semi-annually in June and December. The premium is amortized against interest expense.

During 2011, the District borrowed \$1,952,805 from the Colorado Water Conservancy Board (CWCB), to assist in financing the completion of the Ziegler Reservoir project. This note is payable in equal annual installments of \$146,890 including interest at 4.25%, over 20 years beginning September 1, 2013. Scheduled debt repayments reduced this note by \$72,393 during 2016.

In 2013, the District agreed to purchase Ruedi Reservoir water rights for \$658,335. The seller financed a portion of the sale at 3.046% with equal payments of \$96,724 due each January 1, through 2019. Scheduled debt repayments of \$88,398 reduced this obligation during 2016.

Long-term obligations also include warranty deposits totaling \$7,684 as of December 31, 2016, as well as deferred revenue from the sale of snowmaking water to the Aspen Skiing Company. This obligation is being amortized to revenue over 20 years at \$54,762 per year.

BUDGETARY HIGHLIGHTS

The District prepares its budget on the modified accrual basis of accounting to focus on the effective control of its resources. Depreciation, amortization, and infrastructure contributions are not reflected

because they do not use or provide available funds. Expenditures include capital outlay and debt repayment, as they require the use of available resources. Total expenditures came in under budget by \$572,000 during 2016, mostly due to several capital projects being postponed or cancelled. Overall revenues exceeded budget by \$303,000, leaving the District \$875,000 ahead of budget for the year.

ECONOMIC FACTORS AND RATES

- The District's Board of Directors approved a 2.25% increase in sewer service fees for 2017. There was no increase in water service fees for 2017; however, there was an additional usage tier added effective March 2017.
- The District's Board of Directors increased water and sewer system development fee rates by 4.7% for 2017.
- The District's Board of Directors approved a 2017 operating budget based on projected revenues of \$7,593,393 and net operating gain of \$15,097,671, a \$74,880 increase in cash reserves and \$15,022,791 of total capital expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to: Kit Hamby, District Manager, Snowmass Water and Sanitation District, PO Box 5700, 0177 Clubhouse Drive, Snowmass Village, CO 81615 or call (970) 923-2056.

Basic Financial Statements

SNOWMASS WATER & SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2016

| ASSETS | |
|---|--|
| Current Assets | |
| Cash and cash equivalents | \$ 324,967 |
| Restricted cash | 78,294 |
| Investments | 4,360,362 |
| Restricted investments | 9,268,468 |
| Designated certificates of deposit | 344,980 |
| Accounts receivable | 43,980 |
| Property tax receivable | 2,785,334 |
| Accrued interest receivable | 6,429 |
| Inventory | 88,022 |
| Prepaid expenses | 128,304 |
| | <u>17,429,140</u> |
| | <i>Total Current Assets</i> |
| Capital Assets | |
| Capital assets not being depreciated | 6,692,058 |
| Capital assets being depreciated, net | 32,389,624 |
| | <u>39,081,682</u> |
| | <i>Total Capital Assets, Net</i> |
| | <u>56,510,822</u> |
| | <i>Total Assets</i> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 396,003 |
| Accrued liabilities | 261,023 |
| Current portion of warranty deposits | 344,521 |
| Current portion of CWCBC note payable | 75,470 |
| Current portion of unearned revenues - Aspen Skiing Company | 54,762 |
| Customer fee unearned revenues | 113,745 |
| | <u>1,245,524</u> |
| | <i>Total Current Liabilities</i> |
| Long-Term Liabilities | |
| Warranty deposits | 7,684 |
| CWCBC note payable | 1,604,993 |
| Ruedi note payable | 184,955 |
| General obligation bonds payable | 9,986,178 |
| Long-term portion of unearned revenues - Aspen Skiing Company | 821,428 |
| | <u>12,605,238</u> |
| | <i>Total Long-Term Liabilities</i> |
| | <u>13,850,762</u> |
| | <i>Total Liabilities</i> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property tax revenue | <u>2,785,334</u> |
| | <i>Total Deferred Inflows of Resources</i> |
| | <u>2,785,334</u> |
| NET POSITION | |
| Net investment in capital assets | 37,216,264 |
| Restricted for: | |
| Emergency reserves | 21,500 |
| Unrestricted | 2,636,962 |
| | <u>39,874,726</u> |
| | <i>Total Net Position</i> |
| | <u>\$ 39,874,726</u> |

See accompanying notes.

