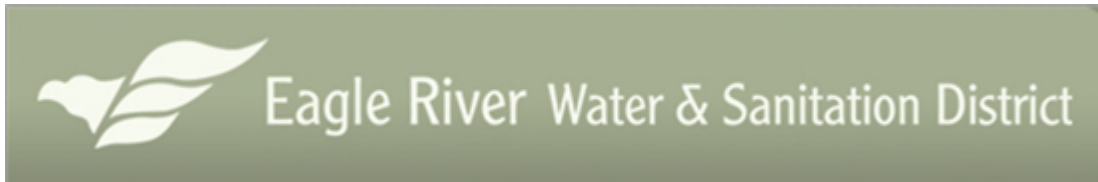


**Eagle River Water and Sanitation District
Vail, Colorado**

**Financial Statements
December 31, 2017**



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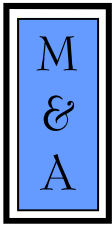
Office of the State Auditor

July 24, 2018

**Eagle River Water and Sanitation District
Financial Statements
December 31, 2017**

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Eagle River Water and Sanitation District

We have audited the accompanying financial statements of the Eagle River Water and Sanitation District (the "District"), as of and for the year ended December 31, 2017, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 opinions 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 of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Eagle River Water and Sanitation District as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

Avon: (970) 845-8800
Aspen: (970) 544-3996
Frisco: (970) 668-3481

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B 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 Management's Discussion and Analysis in Section B 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.

The budgetary comparison and debt service schedules in Section E are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison and debt service schedules have 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 statement 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The statistical data in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statistical data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
July 23, 2018**

MANAGEMENT'S DISCUSSION AND ANALYSIS



Eagle River Water & Sanitation District

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2017**

The discussion and analysis is designed to provide an analysis of Eagle River Water and Sanitation District's (the District) financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

Financial Highlights

In 2017, overall net position increased by \$37,029. As part of the long term capital improvement program, the District spent cash on capital assets of \$5,897,829 (capital outlay). This construction was partially funded by the 2016 bond proceeds. The remaining proceeds from the 2016 bonds were held as restricted cash and investments at December 31, 2017. In addition, the District's capital assets were depreciated \$9,102,806.

The District's 2017 financial activity generated an increase of \$13,425,801 in net position on a budgetary basis. In accordance with Generally Accepted Accounting Principles (GAAP), \$9,102,806 of capital asset depreciation was expensed, which does not represent cash funding for capital assets in the current period. The District reconciliation from budgetary basis to GAAP basis, which includes depreciation expense, can be found on page E3 of the financial statements. The net result was an increase in net position of \$37,029 for 2017, compared to a \$300,905 increase in 2016.

In 2017, total revenues were \$31,755,323, which was an increase of \$2,064,792 over 2016 levels. Service fees revenue decreased \$119,818. This was a result of a decrease in water usage. Operating revenue increased \$1,138,822. This was a result of an increase in contract services provided. Additional details can be found on page E1 – E3 of the financial statements.

In 2017, total expenses were \$31,718,294, which was an increase of \$2,328,668 over 2016 levels. The increase was largely attributable to the higher expenses associated with wastewater treatment operations and water operations, employee housing and general and administrative costs. Additional details can be found on page E1 – E3 of the financial statements.

The water service rate structure is designed to encourage wise use of water and is based upon the customer's Single-Family Equivalents (SFE) usage. Water service rates in 2017 were increased from 2016 rates. The water service base rate is \$15.28 per SFE. The usage rates for tier one (0 to 10,999 gallons) is \$2.58 per 1,000 gallons. The usage rates for tier two (11,000 to 40,999 gallons) and tier three (41,000 and over) are \$4.51 and \$7.89 per 1,000 gallons, respectively. The Capital Replacement Program fee was \$5.36 per month per SFE. The Debt Service base rate is established to provide a reliable revenue source for repayment of the 2009 Water and Wastewater bonds and 2012 Wastewater bonds. For 2017 the rates established were \$7.23 and \$3.26 per month per SFE for the 2009 Water and Wastewater bonds, a decrease from the 2016 rates of \$7.27 and \$3.29 per month per SFE. The 2012 Wastewater bond rate was established at \$5.91 per month per SFE for 2017, a decrease from the 2016 rate of \$5.97 per month per SFE.

Water service rates in 2016 were not increased from 2015 rates. The water service base rate is \$14.98 per SFE. The usage rates for tier one (0 to 10,999 gallons) is \$2.58 per 1,000 gallons. The usage rates for tier two (11,000 to 40,999 gallons) and tier three (41,000 and over) are \$4.38 and \$6.57 per 1,000 gallons, respectively. The Debt Service base rate is established to provide a reliable revenue source for repayment of the 2009 Water and Wastewater bonds and 2012 Wastewater bonds. For 2016 the rates established were \$7.27 and \$3.29 per month per SFE for the 2009 Water and Wastewater bonds, a change from the 2015 rates of \$7.24 and \$3.14 per month per SFE. The 2012 Wastewater bond rate was established at \$5.97 per month per SFE for 2016, which was a decrease from the 2015 rate of \$6.03.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2017
(continued)**

Overview of the Financial Statements

The financial statements of the District are presented as a special purpose government engaged only in business type activities - providing water and sewer utility services.

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

The *Statements of Revenues, Expenses and Changes in Net Position* present information that reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 *Statements of Cash Flows* report the District's cash flows from operating, capital and related financing, and investing activities.

These financial statements distinguish functions of the District that will be principally supported by service charges and Taxes. The functions of the District include effective and economical operation of water and wastewater sanitation 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.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2017
(continued)**

NET POSITION

	2017			2016		
	Water	Sanitation	Total	Water	Sanitation	Total
Assets:						
Current and other assets	12,543,586	66,336,342	78,879,928	13,736,319	52,616,265	66,352,584
Capital assets, net	36,184,393	111,881,647	148,066,040	36,018,412	115,185,210	151,203,622
Total Assets	48,727,979	178,217,989	226,945,968	49,754,731	167,801,475	217,556,206
Deferred Outflow of Resources:						
Deferred charge on refunding	1,344,438	-	1,344,438	471,163	-	471,163
Total Deferred Outflow of Resources	1,344,438	-	1,344,438	471,163	-	471,163
Liabilities:						
Other liabilities	588,465	3,653,309	4,241,774	1,293,071	4,040,950	5,334,021
Long-term liabilities	22,585,286	81,760,930	104,346,216	22,546,358	70,532,387	93,078,745
Total Liabilities	23,173,751	85,414,239	108,587,990	23,839,429	74,573,337	98,412,766
Deferred Inflow of Resources:						
Unavailable property tax revenue	1,423,404	1,911,598	3,335,002	1,402,752	1,881,466	3,284,218
Total Deferred Inflow of Resources	1,423,404	1,911,598	3,335,002	1,402,752	1,881,466	3,284,218
Net Position:						
Net investment in capital assets	16,113,783	46,106,741	62,220,524	15,188,391	61,484,295	76,672,686
Restricted:						
Debt	1,570,703	4,857,358	6,428,061	831,288	4,062,908	4,894,196
Capital projects	-	15,656,204	15,656,204	-	16,484,250	16,484,250
Unrestricted	7,790,776	24,271,849	32,062,625	8,964,034	9,315,219	18,279,253
Total Net Position	25,475,262	90,892,152	116,367,414	24,983,713	91,346,672	116,330,385

As noted earlier, net position may serve, over time, as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$25,475,262 and \$90,892,152 for water and sanitation, respectively, as of December 31, 2017 and \$24,983,713 and \$91,346,672 for water and sanitation, respectively, as of December 31, 2016.

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 net 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.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2017
(continued)**

NET POSITION (continued)

During 2017, overall net position increased \$37,029. Current and other assets increased \$9,389,762. The major reason for this increase in the 2016 debt issuance proceeds held in cash and investments at year end.

As of December 31, 2017, total net capital assets are \$148,066,040, which is a decrease of \$3,137,582 from the 2016 amount of \$151,203,622. The change in net capital assets of \$3,137,582 is net of the current year additions, deletions, and depreciation. Fixed asset details can be found on pages D13 – D14.

During 2017, total liabilities increased \$10,175,224. The increase in total liabilities is related to the two 2017 debt issuances, netted with 2017 debt payments.

During 2016, overall net position increased \$300,905. In 2016, current and other assets increased \$21,241,205. The major reason for this increase is the 2016 debt issuance proceeds held at year end.

Net capital asset additions net of deletions in 2016 of \$1,655,740 and depreciation were part of the District's long term capital improvement program.

During 2016, total liabilities increased \$20,890,335. The decrease in liabilities is related to 2016 debt payments.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2017
(continued)**

REVIEW OF REVENUES

	2017			2016		
	Water	Sanitation	Total	Water	Sanitation	Total
Revenues:						
Operating revenues:						
Service fees	5,571,445	13,260,115	18,831,560	5,413,494	13,537,884	18,951,378
Contract services	-	4,933,071	4,933,071	-	3,930,974	3,930,974
Meter sales and rentals	-	1,005,143	1,005,143	-	850,128	850,128
Other	169,591	487,926	657,517	84,862	471,127	555,989
Non-operating revenues:						
Property taxes	1,402,268	1,880,508	3,282,776	1,384,680	1,881,432	3,266,112
Specific ownership taxes	77,758	101,023	178,781	70,801	93,150	163,951
Investment income	77,164	434,026	511,190	19,346	74,835	94,181
Gain (loss) on investments	(15,953)	(97,999)	(113,952)	(6,383)	(24,014)	(30,397)
Interest credit - Build						
America Bonds	-	312,105	312,105	-	316,977	316,977
Other	11,420	107,180	118,600	34,350	125,586	159,936
Capital contributions:						
Tap fees	442,780	1,126,352	1,569,132	348,803	869,759	1,218,562
Contributed assets	75,545	297,468	373,013	130,545	13,695	144,240
Other	70,500	25,887	96,387	68,500	-	68,500
Total Revenues	7,882,518	23,872,805	31,755,323	7,548,998	22,141,533	29,690,531

In 2017, total revenues were \$31,755,323, which is an increase of \$2,064,792 over 2016 revenues of \$29,690,531.

Service fee revenue decreased \$119,818 in 2017. This resulted from decreasing water usage. Overall operating revenue increased \$1,138,822 in 2016. This was a result of an increase in contract services provided.