SNOWMASS WATER & SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended December 31, 2016

| | | |
|--|--|----------------|
| Water Operations | | |
| Revenues | | |
| Service fees | \$ 2,453,074 | |
| Other | 79,063 | |
| | | 2,532,137 |
| Direct expenses | | |
| Salaries and benefits | 856,368 | |
| Depreciation | 588,344 | |
| Repairs and maintenance | 358,144 | |
| Chemicals and supplies | 202,537 | |
| Utilities and telemetering | 113,286 | |
| Other direct expenses | 31,790 | |
| | | 2,150,469 |
| | <i>Operating Income From Water Operations</i> | 381,668 |
| Sanitation Operations | | |
| Revenues | | |
| Service fees | 2,155,395 | |
| Other | 15,860 | |
| | | 2,171,255 |
| Direct expenses | | |
| Salaries and benefits | 379,124 | |
| Depreciation | 464,433 | |
| Repairs and maintenance | 224,002 | |
| Chemicals and supplies | 184,076 | |
| Utilities and telemetering | 236,536 | |
| Other direct expenses | 39,901 | |
| | | 1,528,072 |
| | <i>Operating Income From Sanitation Operations</i> | 643,183 |
| General and Administrative Expenses | | 1,092,460 |
| | <i>Loss From Operations</i> | (67,609) |
| Non-Operating Revenues and (Expenses) | | |
| Tax revenue | 1,143,744 | |
| Interest expense | (117,586) | |
| Interest income | 22,507 | |
| Bond issuance costs | (141,426) | |
| Other expenses, net of other revenue | (52,321) | |
| Loss on disposal of assets | (2,683,626) | |
| | | (1,828,708) |
| | <i>Total Non-Operating Revenue and (Expenses)</i> | (1,828,708) |
| | <i>Loss Before Capital Contributions</i> | (1,896,317) |
| Capital Contributions | | |
| System development fees | | 354,809 |
| | <i>Total Capital Contributions</i> | 354,809 |
| | <i>Decrease in Net Position</i> | \$ (1,541,508) |
| Net Position - beginning of the year | | \$ 41,416,234 |
| Net Position - end of the year | | \$ 39,874,726 |

See accompanying notes.

SNOWMASS WATER & SANITATION DISTRICT

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

| | |
|---|--------------|
| Cash Flows From Operating Activities | |
| Cash received from customers | \$ 4,766,325 |
| Cash payments to suppliers for goods and services | (1,521,337) |
| Cash payments to employees for services | (1,699,149) |
| <i>Net Cash Provided By Operating Activities</i> | 1,545,839 |
| Cash Flows From Noncapital Financing Activities | |
| Property and specific ownership taxes received | 1,088,391 |
| Miscellaneous non-operating revenue | 3,031 |
| <i>Net Cash Provided By Noncapital Financing Activities</i> | 1,091,422 |
| Cash Flows From Capital and Related Financing Activities | |
| System development fees | 354,809 |
| Warranty deposits paid | (88,104) |
| Proceeds from bond issuance | 9,844,752 |
| Principal paid on debt | (160,788) |
| Interest paid on debt | (69,419) |
| Acquisition of capital assets | (2,376,820) |
| Cash received on sale of capital assets | 22,247 |
| <i>Net Cash Provided By Capital and Related Financing Activities</i> | 7,526,677 |
| Cash Flows From Investing Activities | |
| Net change in certificates of deposit | (1,011,455) |
| Purchase of investments | (10,772,247) |
| Net investment income received | 17,063 |
| <i>Net Cash Used For Investing Activities</i> | (11,766,639) |
| Net Decrease in Cash and Cash Equivalents | (1,602,701) |
| Cash and Cash Equivalents - beginning of the year | 2,005,962 |
| Cash and Cash Equivalents - end of the year | \$ 403,261 |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities: | |
| Loss from operations | \$ (67,609) |
| Adjustments to reconcile loss from operations to net cash provided by operating activities: | |
| Depreciation | 1,252,286 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | 19,510 |
| Inventory | 2,853 |
| Prepaid expenses | (12,639) |
| Accounts payable | 291,807 |
| Accrued liabilities | 16,210 |
| Unearned revenues | 43,421 |
| <i>Net Cash Provided By Operating Activities</i> | \$ 1,545,839 |