In 2016, total revenues were \$29,690,531, which is a decrease of \$934,977 over 2015 levels.

Service fee revenue in 2016 increased \$707,785. This was a result of increasing water usage and the capital replacement fee. Overall operating revenue decreased \$477,943. This resulted from a decrease in sanitation nutrient grant revenue in 2016 compared to 2015.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2017
(continued)**

REVIEW OF EXPENSES

	2017			2016		
	Water	Sanitation	Total	Water	Sanitation	Total
Expenses:						
Operating Expenses:						
Maintenance	808,202	2,494,299	3,302,501	811,858	2,394,933	3,206,791
Water operations	2,971,539	1,418,871	4,390,410	2,842,809	1,099,985	3,942,794
Wastewater treatment	-	9,698,211	9,698,211	-	9,260,030	9,260,030
Engineering	264,554	793,661	1,058,215	204,090	612,269	816,359
Laboratory	124,486	373,459	497,945	116,276	348,827	465,103
Employee housing	-	261,550	261,550	-	-	-
General and administrative	2,344,339	6,387,835	8,732,174	2,068,184	6,094,633	8,162,817
Non-operating expenses:						
Interest expense	835,720	2,842,937	3,678,657	945,612	2,386,935	3,332,547
Refund of contributions	-	-	-	-	105,028	105,028
Treasurer's fees	42,129	56,502	98,631	41,613	56,544	98,157
Total Expenses	7,390,969	24,327,325	31,718,294	7,030,442	22,359,184	29,389,626
Change in Net Position	491,549	(454,520)	37,029	518,556	(217,651)	300,905
Net Position - Beginning of Year	24,983,713	91,346,672	116,330,385	24,465,157	91,564,323	116,029,480
Net Position - End of Year	25,475,262	90,892,152	116,367,414	24,983,713	91,346,672	116,330,385

In 2017, total expenses were \$31,718,294, which was an increase of \$2,328,668 over 2016 expenses of \$29,389,626.

Operating expenses increased \$2,087,112 in 2017. The increase was largely attributable to the higher expenses associated with water and wastewater operations, employee housing, and general and administrative costs. General and administrative costs increased in 2017 partly due to bond issuance costs associated with two issuances in 2017.

In 2016, total expenses were \$29,389,626, which was an increase of \$1,801,262 over 2015 levels.

Operating expenses increased \$1,213,017. The increase was related mostly to water operations and wastewater treatment expenses and general and administrative costs. General and administrative costs increased in 2016 partly due to bond issuance costs associated with the 2016 bond issuance.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2017
(continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's investment in capital assets at December 31, 2017 and 2016 amounted to \$148,066,040 and \$151,203,622 (net of accumulated depreciation), respectively. This investment in capital assets includes land and easements, water rights, treatment plants, distribution systems, employee housing, computers, equipment and vehicles. Capital assets are shown on the Statement of Net Position at the cost on the day of acquisition.

Most of the water and storage rights currently used by the District were provided by previous government water providers at no cost to the District. In accordance with Governmental Accounting Standards Board (GASB), only owned water and storage rights are shown on the District's Statement of Net Position at historic cost, totaling \$1,496,416. This cost represents mostly legal expenditures to establish the District's ability to use these rights to provide water to its customers and some additional acquisitions of new rights. Also in accordance with GASB, the investment in Eagle Park Reservoir Company Stock, which provides a valuable source of raw water supply, is not reflected in capital assets, but is shown in Other Assets at the historic cost of \$3,466,756. Management of the District believes the actual value of these water and storage rights used by the District to be much greater than historical cost at December 31, 2017. See the Schedule of Water and Storage Rights in the Statistical Section (page F10-13) for additional information. The change in capital assets in 2017 is as follows:

	Water			Sanitation				
	1/1/17 Beginning Balance	Additions	Retirements	12/31/17 Ending Balance	1/1/17 Beginning Balance	Additions	Retirements	12/31/17 Ending Balance
Capital assets, not being depreciated:								
Water rights	1,496,416	-	-	1,496,416	-	-	-	-
Land and easements	-	-	-	-	3,553,680	-	-	3,553,680
Construction in progress	1,567,627	1,915,004	(2,114,761)	1,367,870	1,879,142	3,987,147	(3,815,231)	2,051,058
Total capital assets, not being depreciated	3,064,043	1,915,004	(2,114,761)	2,864,286	5,432,822	3,987,147	(3,815,231)	5,604,738
Capital assets, being depreciated:								
Treatment plants	4,789,541	34,251	(24,545)	4,799,247	135,380,924	1,607,235	(233,159)	136,755,000
Distribution systems	46,723,699	1,632,910	(109,612)	48,246,997	51,564,822	619,139	-	52,183,961
Computers, equipment and vehicles	2,104,502	523,146	(59,264)	2,568,384	6,313,505	1,569,439	(177,793)	7,705,151
Employee housing	-	-	-	-	7,379,471	311,546	(259,021)	7,431,996
Total capital assets being depreciated	53,617,742	2,190,307	(193,421)	55,614,628	200,638,722	4,107,359	(669,973)	204,076,108
Less accumulated depreciation for:								
Treatment plants	(1,942,843)	(203,207)	24,545	(2,121,505)	(61,264,949)	(5,056,997)	232,996	(66,088,950)
Distribution systems	(17,241,987)	(1,355,501)	80,870	(18,516,618)	(23,822,664)	(1,364,254)	-	(25,186,918)
Computers, equipment and vehicles	(1,478,543)	(231,193)	53,338	(1,656,398)	(4,435,629)	(693,580)	160,013	(4,969,196)
Employee housing	-	-	-	-	(1,363,092)	(198,074)	7,031	(1,554,135)
Total accumulated depreciation	(20,663,373)	(1,789,901)	158,753	(22,294,521)	(90,886,334)	(7,312,905)	400,040	(97,799,199)
Total capital assets, being depreciated, net	32,954,369	400,406	(34,668)	33,320,107	109,752,388	(3,205,546)	(269,933)	106,276,909
Total capital assets, net	36,018,412	2,315,410	(2,149,429)	36,184,393	115,185,210	781,601	(4,085,164)	111,881,647

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2017
(continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Additional information on the District's capital assets can be found on page D13 – D14 in Note III - G in the Notes to Financial Statements.

Long-term Debt

At December 31, 2017, the District loans payable to the water loan for Eagle Park Reservoir shares from the Colorado Water Conservation Board (CWCB) \$1,060,300 outstanding. Also, the Water General Obligation Bonds issued in 2011 and 2012 for water system improvements had an outstanding balance at December 31, 2017 of \$7,930,000. The 2009 Water District Revenue Bonds were refunded by the 2017 Revenue Refunding Bonds. The 2017 Water Revenue Refunding Bonds had outstanding principal of \$12,200,000. The 2009, 2012, and 2017 Sanitation District Revenue Bonds had principal outstanding of \$53,365,000. The 2016 Sanitation District General Obligation Bonds had principal outstanding of \$22,500,000. Other changes in debt in the current year are representative of scheduled reductions on long term obligations.

At December 31, 2016, the District loans payable to the Colorado Water Resources and Power Development Authority (Authority) for sanitation facilities were paid in full. The water loan for Eagle Park Reservoir shares from the Colorado Water Conservation Board (CWCB) had \$1,129,429 outstanding. Also, the Water General Obligation Bonds issued in 2011 and 2012 for water system improvements had an outstanding balance at December 31, 2014 of \$8,570,000. The 2009 Water District Revenue Bonds had principal outstanding of \$11,855,000. The 2009 and 2012 Sanitation District Revenue Bonds had principal outstanding of \$41,935,000. The 2016 Sanitation District General Obligation Bonds had principal outstanding of \$22,980,000. Other changes in debt in the current year are representative of scheduled reductions on long term obligations.

Additional detail on debt is in Note III-H in the Notes to Financial Statements.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2017
(continued)**

BUDGET VARIANCES AND FUTURE CONSIDERATIONS

Budget Variances

In 2017, budgeted revenues were \$29,119,999. Revenues came in over budget expectations by \$28,453,456. The variance is mostly due to proceeds on bond issuances. The expenditure original budget was \$32,709,001, which was amended to \$58,352,611 for capital projects carried forward from previous years. Actual expenditures of \$44,147,654 were \$14,204,957 under budget, mainly due to multi-year capital project spending projected in 2017 moving into subsequent years.

2018 Budget Considerations

The District will continue to promote wise use of water and support a comprehensive water conservation program. Additionally, the Authority will explore opportunities to develop or acquire new water resources.

In 2018, the approved revenue budget is \$45,972,877 and the approved expenditure budget is \$42,402,196, including \$16,959,450 of new capital additions.

The 2018 Water Service rates changed from 2017 rates. The 2018 Water Service rates are \$15.28 service base rate per SFE, plus \$7.10 debt service base rate per SFE and tiered usage rates of \$2.58 per 1,000 gallons for tier one, \$4.51 per 1,000 gallons for tier two, and \$7.89 per 1,000 gallons for tier three. Capital Replacement Program monthly fee of \$5.36 per month per SFE. The Series 2009 Bonds Debt Service Base Rate of \$7.10 is determined on an annual basis by dividing the net annual debt service requirements on the Series 2009 water bonds by the actual number of SFE's receiving service as of January 1 of the year the Series 2009 Bonds debt service is scheduled.

The 2018 Wastewater Service rates changed from 2017 rates. The 2018 Wastewater Service base rate is \$25.30 per month per SFE. Series 2009 Bonds Debt Service Base Rate is \$3.20 per month per SFE, and the Series 2012 Bonds Debt Service Base Rate is \$5.91 per month. The Series 2009 Bonds Debt Service Base Rate and Series 2012 Bonds Debt Service Base Rate are determined on an annual basis by dividing the net annual debt service requirements on the Series 2009 and 2012 wastewater bonds by the actual number of SFE's receiving service as of January 1 of the year the Series 2009 and 2012 Bonds debt service is scheduled.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: James Wilkins, Director of Finance, Eagle River Water and Sanitation District, 846 Forest Road, Vail, Colorado 81657.

BASIC FINANCIAL STATEMENTS



Eagle River Water & Sanitation District

Eagle River Water and Sanitation District
Statement of Net Position
December 31, 2017
(With Comparative Totals for 2016)

	<u>2017</u>			<u>2016</u>
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	<u>Total</u>
Assets:				
Current Assets:				
Cash and cash equivalents - Unrestricted	4,592,617	4,444,447	9,037,064	4,754,934
Cash and cash equivalents - Restricted	478,136	10,560,414	11,038,550	3,061,966
Investments - Unrestricted	48,739	20,601,416	20,650,155	28,443,709
Investments - Restricted	1,092,567	24,131,091	25,223,658	18,316,480
Receivables, net of allowance for uncollectibles:				
Service	453,291	2,003,569	2,456,860	2,350,583
Property taxes	1,423,404	1,911,598	3,335,002	3,284,218
Current portion of notes receivable	-	28,419	28,419	33,693
Interest	11,582	98,555	110,137	98,614
Other	314,059	996,266	1,310,325	609,574
Inventory	297,540	236,948	534,488	520,750
Prepaid expenses	120,987	375,061	496,048	361,847
Total Current Assets	<u>8,832,922</u>	<u>65,387,784</u>	<u>74,220,706</u>	<u>61,836,368</u>
Non-current Assets:				
Other Assets:				
Notes receivable - Due in more than one year	-	566,942	566,942	494,462
Patronage dividend receivable	132,419	381,616	514,035	520,295
Other receivables	111,489	-	111,489	34,703
Investment in Eagle Park Reservoir Company	3,466,756	-	3,466,756	3,466,756
Total Other Assets	<u>3,710,664</u>	<u>948,558</u>	<u>4,659,222</u>	<u>4,516,216</u>
Capital Assets:				
Land and easements	-	3,553,680	3,553,680	3,553,680
Water rights	1,496,416	-	1,496,416	1,496,416
Construction in progress	1,367,870	2,051,058	3,418,928	3,446,769
Treatment plants	4,799,247	136,755,000	141,554,247	140,170,465
Distribution systems	48,246,997	52,183,961	100,430,958	98,288,521
Computers, equipment, and vehicles	2,568,384	7,705,151	10,273,535	8,418,007
Employee housing	-	7,431,996	7,431,996	7,379,471
Less: Accumulated depreciation	(22,294,521)	(97,799,199)	(120,093,720)	(111,549,707)
Total Capital Assets	<u>36,184,393</u>	<u>111,881,647</u>	<u>148,066,040</u>	<u>151,203,622</u>
Total Non-current Assets	<u>39,895,057</u>	<u>112,830,205</u>	<u>152,725,262</u>	<u>155,719,838</u>
Total Assets	<u>48,727,979</u>	<u>178,217,989</u>	<u>226,945,968</u>	<u>217,556,206</u>
Deferred Outflows of Resources:				
Deferred charge on refunding	1,344,438	-	1,344,438	471,163
Total Deferred Outflows of Resources	<u>1,344,438</u>	<u>-</u>	<u>1,344,438</u>	<u>471,163</u>
Total Assets and Deferred Outflows of Resources	<u>50,072,417</u>	<u>178,217,989</u>	<u>228,290,406</u>	<u>218,027,369</u>

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

Eagle River Water and Sanitation District
Statement of Net Position
December 31, 2017
(With Comparative Totals for 2016)
(Continued)

	<u>2017</u>			<u>2016</u>
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	<u>Total</u>
Liabilities:				
Current Liabilities:				
Accounts payable	409,929	1,604,776	2,014,705	3,104,840
Service fees payable	-	1,433,757	1,433,757	1,457,073
Accrued payroll and related liabilities	101,515	304,545	406,060	380,312
Interest payable	77,021	261,433	338,454	345,255
Loans and bonds payable - Due within one year	1,097,896	1,520,000	2,617,896	2,494,129
Deposits	-	48,798	48,798	46,541
Total Current Liabilities	<u>1,686,361</u>	<u>5,173,309</u>	<u>6,859,670</u>	<u>7,828,150</u>
Non-current Liabilities:				
Compensated absences - Due in more than one year	109,940	329,820	439,760	462,968
Loans and bonds payable - Due in more than one year	21,377,450	79,911,110	101,288,560	90,121,648
Total Non-current Liabilities	<u>21,487,390</u>	<u>80,240,930</u>	<u>101,728,320</u>	<u>90,584,616</u>
Total Liabilities	<u>23,173,751</u>	<u>85,414,239</u>	<u>108,587,990</u>	<u>98,412,766</u>
Deferred Inflows of Resources:				
Unavailable property tax revenue	1,423,404	1,911,598	3,335,002	3,284,218
Total Deferred Inflows of Resources	<u>1,423,404</u>	<u>1,911,598</u>	<u>3,335,002</u>	<u>3,284,218</u>
Net Position:				
Net investment in capital assets	16,113,783	46,106,741	62,220,524	76,672,686
Restricted for:				
Debt	1,570,703	4,857,358	6,428,061	4,894,196
Capital projects	-	15,656,204	15,656,204	16,484,250
Unrestricted	7,790,776	24,271,849	32,062,625	18,279,253
Total Net Position	<u>25,475,262</u>	<u>90,892,152</u>	<u>116,367,414</u>	<u>116,330,385</u>

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

Eagle River Water and Sanitation District
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	<u>2017</u>			<u>2016</u>
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	<u>Total</u>
Operating Revenues:				
Service fees	5,571,445	13,260,115	18,831,560	18,951,378
Contract services	-	4,933,071	4,933,071	3,930,974
Meter sales and rental income	-	1,005,143	1,005,143	850,128
Other charges for services	169,591	487,926	657,517	555,989
Total Operating Revenues	<u>5,741,036</u>	<u>19,686,255</u>	<u>25,427,291</u>	<u>24,288,469</u>
Operating Expenses:				
Maintenance	808,202	2,494,299	3,302,501	3,206,791
Water operations	2,971,539	1,418,871	4,390,410	3,942,794
Wastewater treatment	-	9,698,211	9,698,211	9,260,030
Engineering	264,554	793,661	1,058,215	816,359
Laboratory	124,486	373,459	497,945	465,103
Employee housing	-	261,550	261,550	-
General and administrative	2,099,516	6,186,402	8,285,918	7,956,407
Total Operating Expenses	<u>6,268,297</u>	<u>21,226,453</u>	<u>27,494,750</u>	<u>25,647,484</u>
Operating Income (Loss)	<u>(527,261)</u>	<u>(1,540,198)</u>	<u>(2,067,459)</u>	<u>(1,359,015)</u>
Non-operating Revenues (Expenses):				
Property taxes	1,402,268	1,880,508	3,282,776	3,266,112
Specific ownership taxes	77,758	101,023	178,781	163,951
Investment income	77,164	434,026	511,190	94,181
Gain (loss) on investments	(15,953)	(97,999)	(113,952)	(30,397)
Interest credit - Build America Bonds	-	312,105	312,105	316,977
Gain (loss) on disposal of capital assets	(8,450)	47,571	39,121	54,037
Other non-operating revenues	19,870	59,609	79,479	105,899
Interest expense, net of amortization expense	(835,720)	(2,842,937)	(3,678,657)	(3,332,547)
Treasurer's fees	(42,129)	(56,502)	(98,631)	(98,157)
Bond issuance costs	(244,823)	(201,433)	(446,256)	(206,410)
Total Non-operating Revenues (Expenses)	<u>429,985</u>	<u>(364,029)</u>	<u>65,956</u>	<u>333,646</u>
Income (Loss) Before Capital Contributions	<u>(97,276)</u>	<u>(1,904,227)</u>	<u>(2,001,503)</u>	<u>(1,025,369)</u>
Capital Contributions:				
Tap fees	442,780	1,126,352	1,569,132	1,218,562
Contributed assets - physical assets	75,545	297,468	373,013	144,240
Fees in lieu of water and sewer lines	-	7,478	7,478	-
Contributed assets - cash	70,500	18,409	88,909	68,500
Refund of contributions	-	-	-	(105,028)
Total Capital Contributions	<u>588,825</u>	<u>1,449,707</u>	<u>2,038,532</u>	<u>1,326,274</u>
Change in Net Position	491,549	(454,520)	37,029	300,905
Net Position - Beginning of Year	<u>24,983,713</u>	<u>91,346,672</u>	<u>116,330,385</u>	<u>116,029,480</u>
Net Position - End of Year	<u>25,475,262</u>	<u>90,892,152</u>	<u>116,367,414</u>	<u>116,330,385</u>

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

Eagle River Water and Sanitation District
Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended 2016)

	<u>2017</u>			<u>2016</u>
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	<u>Total</u>
Cash Flows From Operating Activities:				
Cash received from customers and others	5,415,929	19,127,548	24,543,477	24,913,713
Cash payments for goods and services	(2,952,962)	(5,864,987)	(8,817,949)	(6,399,257)
Cash payments to employees and for benefits	(2,283,648)	(8,392,016)	(10,675,664)	(9,623,968)
Net Cash Provided (Used) by Operating Activities	<u>179,319</u>	<u>4,870,545</u>	<u>5,049,864</u>	<u>8,890,488</u>
Cash Flows From Non-capital Financing Activities:				
Property taxes levied for operations, net	436,061	496,312	932,373	928,404
Specific ownership taxes received	24,929	27,488	52,417	48,115
Patronage dividend received	16,920	44,161	61,081	66,639
Other cash receipts	6,165	18,493	24,658	48,260
Net Cash Provided (Used) by Non-capital Financing Activities	<u>484,075</u>	<u>586,454</u>	<u>1,070,529</u>	<u>1,091,418</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds from bond issuance, including premium	13,105,573	12,923,977	26,029,550	25,240,336
Property taxes levied for debt service, net	924,079	1,327,693	2,251,772	2,239,554
Specific ownership taxes received	52,829	73,534	126,363	115,836
Cash received from tap fees	442,780	1,126,352	1,569,132	1,218,562
Proceeds from sale of capital assets	26,219	317,504	343,723	351,691
Interest subsidy payment received - Build America Bonds	-	284,695	284,695	289,038
Cash received (paid) related to capital asset deposit	-	2,257	2,257	9,685
Fees in lieu of water and sewer lines	70,500	25,887	96,387	68,500
Cash paid for principal on debt	(1,054,129)	(1,480,000)	(2,534,129)	(3,578,680)
Cash paid for interest on debt	(873,693)	(3,041,646)	(3,915,339)	(3,822,129)
Cash paid for debt issuance costs	(244,823)	(201,433)	(446,256)	(206,410)
Cash paid to refunded bond escrow agent to retire bond principal	(12,856,876)	-	(12,856,876)	(105,028)
Cash paid for capital acquisitions	(1,927,486)	(4,117,765)	(6,045,251)	(11,773,475)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,335,027)</u>	<u>7,241,055</u>	<u>4,906,028</u>	<u>10,047,480</u>
Cash Flows From Investing Activities:				
Interest income received	95,756	543,732	639,488	256,193
Proceeds from sales and maturities of investments	14,986,005	75,728,309	90,714,314	469,344,664
Principal received on notes receivable	-	32,794	32,794	108,185
Purchase of investments	(10,109,525)	(79,944,778)	(90,054,303)	(494,070,956)
Issuance of notes receivable	-	(100,000)	(100,000)	-
Net Cash Provided (Used) by Investing Activities	<u>4,972,236</u>	<u>(3,739,943)</u>	<u>1,232,293</u>	<u>(24,361,914)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,300,603	8,958,111	12,258,714	(4,332,528)
Cash and Cash Equivalents - Beginning of Year	<u>1,770,150</u>	<u>6,046,750</u>	<u>7,816,900</u>	<u>12,149,428</u>
Cash and Cash Equivalents - End of Year	<u>5,070,753</u>	<u>15,004,861</u>	<u>20,075,614</u>	<u>7,816,900</u>
Represented by Balance Sheet captions:				
Cash and cash equivalents - Unrestricted	4,592,617	4,444,447	9,037,064	4,754,934
Cash and cash equivalents - Restricted	478,136	10,560,414	11,038,550	3,061,966
Cash and Cash Equivalents - End of Year	<u>5,070,753</u>	<u>15,004,861</u>	<u>20,075,614</u>	<u>7,816,900</u>