See accompanying notes.

Notes to Financial Statements

SNOWMASS WATER & SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Snowmass Water & Sanitation District (the District) is a quasi-municipal corporation governed pursuant to provisions of the Colorado Special District Act. The District was established to provide water and sewage treatment services to the properties within its service area, which is located in Snowmass Village, Colorado.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, where revenues are recognized when earned and expenses are recorded when an obligation is incurred.

Cash and Cash Equivalents

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

Investments

The District's excess cash is invested in certificates of deposit (CD's) and investment pools. CD's are typically purchased with original maturities of 3 to 12 months and are reported at carrying value, which approximates market value. CD's that are internally designated for warranty deposits are reported on a separate line item in the statement of net position (see Note 6). Restricted investments relate to future capital outlay and are restricted in accordance with bond documents.

Accounts Receivable

Accounts receivable and the related revenue are recorded on the accrual basis. The District closely monitors outstanding balances and, as of year-end, writes off any balances that it deems to be uncollectible. Accordingly, the District believes that all remaining accounts receivable are fully collectable, therefore no allowance for doubtful accounts was recorded.

Property Taxes

Property taxes for the current year are levied in December of the previous year and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes for 2016 are reported as a receivable and as a deferred inflow of resources at December 31. The deferred taxes are reported as revenue in the year in which the lien attaches and they are available and collected.

Inventory

Inventory is valued at the lower of cost on the first-in, first-out basis, or market.

Capital Assets

Capital assets include assets with an individual cost of \$5,000 or more and an estimated useful life of more than one year. 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 or at developer's cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---|--------------|
| Dam and reservoir | 100 |
| Water and sanitation system – plant and lines | 45 |
| Equipment | 5-20 |

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Compensated Absences

The District allows employees to accumulate unused vacation and sick leave up to specified maximum limits. The District also allows eligible employees to accumulate unused compensation time. The District accrues such benefits in the period in which they are earned. The liability for unused benefits is recorded in accrued liabilities.

Developer Contributions

System development fees are recorded as revenue when received. Assets contributed to the District by developers are recorded as revenue from capital contributions and additions to the systems at the estimated fair value when received.

Net Position

The District's net position is classified as follows:

Net investment in capital assets – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

| | |
|--|----------------------|
| Net investment in capital assets | |
| Capital assets – net of accumulated depreciation | \$ 39,081,682 |
| Current portion of CWCB note payable | (75,470) |
| Long-term portion of CWCB note payable | (1,604,993) |
| Long-term portion of Ruedi note payable | (184,955) |
| | <u>\$ 37,216,264</u> |

Restricted net position – Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties (see Note 3).

Unrestricted net position – Unrestricted net position represents resources derived from utility fees and general District revenues. The resources are used to conduct the District's operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (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 reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BUDGETS

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. Budgets are required by state law.
- B. The budget officer is required to submit a proposed budget to the Board of Directors (the Board) annually.
- C. Public hearings are conducted by the Board to obtain taxpayer comments.
- D. Certification of the mill levies to the Board of County Commissioners and adoption of the budget and appropriations are required by December 15.
- E. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget. No supplemental appropriations were made to the 2016 budget.
- F. Budget appropriations lapse at the end of each year.
- G. The District adopts budgets on a modified accrual basis that is consistent with GAAP.