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

Eagle River Water and Sanitation District
Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended 2016)
(Continued)

	2017			2016
	Water	Sanitation	Total	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	(527,261)	(1,540,198)	(2,067,459)	(1,359,015)
Adjustments:				
Depreciation	1,789,901	7,312,905	9,102,806	8,673,967
(Increase) decrease in accounts receivable	(325,109)	(558,705)	(883,814)	625,243
(Increase) decrease in inventory	(43,299)	29,557	(13,742)	(86,819)
(Increase) decrease in prepaid expenses	(31,850)	(102,351)	(134,201)	(4,816)
Increase (decrease) in accounts payable	(683,699)	(249,255)	(932,954)	950,624
Increase (decrease) in service fees payable	-	(23,316)	(23,316)	23,379
Increase (decrease) in payroll liabilities	6,437	19,311	25,748	45,136
Increase (decrease) in accrued compensated absences	(5,801)	(17,403)	(23,204)	22,789
Total Adjustments	<u>706,580</u>	<u>6,410,743</u>	<u>7,117,323</u>	<u>10,249,503</u>
Net Cash Provided (Used) by Operating Activities	<u>179,319</u>	<u>4,870,545</u>	<u>5,049,864</u>	<u>8,890,488</u>
Non-cash Investing, Capital, and Financing Activities:				
Contribution of capital assets from developers	<u>75,545</u>	<u>297,468</u>	<u>373,013</u>	<u>144,240</u>
Unrealized gain (loss) on investments	<u>(31,288)</u>	<u>(195,077)</u>	<u>(226,365)</u>	<u>(191,495)</u>

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

NOTES TO THE FINANCIAL STATEMENTS



Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017

I. Summary of Significant Accounting Policies

Eagle River Water and Sanitation District (the "District") was formed July 1, 1996, pursuant to an agreement to consolidate the sanitation functions of the Upper Eagle Valley Consolidated Sanitation District and the water service functions of the Vail Valley Consolidated Water District, both of which are located in Eagle County, Colorado. The District, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District was established to ensure a more effective and economical operation of water and sanitation systems within the jurisdictional boundaries of the District. Seven elected board members govern the District.

The 1996 consolidation of Upper Eagle Valley Consolidated Sanitation District and Vail Valley Consolidated Water District was accomplished pursuant to Colorado law which specifically provides that a separate ad valorem tax be levied against the area comprising the consolidating districts which, together with any other special rates, tolls, fees or charges for service within the consolidating District area, will be sufficient to pay the principal and interest on the consolidating Districts' outstanding bonds.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity. Based upon these criteria, the District is not a component unit of any other government. The District has one blended component unit and while it is a legally separate entity it is in substance part of the District's operations:

Eagle River Water and Sanitation District Water Subdistrict - The Eagle River Water and Sanitation District Water Subdistrict (the "Water Subdistrict") was incorporated in 2002 and formed for the purpose of creating a separate taxing district pursuant to the Special District Act. The boundaries of the Subdistrict are generally identical to the boundaries of the Town, but include some properties which are not within the Town. The Subdistrict issued bonds in 2002, 2004, 2009, 2011, 2012 and 2016 for the construction of various facilities. The financial data of the Subdistrict is reported as part of the primary government because it is fiscally dependent upon the District and provides financing solely to the District. Although the Subdistrict is a separate legal entity, for financial reporting purposes, it is part of the District and is included in the Water Fund.

Wolcott Water and Sewer Subdistrict - During 2013, the District incorporated the Wolcott Water and Sewer Subdistrict (the "Wolcott Subdistrict") for the purpose of creating a separate taxing district pursuant to the Special District Act near the town of Wolcott, Colorado. Although the Subdistrict is a separate legal entity, for financial reporting purposes, it is part of the District and is included in the Sanitation Fund.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

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

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

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

1. Long-term Economic Focus and Accrual Basis

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

2. Financial Statement Presentation

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies

1. Cash, Cash Equivalents and Investments

For purposes of the Statements of Cash Flows, the District considers cash on hand, demand deposits, U.S. government obligations and other highly liquid with maturities of three months or less when purchased to be cash equivalents.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The District's investment policy is detailed at note III.A.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. An allowance for doubtful accounts in the amount of \$82,229 and \$82,229 had been established at December 31, 2017 and 2016, respectively, to estimate uncollectible accounts.

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as unavailable property tax revenue.

5. Inventory

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

6. Capital Assets

Capital assets, which include land and easements, water rights, construction in progress, treatment plants, distribution systems, computers, equipment, vehicles, and employee housing, are reported in the financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. 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 depreciated. All other costs, including costs incurred for the protection of those rights, are expensed. See the Schedule of Water and Storage Rights in the Statistical Section (pages F10-F13) for additional information.

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 fixed assets, as applicable. Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed, net of investment earnings on loan proceeds during the same period. During 2017 and 2016, the District capitalized interest of \$8,740 and \$320,783 as part of capital assets, respectively.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

6. Capital Assets (continued)

Treatment plants, distribution systems, computers, equipment, vehicles, and employee housing are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Treatment plants	5 - 40
Distribution systems	5 - 40
Computers, equipment, and vehicles	2 - 10
Employee housing	40

7. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows (outflows) of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and increased by any unspent proceeds from related borrowings. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

8. Compensated Absences

Earned but unused vacation and sick leave benefits are accrued when incurred in the financial statements.

9. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in Statement of Net Position. Bond premiums and discounts are deferred and amortized over the respective life of the respective debt using a combination of the effective-interest and straight-line methods. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

The deferred cost on bond refunding is being amortized over the lesser of the life of the new bond or the remaining life of the refunded bonds using the straight-line method which approximates the effective interest method. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

10. Deferred Outflows and Inflows 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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 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, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

12. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

13. Comparative Data

The financial statements include certain prior year comparative information in total, but not by segment. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2016, from which comparative totals were derived.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The budget is adopted on a non-GAAP basis and is reconciled to GAAP in Section E of this report. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2017.

1. For the 2017 budget year, prior to August 25, 2016, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10 only once by a single notification to the District.
2. The District submitted, on or before October 15, 2016, a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
3. Prior to December 15, 2016, after a required publication of "Notice of Proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; b) approve emergency appropriations; and c) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2016 were collected in 2017 and taxes certified in 2017 will be collected in 2018. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (no later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from state and local governments, are excluded from the provisions of TABOR. The District's management believes its operations qualify for this exclusion.

The District believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits and qualification as an enterprise, will require judicial interpretation.

III. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by the Federal Deposit Insurance Corporation ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures depositors up to \$250,000 for all accounts. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amounts of the District's petty cash, demand deposits and investments were \$65,949,427 and \$54,577,089 as of December 31, 2017 and 2016, respectively.

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2017, the District had the following recurring fair value measurements:

<u>Investments Measured at Fair Value</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
United States Treasury notes	25,017,464	-	25,017,464	-
Federal agency securities	17,874,831	-	17,874,831	-
United States Corporate	2,386,587	-	2,386,587	-
Commercial Paper	594,931	-	594,931	-

**Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017**

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
Money Market	10,359,059
Colotrust	4,585,132

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;

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

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. The investment policy also limits types of investments to specific maturity dates. Finally, the policy requires the District, at all times, to maintain 10% of its total investment portfolio in instruments maturing in 120 days or less.

Credit Risk. Colorado statutes and the District investment policy specify instruments in which local governments may invest, including:

- Obligations of the U.S. and certain U.S. governmental agency securities
- Certain international agency securities
- General obligation and revenue bonds for U.S. local governmental entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The District's investment policy has further restricted the investment of District funds to U.S. Treasury obligations, Federal agency securities, commercial paper, U. S. Corporate securities, eligible banker's acceptances, written repurchase agreements collateralized by certain authorized securities, local government investment pools, time certificates of deposit, and certain money market funds.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The District's investment policy requires all investments to be highly rated by nationally recognized statistical rating agencies as follows:

	<u>Required Ratings</u>
Federal agency securities	AAA
Commercial paper	A-1
United States Treasury notes	AAA
Eligible bankers acceptances	A-1
Local government investment pools	AAAm
Money market mutual funds	AAAm

In addition, the District's investment policy requires that approved counterparties to repurchase agreements have at least a short-term debt rating of A-1 and a long-term debt rating of A.

At December 31, 2017, unrealized losses were \$113,952, which reflects changes in the fair market value of investments. At December 31, 2017, the District had the following cash and investments with the following maturities:

	<u>Standard & Poors Rating</u>	<u>Carrying Amounts</u>	<u>Maturities</u>	
			<u>Less than one year</u>	<u>One to five years</u>
<i>Petty cash</i>	Not rated	1,200	1,200	-
<i>Deposits:</i>				
Checking	Not rated	5,130,223	5,130,223	-
Money market	AAA	10,359,059	10,359,059	-
<i>Investment pools</i>	AAAm	4,585,132	4,585,132	-
<i>Investments:</i>				
Commercial Paper	A-1/A-1+/AA+	594,931	594,931	-
United States Corporate	AA+/AA-/AAA	2,386,587	826,971	1,559,616
United States Treasury notes	AA+	25,017,464	6,530,859	18,486,605
Federal agency securities	AA+	17,874,831	7,583,042	10,291,789
Total		<u>65,949,427</u>	<u>35,611,417</u>	<u>30,338,010</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk. The District's investment policy requires its portfolio to be adequately diversified to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions or maturities. The District may invest to the following maximum limits:

	<u>Maximum Percentage</u>
U.S. Treasury obligations	100%
Federal agency securities	100%
Repurchase agreements	100%
Certificates of deposit	50%
Local government investment pools	50%
Combined total in bankers acceptances and commercial paper	30%

Investments in any one issuer (other than U.S. Treasury obligations, mutual funds, and external investment pools) that represented 5% or more of the total District investments at December 31, 2017 were as follows:

<u>Issuer</u>	<u>Reported Amount</u>	<u>Percentage of Investment Portfolio</u>
United States Government	25,017,464	41%
Wells Fargo Advantage Money Market	10,359,059	17%
Federal Home Loan Mortgage Corp	5,273,413	9%
Colotrust	4,585,132	8%
Federal National Mortgage Assoc	4,441,537	7%

B. Restricted Cash and Cash Equivalents

At December 31, 2017, cash has been restricted for the following purposes:

	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>
Restricted for capital projects	-	15,656,204	15,656,204
Debt service reserves	970,703	4,257,358	5,228,061
Rate stabilization funds	600,000	600,000	1,200,000
Refunding proceeds in escrow	-	14,177,943	14,177,943
Total	<u>1,570,703</u>	<u>34,691,505</u>	<u>36,262,208</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

C. Summary of Cash and Investments

The District's cash and cash equivalents are disclosed in the following financial statement captions:

	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>
Cash and cash equivalents - Unrestricted	4,592,617	4,444,447	9,037,064
Cash and cash equivalents - Restricted	478,136	10,560,414	11,038,550
Investments - Unrestricted	48,739	20,601,416	20,650,155
Investments - Restricted	1,092,567	24,131,091	25,223,658
Total	<u>6,212,059</u>	<u>59,737,368</u>	<u>65,949,427</u>

D. Notes Receivable

The following is an analysis of changes in notes receivable for the year ended December 31, 2017:

	<u>1/1/17 Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/17 Ending Balance</u>
Red Cliff	145,166	-	(21,808)	123,358
Employees	343,985	100,000	-	443,985
Sewer tap purchases	39,004	-	(10,986)	28,018
	<u>528,155</u>	<u>100,000</u>	<u>(32,794)</u>	<u>595,361</u>
Less: Current portion	(33,693)	-	5,274	(28,419)
Long-term portion	<u>494,462</u>	<u>100,000</u>	<u>(27,520)</u>	<u>566,942</u>

The following notes receivable were outstanding as of December 31, 2017:

1. Red Cliff

During 2012, the District received a promissory note for \$225,000 from the Town of Red Cliff for operation and maintenance services provided over a number of years. The note bears interest at 3.0% annually and is amortized over a ten year period.

2. Employees

The District provides down payment assistance to employees as part of its Employee Home Ownership Program. These non-interest bearing notes are secured by the related properties and will be collected over a period of fifteen years.

3. Sewer tap purchases

The District provides Sewer Tap deferral payment plans. These loans bear interest at 3.5% annually and are collected over a period of ten years.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

E. Patronage Dividend Receivable

The District has a dividend receivable from Holy Cross Electric Association (“Holy Cross”) which represents allocated refundable operating profits. These amounts are held by Holy Cross as working capital until the financial condition of Holy Cross permits a refund. Refunds are normally received annually approximately ten years in arrears. During the year ended December 31, 2017, the District received a refund of \$61,081 from Holy Cross. The balance due to the District at December 31, 2017 and 2016 was \$514,035 and \$520,295, respectively.

F. Investment in Eagle Park Reservoir Company

The Eagle Park Reservoir Company (the “Reservoir Company”), a Colorado nonprofit corporation was formed May 8, 1998 to acquire water diversion, storage facilities and water rights, and operate its water storage facilities located in Eagle County, Colorado, and to direct releases of water from the reservoir on behalf of its stockholders. An investment in the Reservoir Company allows the owner to augment its existing water rights.

In 1998, the District acquired 3,300 Class A Shares (approximately 16.4%) and 125 Class B shares of the stock in the Reservoir Company for \$1,909,732 and the contribution/pledge of certain water rights. The \$1,909,732 was financed through an assessment obligation payable to the Reservoir Company, which is explained in Note III.H.1, and is recorded as an investment in Eagle Park Reservoir Company, along with \$130,000 of legal costs related to the issuance of the assessment payable. Since 1998, the District has acquired additional shares of the Reservoir Company through various transactions. As of December 31, 2016, the District held 4,345 Class A Shares, 125 Class B Series 1 and 125 Class B Series 2 shares of the stock in the Reservoir Company at a cost of \$3,466,756.

During 2011 through 2017, the District’s investment in the Reservoir Company was unchanged.

As of December 31, 2017, the District held 4,345 Class A Shares (approximately 16.8%), 125 Class B Series 1 and 125 Class B Series 2 shares of the stock in the Reservoir Company at a cost of \$3,466,756. See the Schedule of Water and Storage Rights in the Statistical Section (pages F10-F13) for additional information.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

G. Capital Assets

Capital asset activity related to water services for 2017 was as follows:

	<u>1/1/17 Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>12/31/17 Ending Balance</u>
Water				
Capital assets, not being depreciated:				
Water rights	1,496,416	-	-	1,496,416
Construction in progress	1,567,627	1,915,004	(2,114,761)	1,367,870
Total capital assets, not being depreciated	<u>3,064,043</u>	<u>1,915,004</u>	<u>(2,114,761)</u>	<u>2,864,286</u>
Capital assets, being depreciated:				
Treatment plants	4,789,541	34,251	(24,545)	4,799,247
Distribution systems	46,723,699	1,632,910	(109,612)	48,246,997
Computers, equipment and vehicles	2,104,502	523,146	(59,264)	2,568,384
Total capital assets being depreciated	<u>53,617,742</u>	<u>2,190,307</u>	<u>(193,421)</u>	<u>55,614,628</u>
Less accumulated depreciation for:				
Treatment plants	(1,942,843)	(203,207)	24,545	(2,121,505)
Distribution systems	(17,241,987)	(1,355,501)	80,870	(18,516,618)
Computers, equipment and vehicles	(1,478,543)	(231,193)	53,338	(1,656,398)
Total accumulated depreciation	<u>(20,663,373)</u>	<u>(1,789,901)</u>	<u>158,753</u>	<u>(22,294,521)</u>
Total capital assets, being depreciated, net	<u>32,954,369</u>	<u>400,406</u>	<u>(34,668)</u>	<u>33,320,107</u>
Total capital assets, net - Water	<u>36,018,412</u>	<u>2,315,410</u>	<u>(2,149,429)</u>	<u>36,184,393</u>

Fully depreciated assets totaled \$3,426,299 for the year ended December 31, 2017.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

G. Capital Assets (continued)

Capital asset activity related to sanitation services for 2017 was as follows:

	<u>1/1/17 Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>12/31/17 Ending Balance</u>
Sanitation				
Capital assets, not being depreciated:				
Land and easements	3,553,680	-	-	3,553,680
Construction in progress	1,879,142	3,987,147	(3,815,231)	2,051,058
Total capital assets, not being depreciated	<u>5,432,822</u>	<u>3,987,147</u>	<u>(3,815,231)</u>	<u>5,604,738</u>
Capital assets, being depreciated:				
Treatment plants	135,380,924	1,607,235	(233,159)	136,755,000
Distribution systems	51,564,822	619,139	-	52,183,961
Computers, equipment and vehicles	6,313,505	1,569,439	(177,793)	7,705,151
Employee housing	7,379,471	311,546	(259,021)	7,431,996
Total capital assets being depreciated	<u>200,638,722</u>	<u>4,107,359</u>	<u>(669,973)</u>	<u>204,076,108</u>
Less accumulated depreciation for:				
Treatment plants	(61,264,949)	(5,056,997)	232,996	(66,088,950)
Distribution systems	(23,822,664)	(1,364,254)	-	(25,186,918)
Computers, equipment and vehicles	(4,435,629)	(693,580)	160,013	(4,969,196)
Employee housing	(1,363,092)	(198,074)	7,031	(1,554,135)
Total accumulated depreciation	<u>(90,886,334)</u>	<u>(7,312,905)</u>	<u>400,040</u>	<u>(97,799,199)</u>
Total capital assets, being depreciated, net	<u>109,752,388</u>	<u>(3,205,546)</u>	<u>(269,933)</u>	<u>106,276,909</u>
Total capital assets, net - Sanitation	<u>115,185,210</u>	<u>781,601</u>	<u>(4,085,164)</u>	<u>111,881,647</u>

Fully depreciated assets totaled \$25,487,706 for the year ended December 31, 2017.

Depreciation expense for the year ended December 31, 2017 was charged to the following departments:

	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>
Maintenance	98,077	294,230	392,307
Water operations	1,558,708	-	1,558,708
Wastewater treatment	-	6,421,251	6,421,251
General and administrative	133,116	597,424	730,540
Total	<u>1,789,901</u>	<u>7,312,905</u>	<u>9,102,806</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water

The District has the following long-term debt outstanding related to its water operations:

1. 1998 Assessment Obligation Note

As previously explained in Note III.F, the District financed its 1998 investment in the Reservoir Company through the execution of an assessment obligation note in the amount of \$1,909,842. This note bears interest at 5.45% annually. Debt service payments of \$130,683 are due annually on September 16, through 2027.

The obligation is secured by the District's ownership of common stock of the Reservoir Company and certain water rights owned by participating members and leased to the District. The agreement contains release provisions for the collateral based on the timely payment of scheduled obligations. The assessment payable is subject to annual appropriation.

The District is maintaining a reserve equal to the next fiscal year's principal and interest payments for this obligation.