The following table represents a reconciliation between the budgetary bases Revenues and Expenditures presented in the Supplemental Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual to the accrual basis amounts included in the basic financial statements.

| | Revenues | Expenditures |
|--|--------------|----------------|
| Budgetary Basis | \$ 6,172,720 | \$ (6,384,099) |
| Capital Outlay | - | 2,376,820 |
| Debt Principal Reduction | - | 160,792 |
| Issuance of Debt | - | - |
| Depreciation and Amortization | - | (1,238,879) |
| Loss on Disposal of Capital Assets | - | (2,683,626) |
| Change in Unearned Revenues – Aspen Skiing Company | 54,762 | - |
| Accrual Basis | \$ 6,227,482 | \$ (7,768,992) |

NOTE 3 - TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the Amendment), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the applicable requirements of the Amendment.

The Amendment 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.

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 the Amendment.

On May 5, 1998, the eligible voters of the District authorized the District to collect, keep and expend all District revenue received in 1998 and each year thereafter as an approved revenue change and exception to the spending, revenue raising and other limitations in the Amendment.

NOTE 4 - CASH DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

The District's investment policy regarding selection of depository and custodial banks was designed to follow state regulations and the Colorado Public Deposit Protection Act (PDPA). The District's deposits are either covered by depository insurance or are collateralized under PDPA and are therefore not deemed to be exposed to the custodial credit risk. The District's deposits are governed by Colorado Statute. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal deposit insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to 102% of the uninsured deposits. The Colorado Division of Banking is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. A total of \$377,483 is insured with depositor's insurance and the remaining balances are collateralized under PDPA requirements.

Custodial Credit Risk - Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest, including: obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. At December 31, 2016, the District CD's had a carrying and market values of \$3,201,807, and are invested at two financial institutions with interest rates ranging between 0.10% and 0.83%, all maturing within 3 to 12 months. Of this amount, \$344,980 is internally designated by the District for warranty deposits.

ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. ColoTrust is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, Section 6. The fair value of the investments in ColoTrust is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book entry form.

At December 31, 2016, the District had funds in a local government investment pool (ColoTrust). The pool operates similarly to a money market fund and each share is equal in value to \$1.00. Pool investments include U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and Agency securities. The pool is rated AAAM by Standard and Poor's. Financial statements for ColoTrust may be obtained on their website at www.colotrust.com.

The composition of all cash and investments held by the District at December 31, 2016 is as follows:

| | | | |
|-----------------------------|--------------------------------------|----|-----------------------------|
| Cash on hand | | \$ | 200 |
| Deposits: | | | |
| Cash in checking account(s) | | | 403,061 |
| Certificates of deposit | | | <u>3,201,807</u> |
| | Total deposits | | <u>3,604,868</u> |
| Investment pools | | | <u>10,772,003</u> |
| | Total cash, deposits and investments | | <u><u>\$ 14,377,071</u></u> |

The descriptions on the statement of net position related to cash and investments are as follows:

| | | |
|------------------------------------|----|----------------------|
| Cash and cash equivalents | \$ | 324,967 |
| Investments | | 4,360,362 |
| Designated certificates of deposit | | 344,980 |
| Restricted cash and investments | | <u>9,346,762</u> |
| | | <u>\$ 14,377,071</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to fair value losses arising from increasing interest rates by adhering to Colorado statutes which do not allow investment maturities to exceed five years unless specifically authorized by the governing body. The District has not authorized longer maturities.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer or institution. The District places no limit on the amount the District may invest in any one issuer. The District's investments are held by three issuers. Each issuer's share of the investment pool exceeds 5% of total District investments as of December 31, 2016.