2. Water Enterprise Revenue Bonds, Series 2009

The District, through the Water Subdistrict, issued \$13,225,000 of water enterprise revenue bonds in May 2009, with annual interest rates ranging from 3.00% to 5.13%. Interest is payable June 1 and December, through 2039. The principal is payable on December 1 and matures in various increments through 2039. The proceeds of these bonds were used for the construction of new water mains, the enhancement of wells, the enlargement of a dam, and other water system improvements.

Principal on the serial bonds is due beginning in 2012 through 2019 in amounts ranging from \$260,000 to \$325,000; the term bonds maturing on December 1, 2024, December 1, 2029, December 1, 2034, and December 1, 2039 are subject to annual, mandatory sinking fund redemptions ranging from \$340,000 beginning in 2020 to \$835,000 due December 1, 2039.

Only bonds maturing on and after December 1, 2019, are subject to redemption prior to maturity; these bonds are subject to redemption prior to maturity at the option of the District at par.

As special, limited obligations of the District, principal and interest on the bonds are payable solely from Net Pledged Revenues, as defined in the bond documents. Such net revenue includes income from the operation and use of the water system and other legally available revenue after the payment of operation and maintenance expenses of the system.

The bond documents include a Rate Maintenance Covenant, which requires the District to establish service rates at a level sufficient to cover operating and maintenance expenses, as well as 115% of each fiscal year's debt service requirements of outstanding District bonds.

In conjunction with the issuance of these bonds, the District is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

2. Water Enterprise Revenue Bonds, Series 2009 (continued)

These bonds are secured by a Reserve Fund equal to the least of 1) 10% of the principal amount of the bonds, 2) the maximum annual principal and interest on the bonds, or 3) 125% of average principal and interest on the bonds which will become due in any fiscal year. The District has purchased a bond reserve insurance policy to provide reserve funds if needed; therefore, no reserve has been reflected in these financial statements for this purpose.

The District is maintaining a reserve equal to interest accrued through December 31, 2017 plus one twelfth (1/12) of the first principal payment due in the subsequent year for this debt.

A bond insurance policy, which guarantees the scheduled payment of principal and interest on the bonds, was issued by Assured Guaranty Corporation concurrently with the issuance of these bonds.

The bonds maturing on December 1, 2017 and after were refunded through the issuance of the 2017 Water Revenue Refunding Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position.

3. General Obligation Water Refunding Bonds, Series 2011

The District, through the Water Subdistrict, issued \$2,930,000 of general obligation water refunding bonds in December 2011, the proceeds of which were used to retire the 2002 CWRPDA loan and pay the costs of issuance. The interest rates on the bonds range from 3.00% to 4.00%. Interest is payable on June 1st and December 1st, through 2022. The principal is payable on December 1st and matures in various increments through 2022.

Principal on the serial bonds is due beginning in 2012 through 2022 in amounts ranging from \$225,000 to \$315,000. These bonds are not subject to optional redemption prior to their respective maturity dates.

The bonds are not secured by the Water Subdistrict's assets and are not obligations of the District. The bonds are direct obligations and pledge the full faith and credit of the Water Subdistrict and are ultimately secured by the Water Subdistrict's general ad valorem tax collections.

The District is maintaining a reserve equal to interest accrued through December 31, 2017 plus one twelfth (1/12) of the first principal payment due in the subsequent year for this debt.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

4. General Obligation Water Bonds, Series 2012A

The District, through the Water Subdistrict, issued \$1,000,000 of general obligation water bonds in December 2012, the proceeds of which will be used to construct improvements to the District's water system and pay the costs of issuance. The interest rates on the bonds range from 2.30% to 2.50%. Interest is payable on June 1st and December 1st, through 2029. The principal is payable on December 1st and matures in various increments through 2029.

Principal on the serial bonds is due beginning in 2023 through 2029 in amounts ranging from \$130,000 to \$155,000.

The bonds are not secured by the Water Subdistrict's assets and are not obligations of the District. The bonds are direct obligations and pledge the full faith and credit of the Water Subdistrict and are ultimately secured by the Water Subdistrict's general ad valorem tax collections.

Bonds maturing on or after December 1, 2023, are subject to redemption prior to maturity at the option of District at par plus accrued interest.

5. General Obligation Water Refunding Bonds, Series 2012B

The District, through the Water Subdistrict, issued \$6,605,000 of general obligation water refunding bonds in December 2012, the proceeds of which were used to partially refund the aforementioned 2004 General Obligation Water Bonds (Note III.H.2) and pay the costs of issuance. The interest rates on the bonds range from 2.00% to 3.00%. Interest is payable on June 1st and December 1st, through 2029. The principal is payable on December 1st and matures in various increments through 2029.

Principal on the serial bonds is due beginning in 2013 through 2029 in amounts ranging from \$25,000 to \$555,000.

The District realized a present value savings on the refunding of \$801,658.

The bonds are not secured by the Water Subdistrict's assets and are not obligations of the District. The bonds are direct obligations and pledge the full faith and credit of the Water Subdistrict and are ultimately secured by the Water Subdistrict's general ad valorem tax collections.

Bonds maturing on or after December 1, 2023, are subject to redemption prior to maturity at the option of District at par plus accrued interest.

6. Water Enterprise Revenue Refunding Bonds, Series 2017

The District, through the Water Subdistrict, issued \$12,545,000 of water enterprise revenue bonds in May 2017, with annual interest rates ranging from 3.00% to 5.00%. Interest is payable June 1 and December, through 2039. The principal is payable on December 1 and matures in various increments through 2039. The proceeds were used to retire the 2009 water enterprise revenue bonds and pay the costs of issuance. The 2009 bonds are considered defeased and have been removed from long-term debt.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

6. Water Enterprise Revenue Refunding Bonds, Series 2017 (continued)

Principal on the bonds is due beginning in 2017 through 2039 in amounts ranging from \$345,000 to \$780,000.

Only bonds maturing on and after December 1, 2028, are subject to redemption prior to maturity; these bonds are subject to redemption prior to maturity at the option of the District at par.

In conjunction with the issuance of these bonds, the District is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

These bonds are secured by a Reserve Fund equal to the least of 1) 10% of the principal amount of the bonds, 2) the maximum annual principal and interest on the bonds, or 3) 125% of average principal and interest on the bonds which will become due in any fiscal year. The District has purchased a bond reserve insurance policy to provide reserve funds if needed; therefore, no reserve has been reflected in these financial statements for this purpose.

The bond documents include a Rate Maintenance Covenant, which requires the District to establish service rates at a level sufficient to cover operating and maintenance expenses, as well as 115% of each fiscal year's debt service requirements of outstanding District bonds.

A bond insurance policy, which guarantees the scheduled payment of principal and interest on the bonds, was issued by Assured Guaranty Corporation concurrently with the issuance of these bonds.

The District realized a present value savings on the refunding of \$1,096,697.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation

1. 1998 CWRPDA Governmental Agency Bond – General Obligation

In April 1998, the District, acting through its Sanitation Enterprise, entered into a \$17,685,396 loan agreement with CWRDPA, the proceeds of which were used for the expansion of the Edwards wastewater treatment facility. Principal and interest is payable February 1 and August 1, through 2016. The effective annual interest rate of the loan is 3.94%.

Upon written notice to CWRPDA, the District has the option to prepay the loan in whole or if in part, in a minimum of \$100,000 increments.

In May 1998, the District's electorate approved the assumption from the Sanitation Enterprise of this long-term obligation as a general obligation bond in the May 1998 election. As a result, the obligation was no longer secured by the Sanitation Enterprise's assets. The bond is a direct obligation and pledges the full faith and credit of the District and is ultimately secured by the District's general ad valorem tax collections. The loan was repaid in full in 2016.

2. Taxable Wastewater Revenue Bonds, Series 2009B

The District issued \$15,785,000 of wastewater revenue bonds in December 2009, with annual interest rates ranging from 4.71% to 6.79%. Interest is payable June 1 and December 1, through 2039. The principal is payable on December 1 and matures in various increments through 2039. The proceeds of these bonds were used to finance improvements to the wastewater system. This bond issue consists of term bonds due on December 1, 2019, December 1, 2023, December 1, 2029, December 1, 2034, and December 1, 2039; these bonds are subject to mandatory sinking fund redemption at par, plus accrued interest to the redemption date.

These bonds are Qualified Build America Bonds, which indicates the bonds are not tax-exempt. Under the Build America Program, the District may apply for interest cost subsidies from the federal government. Such subsidies will be used by the District to pay debt service on these bonds. During the fiscal year ended December 31, 2017, the District recognized revenue of \$312,105 related to this subsidy.

As special, limited obligations of the District, principal and interest on the bonds are payable solely from Net Pledged Revenues, as defined in the bond documents. Such net revenue includes income from the operation and use of the wastewater treatment facilities and other legally available revenue after the payment of operation and maintenance expenses of the system. In connection with the issuance of these bonds, the District has adopted a resolution imposing a new Sewer Debt Service Rate which is collected monthly from each single family equivalent ("SFE") in the system.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

2. Taxable Wastewater Revenue Bonds, Series 2009B (continued)

The bond documents include a Rate Maintenance Covenant, which requires the District to establish service rates at a level sufficient to cover operating and maintenance expenses, as well as 110% of each fiscal year's debt service requirements of outstanding District bonds.

As previously discussed, these bonds and the Tax-Exempt Wastewater Revenue Bonds, Series 2009A (collectively referred to as the "2009 Bonds"), are secured by a common Reserve Fund equal to the minimum of: a) 10% of the principal amount of the bonds, b) the maximum annual debt service in any calendar year, or c) 125% of the average annual debt service of the bonds.

In conjunction with the issuance of the 2009 Bonds, and subsequently with the 2012 Bonds, the District is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

In accordance with bond indentures, the District is maintaining a reserve equal to interest accrued through December 31, 2017 plus one twelfth (1/12) of the first principal payment due in the subsequent year.

Bonds maturing on and before December 1, 2019, are not subject to optional prior redemption. Bonds maturing on or after December 1, 2020, are subject to redemption prior to maturity at the option of District at par plus accrued interest. In addition, upon the occurrence of an Extraordinary Event, as defined in the bond documents, these bonds are subject to extraordinary redemption prior to their respective dates, at the option of the District at the Make-Whole Redemption Price, as defined in the bond documents.