NOTE 5 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|--------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land and land rights | \$ 4,317,421 | \$ - | \$ - | \$ 4,317,421 |
| Water rights | 773,024 | - | - | 773,024 |
| Construction in progress | 208,843 | 1,723,317 | (330,547) | <u>1,601,613</u> |
| <i>Total Capital Assets, Not Being Depreciated</i> | <u>5,299,288</u> | <u>1,723,317</u> | <u>(330,547)</u> | <u>6,692,058</u> |
| Capital assets being depreciated: | | | | |
| Water system – plant and lines | 31,110,153 | 195,440 | - | 31,305,593 |
| Sanitation system – plant and lines | 26,751,556 | 292,093 | (4,248,994) | 22,794,655 |
| Equipment | 2,537,162 | 475,548 | (87,062) | <u>2,925,648</u> |
| <i>Total Capital Assets, Being Depreciated</i> | <u>60,398,871</u> | <u>963,081</u> | <u>(4,336,056)</u> | <u>57,025,896</u> |

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|---------------------|-----------------------|----------------------|
| Less accumulated depreciation for: | | | | |
| Water system – plant and lines | (11,073,790) | (588,344) | - | (11,662,134) |
| Sanitation system – plant and lines | (12,420,467) | (464,433) | 1,564,091 | (11,320,809) |
| Equipment | (1,540,882) | (199,509) | 87,062 | (1,653,329) |
| <i>Total Accumulated Depreciation</i> | <u>(25,035,139)</u> | <u>(1,252,286)</u> | <u>1,651,153</u> | <u>(24,636,272)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>35,363,732</u> | <u>(289,205)</u> | <u>(2,684,903)</u> | <u>32,389,624</u> |
| <i>Capital Assets, Net</i> | <u>\$ 40,663,020</u> | <u>\$ 1,434,112</u> | <u>\$ (3,015,450)</u> | <u>\$ 39,081,682</u> |

The District is in the process of completing a major upgrade of its wastewater treatment facilities in order to meet new State and Federal environmental regulations. All of the existing building infrastructure will remain, but a new building will be added and most of the equipment in the current building will be replaced during the duration of the capital project. During 2016, the District recognized a loss on the retirement of capital assets of \$2,682,347 related to the old wastewater treatment facilities. This loss is reflected in non-operating revenues and expenses on the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

Depreciation expense for the year ended December 31, 2016 is allocated to operations as follows:

| | |
|-----------------------|---------------------|
| Water operations | \$ 588,344 |
| Sanitation operations | 464,433 |
| Administration | 199,509 |
| | <u>\$ 1,252,286</u> |

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2016 are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------------|----------------------|----------------------|---------------------|----------------------|------------------------|
| Warranty deposits | \$ 440,309 | \$ 20,000 | \$ (108,104) | \$ 352,205 | \$ 344,521 |
| CWCB note payable | 1,752,856 | - | (72,393) | 1,680,463 | 75,470 |
| Ruedi note payable | 273,353 | - | (88,398) | 184,955 | - |
| Series 2016 general obligation bonds | - | 8,050,000 | - | 8,050,000 | - |
| Premium on bond sale | - | 1,949,585 | (13,407) | 1,936,178 | - |
| <i>Long-term Liabilities</i> | <u>\$ 2,466,518</u> | <u>\$ 10,019,585</u> | <u>\$ (282,302)</u> | <u>\$ 12,203,801</u> | <u>\$ 419,991</u> |

Warranty Deposits

The District may require a developer who contributes infrastructure to the District, to deposit 5% or more of the value of that infrastructure as a warranty deposit with the District. These funds may be used by the District to make necessary repairs or alterations to the infrastructure during the warranty period. At the end of the warranty period, any unused funds are returned to the developer. No interest is paid on the warranty deposits payable. At December 31, 2016 total warranty deposits are \$352,205. As of December 31, 2016, the Board has considered \$344,980 of its CD's restricted for warranty deposits for the Base Village development (see Note 4).

During the early phases of Base Village, the developer constructed storage tanks, pumping stations, water and sewer lines necessary to service the entire Base Village development. Cost of this infrastructure is estimated at \$6,847,000. In April 2011 the District's Board of Directors agreed to accept ownership of

this property, pending the District being granted legal easements, and further agreed to re-characterize \$324,521 of system development fees paid by Base Village owners in 2008 as the warranty deposit on this infrastructure. The refund of \$324,521 of previously earned system development fee revenues and recording of the warranty deposit liability was reflected in 2010. As of December 31, 2016, the District has not accepted ownership of the infrastructure, but developers had granted the necessary easements. The District expects to officially accept ownership of this infrastructure and to pay the warranty funds to the developer during 2017.

CWCB Notes Payable

The District borrowed funds during 2011 under an agreement with the Colorado Water Conservancy Board (CWCB). A total of \$1,952,805 was borrowed and the note carries an interest rate of 4.25%. The note is repayable in equal annual payments of \$146,890 due September 1 each year beginning in 2013 and extending through 2032. The loan is secured by the District’s enterprise revenues, backed by a rate covenant.

Ruedi Contract Payable

The District purchased water rights during 2013 from the United States Department of Interior – Bureau of Reclamation (IBR), financing the purchase at 3.046% over 7 years. The agreement calls for equal annual payments of \$96,724, including interest due each January 1 through the year 2019. No annual payment is contractually due within one year due to an advanced payment made in 2015.

Bonds Payable

In November 2016, the District issued general obligation bonds totaling \$8,050,000. The bonds are repayable beginning in 2031. Interest on the bonds is paid semi-annually on June 1 and December 1 at an interest rate of 5%. The bonds sold at a premium of \$1,949,585, which reduced their effective yield to a range of 2.15% for earlier maturing bonds and 2.4% for later maturing bonds. The premium is being amortized to reduce the District’s interest expense from the bonds.

The District’s scheduled debt payments for the above two contracts and bonds payables are:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|---------------------|---------------------|----------------------|
| 2017 | \$ 75,470 | \$ 489,573 | \$ 565,043 |
| 2018 | 169,767 | 476,346 | 646,113 |
| 2019 | 175,886 | 470,227 | 646,113 |
| 2020 | 85,507 | 463,883 | 549,390 |
| 2021 | 89,141 | 460,248 | 549,389 |
| 2022 – 2026 | 505,858 | 2,241,090 | 2,746,948 |
| 2027 – 2031 | 1,572,887 | 2,124,062 | 3,696,949 |
| 2032 – 2036 | 7,240,902 | 1,105,488 | 8,346,390 |
| <i>Total</i> | <u>\$ 9,915,418</u> | <u>\$ 7,830,917</u> | <u>\$ 17,746,335</u> |

NOTE 7 - RAW WATER CONTRACT

The District entered into an agreement on July 31, 2012 with the Aspen Skiing Company (ASC) to provide raw water from Ziegler Reservoir for snowmaking at its Snowmass Ski Area. Between October 15 and December 31, each year, ASC has the contractual right to remove snowmaking water from the Reservoir as long as minimum storage levels are maintained. In particularly dry years, additional water may be withdrawn after December 31, under certain circumstances and with District approval. The term of the contract is 99 years. District labor and electrical costs incurred in providing this water will be billed and reimbursed by ASC yearly. Routine minor maintenance costs associated with the necessary

infrastructure is to be paid by the District with major repair costs split evenly between the parties. ASC paid the District \$1,250,000 at execution of the agreement and further promises to pay \$100,000 each January 1 for 20 years (total \$3,250,000) beginning in 2013. The District recognized revenue of \$154,762 in 2016 and \$16,356 of reimbursed utility costs related to this contract. The District currently has, as of December 31, 2016, \$876,190 in unearned revenues that will be recognized equally at \$54,762 per year over the remaining 16 year payment schedule and is reflected in the statement of net position as the current portion of deferred revenue from the ASC contract.