3. Enterprise Wastewater Revenue Bonds, Series 2012

The District issued \$28,060,000 of wastewater revenue bonds in December 2012, with annual interest rates ranging from 2.00% to 5.00%. Interest is payable June 1 and December 1, through 2042. The principal is payable on December 1 and matures in various increments through 2042. The proceeds of these bonds were used to finance improvements to the wastewater system.

As special, limited obligations of the District, principal and interest on the bonds are payable solely from Net Pledged Revenues, as defined in the bond documents. Such net revenue includes income from the operation and use of the wastewater treatment facilities and other legally available revenue after the payment of operation and maintenance expenses of the system. In connection with the issuance of these bonds, the District has adopted a resolution imposing a new Sewer Debt Service Rate which is collected monthly from each single family equivalent ("SFE") in the system.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

3. Enterprise Wastewater Revenue Bonds, Series 2012 (continued)

The bond documents include a Rate Maintenance Covenant, which requires the District to establish service rates at a level sufficient to cover operating and maintenance expenses, as well as 110% of each fiscal year's debt service requirements of outstanding District bonds.

As previously discussed, these bonds are secured by a common Reserve Fund equal to the minimum of: a) 10% of the principal amount of the bonds, b) the maximum annual debt service in any calendar year, or c) 125% of the average annual debt service of the bonds.

In conjunction with the issuance of the 2009 Bonds, and subsequently with the 2012 Bonds, the District is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

Bonds maturing on and before December 1, 2022, are not subject to optional prior redemption. Bonds maturing on or after December 1, 2023, are subject to redemption prior to maturity at the option of District at par plus accrued interest.

4. General Obligation Wastewater Bonds, Series 2016

The District, through the Wasterwater Subdistrict, issued \$23,295,000 of general obligation water bonds in March 2016, the proceeds of which will be used to construct improvements to the District's wastewater system and pay the costs of issuance. The interest rates on the bonds range from 2.00% to 5.00%. Interest is payable on June 1st and December 1st, through 2045. The principal is payable on December 1st and matures in various increments through 2045.

Principal on the serial bonds is due beginning in 2016 through 2045 in amounts ranging from \$315,000 to \$1,305,000.

The bonds are not secured by the Wastewater Subdistrict's assets and are not obligations of the District. The bonds are direct obligations and pledge the full faith and credit of the Wastewater Subdistrict and are ultimately secured by the Wastewater Subdistrict's general ad valorem tax collections.

Bonds maturing on or after December 1, 2027, are subject to redemption prior to maturity at the option of District at par plus accrued interest.

5. Enterprise Wastewater Revenue Crossover Refunding Bonds, Series 2017

The District issued \$12,430,000 of enterprise wastewater revenue crossover refunding bonds in December 2017, with annual interest rates ranging from 3.00% to 5.00%. Interest is payable June 1 and December, through 2039. The principal is payable on December 1 and matures in various increments through 2039. The proceeds will be used to retire the 2009B wastewater enterprise revenue bonds on the crossover date December 1, 2019 and pay the costs of issuance. The 2009 bonds are not considered defeased until the crossover date and have not been removed from long-term debt.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

5. Enterprise Wastewater Revenue Crossover Refunding Bonds, Series 2017 (continued)

The proceeds from the issuance are held in an escrow account until the crossover date. Principal on the bonds is due beginning in 2020 through 2039 in amounts ranging from \$440,000 to \$840,000.

Only bonds maturing on and after December 1, 2028, are subject to redemption prior to maturity; these bonds are subject to redemption prior to maturity at the option of the District at par.

In conjunction with the issuance of these bonds, the District is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

These bonds are secured by a Reserve Fund equal to the least of 1) 10% of the principal amount of the bonds, 2) the maximum annual principal and interest on the bonds, or 3) 125% of average principal and interest on the bonds which will become due in any fiscal year. The District has purchased a bond reserve insurance policy to provide reserve funds if needed; therefore, no reserve has been reflected in these financial statements for this purpose.

The bond documents include a Rate Maintenance Covenant, which requires the District to establish service rates at a level sufficient to cover operating and maintenance expenses, as well as 115% of each fiscal year's debt service requirements of outstanding District bonds.

A bond insurance policy, which guarantees the scheduled payment of principal and interest on the bonds, was issued by Assured Guaranty Corporation concurrently with the issuance of these bonds.

The District realized a present value savings on the refunding of \$1,328,345.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

J. Long-term Liability Activity Schedule

Long-term liability activity for 2017 was as follows:

	1/1/17 Beginning Balance	Additions	Reductions	12/31/17 Ending Balance	Due Within One Year
Water					
1998 assessment obligation note	1,129,429	-	(69,129)	1,060,300	72,896
2009 water enterprise revenue bonds	11,855,000	-	(11,855,000)	-	-
2011 refunding general obligation bonds	1,730,000	-	(265,000)	1,465,000	270,000
2012A general obligation bonds	1,000,000	-	-	1,000,000	-
2012B general obligation refunding bonds	5,840,000	-	(375,000)	5,465,000	375,000
2017 revenue refunding bonds	-	12,545,000	(345,000)	12,200,000	380,000
Unamortized bond premiums	876,184	560,573	(151,711)	1,285,046	-
Accrued compensated absences	115,745	-	(5,805)	109,940	-
Subtotal - Water	<u>22,546,358</u>	<u>13,105,573</u>	<u>(13,066,645)</u>	<u>22,585,286</u>	<u>1,097,896</u>
Sanitation					
2009B wastewater revenue bonds	15,055,000	-	(385,000)	14,670,000	395,000
2012 wastewater revenue bonds	26,880,000	-	(615,000)	26,265,000	635,000
2016 general obligation bonds	22,980,000	-	(480,000)	22,500,000	490,000
2017 wastewater revenue refunding bond	-	12,430,000	-	12,430,000	-
Unamortized bond premiums	5,270,164	493,977	(198,031)	5,566,110	-
Accrued compensated absences	347,223	-	(17,403)	329,820	-
Subtotal - Sanitation	<u>70,532,387</u>	<u>12,923,977</u>	<u>(1,695,434)</u>	<u>81,760,930</u>	<u>1,520,000</u>
Total	<u>93,078,745</u>	<u>26,029,550</u>	<u>(14,762,079)</u>	<u>104,346,216</u>	<u>2,617,896</u>

K. Debt Service Schedules

Debt service requirements at December 31, 2017, were as follows for water operations:

	Principal	Interest	Total
Water			
2018	1,097,896	779,787	1,877,683
2019	1,126,869	748,864	1,875,733
2020	1,176,059	714,224	1,890,283
2021	1,210,476	673,957	1,884,433
2022	1,245,135	633,298	1,878,433
2023 - 2027	5,954,937	2,477,279	8,432,216
2028 - 2032	4,423,928	1,226,480	5,650,408
2033 - 2037	3,420,000	630,700	4,050,700
2038 - 2039	1,535,000	81,025	1,616,025
Total water debt service	<u>21,190,300</u>	<u>7,965,614</u>	<u>29,155,914</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

III. Detailed Notes on All Funds (continued)

K. Debt Service Schedules (continued)

Debt service requirements at December 31, 2017, were as follows for sanitation operations:

Sanitation	Principal	Interest	Total
2018	1,520,000	3,423,082	4,943,082
2019	1,560,000	3,375,627	4,935,627
2020	2,040,000	3,315,252	5,355,252
2021	2,100,000	3,242,370	5,342,370
2022	2,165,000	3,167,132	5,332,132
2023 - 2027	12,070,000	14,426,315	26,496,315
2028 - 2032	14,810,000	11,358,741	26,168,741
2033 - 2037	18,010,000	7,772,082	25,782,082
2038 - 2042	17,855,000	3,186,687	21,041,687
2043 - 2045	3,735,000	379,500	4,114,500
Total sanitation debt service	75,865,000	53,646,788	129,511,788

Aggregate debt service requirements at December 31, 2017, were as follows for the District:

Combined	Principal	Interest	Total
2018	2,617,896	4,202,869	6,820,765
2019	2,686,869	4,124,491	6,811,360
2020	3,216,059	4,029,476	7,245,535
2021	3,310,476	3,916,327	7,226,803
2022	3,410,135	3,800,430	7,210,565
2023 - 2027	18,024,937	16,903,594	34,928,531
2028 - 2032	19,233,928	12,585,221	31,819,149
2033 - 2037	21,430,000	8,402,782	29,832,782
2038 - 2042	19,390,000	3,267,712	22,657,712
2043 - 2045	3,735,000	379,500	4,114,500
Total combined debt service	97,055,300	61,612,402	158,667,702

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other special districts in the State to form the Colorado Special Districts Property and Liability Pool ("the Pool"), a public entity risk pool currently operating as a common risk management and insurance program for member special districts. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' 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.

B. Pension Plans

1. Defined Contribution Pension Plan - Section 401(a)

Full-time, year round employees of the District participate in a defined contribution pension plan which was established by the District and is maintained and administered by the Principal Financial Group. Additional plan oversight and advisory services are provided by Morton and Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees participate in the District's plan upon employment. Under this plan, 5% of the employees' compensation is withheld and remitted to the Plan Administrator. Following six months of the participant's employment, the District contributes a matching 5% of all eligible employees' compensation. In addition, the District contributes 6.2% of compensation for all eligible participants hired after March 31, 1986 or 7.65% of compensation for participants hired prior to March 31, 1986. This contribution begins upon employment.

The District's contributions, plus earnings, become vested at a rate of 20% for each year of participation in the plan. District contributions for employees who leave employment before five years of participation are used to reduce the District's future contribution requirement. There is no liability for benefits under the plan beyond the District's required contributions. Plan provisions and contribution requirements are established and may be amended by the District.

The District's 2017 covered payroll was \$7,690,700. Contributions actually made, which equaled the required contributions, were \$384,535 for plan members and \$838,414 for the District for the year ended December 31, 2017. Forfeitures totaled \$24,657 and for the year ended December 31, 2017.

As of December 31, 2017, there were no outstanding contribution liabilities.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Other Information (continued)

B. Pension Plans (continued)

2. Deferred Compensation Plan

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457 for full time, year round employees. This plan is administered by Principal Financial Group. Additional plan oversight and advisory services are provided by Morton and Company. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergencies. During 2011, the District amended the plan to offer a Roth contribution option.