NOTE 8 - PENSION PLANS

Deferred Compensation Plan

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (457 Plan). The 457 Plan is administered by Nationwide Retirement Services. Participation in the 457 Plan is optional for all employees, and allows the employees to defer a portion of their salary until future years. The District is also allowed to contribute to the 457 Plan; however, no contributions have been made.

Defined Contribution Plan

The employees of the District may participate in the District's 401(a) Retirement Savings Plan (the Plan), which is a defined contribution plan and is maintained and administered by Nationwide Retirement Services. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan is available to all employees of the District who participate in the 457 Plan. Under this Plan, the District matches the employees' contributions to the Plan, up to 5%, and remits them to the Plan Administrator. The employees do not contribute to this Plan. The District's contributions, plus earnings, become vested at a rate of 20% each year of participation in the Plan. District contributions for Plan members who leave employment before they are fully vested are used to reduce the District's current period contribution requirements. Plan provisions and contribution requirements are established and may be amended by the Board. Contributions made by the District for the year ended December 31, 2016 were \$47,527.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Prepaid System Development Fees

As of December 31, 2016, the District has received prepaid system development fees for equivalent residential unit connections, which is recognized as revenue when paid by the customer. The District is not required to repay the fees but is required to provide water and sanitation service upon request.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The District became a member of the Colorado Special Districts Property and Liability Pool (Pool) in 2004. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage during 2016.

The District pays annual premiums to the Pool for general liability, property, public official's liability 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.

Employee Health and Dental Insurance

The District participates in the CEBT Health Benefit Plan (the Plan) to provide employee health and dental insurance. CEBT is a self-funded, multiple employer trust that currently provides employee benefits for a number of public entities with over 16,000 employees in the State of Colorado. The Plan utilizes outside administrators to monitor and pay employee health care claims, negotiate excess coverage insurance and manage the Plan. The Plan may require additional contributions from the District and other members of the Plan to ensure the solvency and protect the financial condition of the Plan.

NOTE 11 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through July 14, 2017, the date which the financial statements were available to be issued.

Effective January 1, 2017, the District expanded employee benefits offered and additional matching contributions in the 401(a) plan.

In January 2017, the District issued Series 2017 general obligation bonds totaling \$11,800,000 with a premium of approximately \$1,554,000. The bonds are scheduled to be repaid starting in 2017 through 2031 and bear interest at rates ranging from 3% to 5%. The bond issue, in combination with the Series 2016 general obligation bonds, will be used as a funding source for the waste water treatment plant expansion project to be completed over the next three years.

Other Supplemental Information

SNOWMASS WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS
AVAILABLE - BUDGET AND ACTUAL (Budgetary Basis)

For the year ended December 31, 2016

| | Original and Final Budget | Actual | Variance - Favorable (Unfavorable) |
|------------------------------------|---------------------------------|------------------|--|
| Revenues | | | |
| Water service fees | \$ 2,302,800 | \$ 2,398,312 | \$ 95,512 |
| Sanitation service fees | 2,144,469 | 2,155,395 | 10,926 |
| Water system development fees | 120,000 | 161,408 | 41,408 |
| Sanitation system development fees | 140,000 | 193,401 | 53,401 |
| Property taxes | 1,106,608 | 1,106,950 | 342 |
| Specific ownership taxes | 29,000 | 36,793 | 7,793 |
| Investment income | 1,400 | 22,507 | 21,107 |
| Grants and other revenue | 25,000 | 97,954 | 72,954 |
| Total Revenue | 5,869,277 | 6,172,720 | 303,443 |
| Operating Expenditures | | | |
| Water | | | |
| Salaries | 650,900 | 675,666 | (24,766) |
| Employee benefits | 225,000 | 180,702 | 44,298 |
| Supplies and other | 145,000 | 170,245 | (25,245) |
| Utilities | 170,660 | 99,994 | 70,666 |
| Repairs and maintenance | 315,000 | 358,144 | (43,144) |
| Telemetry | 12,360 | 13,292 | (932) |
| Chemicals | 39,000 | 32,292 | 6,708 |
| Engineering | 32,000 | 31,710 | 290 |
| Miscellaneous | 8,000 | 80 | 7,920 |
| | <u>1,597,920</u> | <u>1,562,125</u> | <u>35,795</u> |
| Sanitation | | | |
| Salaries and employee benefits | 315,770 | 280,645 | 35,125 |
| Employee benefits | 96,355 | 98,479 | (2,124) |
| Supplies and other | 201,000 | 169,137 | 31,863 |
| Utilities | 230,000 | 234,965 | (4,965) |
| Repairs and maintenance | 179,500 | 224,002 | (44,502) |
| Telemetry | 3,310 | 1,572 | 1,738 |
| Chemicals | 30,354 | 14,939 | 15,415 |
| Engineering | 30,000 | 39,377 | (9,377) |
| Miscellaneous | 2,000 | 525 | 1,475 |
| | <u>1,088,289</u> | <u>1,063,641</u> | <u>24,648</u> |
| General Expenditures | | | |
| Salaries | 389,500 | 383,577 | 5,923 |
| Employee benefits | 90,200 | 92,886 | (2,686) |
| Contract labor | 12,000 | 3,404 | 8,596 |
| Supplies and other | 90,000 | 86,460 | 3,540 |
| Repairs and maintenance | 7,800 | 4,750 | 3,050 |
| Insurance | 128,000 | 123,271 | 4,729 |
| Audit | 32,000 | 28,845 | 3,155 |
| Legal | 85,000 | 70,049 | 14,951 |
| Engineering | 103,000 | 39,476 | 63,524 |
| Telephone | 6,470 | 8,075 | (1,605) |
| County treasurer's fees | 58,000 | 55,352 | 2,648 |
| Miscellaneous | 50,000 | 52,158 | (2,158) |
| | <u>1,051,970</u> | <u>948,303</u> | <u>103,667</u> |

(Continued)

SNOWMASS WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS
AVAILABLE - BUDGET AND ACTUAL (Budgetary Basis)

For the year ended December 31, 2016

| | Original and Final Budget | Actual | Variance - Favorable (Unfavorable) |
|--|---------------------------------|---------------|--|
| Debt Service | | | |
| Principal | 69,442 | 160,791 | (91,349) |
| Interest | 77,598 | 130,993 | (53,395) |
| Bond issuance costs | - | 141,426 | (141,426) |
| | 147,040 | 433,210 | (286,170) |
| Capital Outlay | | | |
| Water capital expenditures | 1,511,724 | 179,805 | 1,331,919 |
| Sanitation capital expenditures | 1,302,153 | 59,417 | 1,242,736 |
| Equipment | 160,000 | 414,281 | (254,281) |
| Construction in progress | 96,724 | 1,723,317 | (1,626,593) |
| | 3,070,601 | 2,376,820 | 693,781 |
| Total Expenditures | 6,955,820 | 6,384,099 | 571,721 |
| Excess (Shortfall) of Revenue Over Expenditures | (1,086,543) | (211,379) | 875,164 |
| Change in Net Position (Budgetary Basis) | \$ (1,086,543) | (211,379) | \$ 875,164 |
| Other Financing Sources (Uses) | | | |
| Cash received on sale of capital assets | | 22,247 | |
| Decrease in long-term warranty deposits | | (324,519) | |
| Debt issuance - bonds | | 9,999,585 | |
| Available Resources - January 1 | | 4,042,580 | |
| Available Resources - December 31 | | \$ 13,528,514 | |
| Available Resources at December 31, 2016 is computed as follows: | | | |
| Current assets | | \$ 17,429,140 | |
| Current liabilities | | (1,245,524) | |
| Current portion of long-term liabilities | | 130,232 | |
| Deferred inflows of resources | | (2,785,334) | |
| | | \$ 13,528,514 | |

(Concluded)