C. Employee Housing Program

The District operates a housing program that benefits its employees by providing affordable housing options as real estate prices in the Vail area are high. The objective of the program is to retain current employees and to attract new employees to the area. There are certain specified individuals who are not District employees who are also allowed to participate in the housing program depending on availability and whether they meet eligibility criteria established by the Board.

The District offers rental properties to employees as well as home buyers assistance options. The rental properties consist of condos, apartments and homes that are either built or purchased by the District. For employees using the housing program for rental properties, the District will set up a payroll deduction as a means to collect the rent. This is also done for employees using the home buyers' assistance option.

D. Intergovernmental Agreements

1. Interconnect

The District and Upper Eagle Regional Water Authority (the "Authority") entered into an intergovernmental agreement ("IGA") in 1994 to construct an interconnect between their two water systems to enable the transfer of water between the parties for the purposes of achieving operational flexibility. In accordance with the IGA, the deliveries between the two systems are to be measured daily (net distribution of water) with the net amount owed by either party to the other to be recorded by the owing party at a rate equal to 75 percent of the then current water rate charges by the owing party. The intent of the parties is to provide long-term service to each other through the availability of peak use season and emergency supplemental water supply. The agreement provides for a payment calculation year of May 1 to April 30. If at the end of the payment year there is a net distribution of water to one of the parties that party shall make payment to the other party. It should be noted that historically towards the end of each payment year (April 30) the system is run to create a zero balance outstanding, such that no payment is due to or from either party. For the payment years ended April 30, 2017 and 2016, the balance outstanding was \$0.

The value of water distributed by the District through the interconnect was \$111,489 and \$34,703 during the year ended December 31, 2017 and 2016, respectively. As the system is brought to a zero balance by the end of each payment year (April 30), the District has chosen to forgo immediate payment and carry this receivable forward. The District reserves the right to request payment from the Authority at any time in the future.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Other Information (continued)

D. Intergovernmental Agreements (continued)

2. Contract for Water Services

Through an agreement, the District provides administration, operations, customer billing, system maintenance and capital program management services to the Authority. The District bills customers for the water service provided and collects and remits the monies to the Authority. The water service monies are not recognized as revenue of the District. In addition to the contract fees, the District bills the Authority for maintenance and supplies which are recognized as revenue. The District earned \$4,913,169 and \$3,912,674 of contract fees from the Authority during 2017 and 2016, respectively. The District has outstanding management fees due from the Authority as of December 31, 2017 and 2016 totaling \$833,500 and \$4,371, respectively, included in other receivables. There were other outstanding receivables, for operations services, due from the Authority as of December 31, 2017 and 2016 totaling \$183,916 and \$290,842, respectively, included in other accounts receivables. As of December 31, 2017 and 2016 there was \$1,278,783 and \$1,294,053 for water service billed, due to the Authority included in accounts payable, respectively.

The District earned \$18,300 and \$18,300 of contract fees from other governments which it has similar agreements (i.e. Town of Minturn and Eagle Park Reservoir Company) during 2017 and 2016, respectively.

E. Commitments and Contingencies - Federal and State Grants and Financial Sources

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

F. Construction Commitments

The District had one significant contract commitment with Cablaco Services, Inc. for tank coating work. The contract had \$88,043 remaining at December 31, 2017.

SUPPLEMENTARY INFORMATION



Eagle River Water & Sanitation District

Eagle River Water and Sanitation District
Schedule of Revenues, Expenditures, and Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended 2016)

	<u>2017</u>			Final Budget Variance Positive (Negative)	<u>2016</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:					
Water:					
Service fees	5,371,350	5,371,350	5,571,445	200,095	5,413,494
Other charges for services	20,350	20,350	92,805	72,455	195,974
Property taxes	1,370,000	1,370,000	1,402,268	32,268	1,384,680
Specific ownership taxes	20,000	20,000	77,758	57,758	70,801
Investment income	60,000	60,000	77,164	17,164	19,346
Gain (loss) on investment	-	-	(15,953)	(15,953)	(6,383)
Proceeds from sale of assets	-	-	26,218	26,218	14,953
Tap fees	250,000	250,000	442,780	192,780	348,803
Contributed assets - cash	-	-	70,500	70,500	68,500
Proceeds from bond issue	-	-	12,545,000	12,545,000	-
Premium (discount) on debt issuance	-	-	560,573	560,573	-
Other	19,500	19,500	23,085	3,585	28,022
Total Water Revenues	<u>7,111,200</u>	<u>7,111,200</u>	<u>20,873,643</u>	<u>13,762,443</u>	<u>7,538,190</u>
Sanitation:					
Service fees	13,586,000	13,586,000	13,260,115	(325,885)	13,537,884
Contract services	4,097,415	4,097,415	4,933,071	835,656	3,930,974
Rental income	300,000	300,000	417,752	117,752	300,885
Meter sales	540,000	540,000	587,391	47,391	549,243
Other charges for services	340,534	340,534	487,926	147,392	475,151
Property taxes	1,882,379	1,882,379	1,880,508	(1,871)	1,881,432
Specific ownership taxes	95,000	95,000	101,023	6,023	93,150
Investment income	147,000	147,000	434,026	287,026	74,835
Gain (loss) on investment	-	-	(97,999)	(97,999)	(24,014)
Interest credit - Build America Bonds	312,131	312,131	312,105	(26)	316,977
Proceeds from sale of assets	-	-	317,504	317,504	336,738
Tap fees	618,504	618,504	1,126,352	507,848	869,759
Fees in lieu of sewer lines	-	-	7,478	7,478	-
Contributed assets - cash	-	-	18,409	18,409	-
Proceeds from bond issue	-	-	12,430,000	12,430,000	25,240,336
Premium (discount) on debt issuance	-	-	493,977	493,977	-
Net loan (advances) repayments	26,220	26,220	(72,480)	(98,700)	108,901
Other	63,616	63,616	62,654	(962)	86,877
Total Sanitation Revenues	<u>22,008,799</u>	<u>22,008,799</u>	<u>36,699,812</u>	<u>14,691,013</u>	<u>47,779,128</u>
Total Revenues	<u>29,119,999</u>	<u>29,119,999</u>	<u>57,573,455</u>	<u>28,453,456</u>	<u>55,317,318</u>
Expenditures - Water:					
Water Operations:					
Salaries and benefits	2,245,895	2,245,895	2,290,085	(44,190)	2,064,032
Supplies and materials	407,724	407,724	376,899	30,825	312,846
Telephone and radio service	51,326	51,326	73,759	(22,433)	64,254
Insurance	53,750	53,750	54,484	(734)	52,408
Repairs and maintenance	172,198	172,198	90,908	81,290	122,659
Other	573,539	573,539	508,081	65,458	615,148
Utilities	292,700	292,700	245,706	46,994	241,602
Chemicals	88,000	88,000	71,595	16,405	59,730
Meter replacement	320,000	320,000	184,781	135,219	122,638
Outside services	10,000	10,000	6,780	3,220	4,712
Total Water Operations	<u>4,215,132</u>	<u>4,215,132</u>	<u>3,903,078</u>	<u>312,054</u>	<u>3,660,029</u>

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

Eagle River Water and Sanitation District
Schedule of Revenues, Expenditures, and Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended 2016)
(Continued)

	2017			2016	
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Expenditures - Water (continued):					
General and Administrative:					
Legal	67,500	67,500	46,101	21,399	51,755
Accounting and audit	18,000	18,000	20,372	(2,372)	12,125
Engineering	15,000	15,000	2,530	12,470	7,852
Management and consulting	337,875	337,875	354,241	(16,366)	421,236
Benefit administration	12,500	12,500	8,758	3,742	12,352
Community relations	27,153	27,153	15,091	12,062	17,433
On-call housing	-	-	264	(264)	1,279
Directors fees and expenses	4,375	4,375	3,930	445	4,397
Maintenance contracts	34,000	34,000	29,691	4,309	12,204
Water quality	91,000	91,000	90,355	645	70,509
Treasurer's fees	40,500	40,500	42,129	(1,629)	41,613
Total General and Administrative	647,903	647,903	613,462	34,441	652,755
Debt Service:					
Principal	1,014,129	1,014,129	1,054,129	(40,000)	965,556
Interest	695,304	695,303	858,860	(163,557)	979,510
Refunding payment to bond escrow agent	-	13,088,611	12,856,876	231,735	-
Debt issuance costs	251,197	251,197	244,823	6,374	-
Subtotal - Debt Service	1,960,630	15,049,240	15,014,688	34,552	1,945,066
Capital Outlay	2,493,926	2,493,926	1,924,762	569,164	1,457,791
Total Water Expenditures	9,317,591	22,406,201	21,455,990	950,211	7,715,641
Expenditures - Sanitation:					
Sanitation Operations:					
Salaries and benefits	8,233,808	8,233,808	8,491,776	(257,968)	7,605,069
Supplies and materials	2,114,072	2,114,072	1,822,064	292,008	1,784,672
Telephone and radio service	153,979	153,979	221,276	(67,297)	192,761
Insurance	161,250	161,250	163,451	(2,201)	157,225
Repairs and maintenance	823,967	823,967	614,820	209,147	511,303
Other	741,933	741,933	714,951	26,982	692,685
Utilities	982,890	982,890	973,176	9,714	975,385
Permits	37,000	37,000	35,947	1,053	35,067
Outside services	35,000	35,000	26,532	8,468	19,923
Total Sanitation Operations	13,283,899	13,283,899	13,063,993	219,906	11,974,090
General and Administrative:					
Legal	117,500	117,500	285,631	(168,131)	69,952
Accounting and audit	13,000	13,000	20,368	(7,368)	12,125
Engineering	7,500	7,500	420	7,080	-
Management and consulting	68,875	68,875	98,837	(29,962)	61,975
Benefit administration	37,500	37,500	26,274	11,226	34,078
Community relations	36,083	36,083	14,946	21,137	17,145
On-call housing	-	-	791	(791)	3,836
Directors fees and expenses	13,125	13,125	11,790	1,335	13,191
Maintenance contracts	102,000	102,000	89,073	12,927	36,612
Sanitation quality	480,000	480,000	318,831	161,169	420,948
Treasurer's fees	54,500	54,500	56,502	(2,002)	56,544
Cost recovery payments	-	-	-	-	105,028
Debt issuance costs	-	-	201,433	(201,433)	-
Total General and Administrative	930,083	930,083	1,124,896	(194,813)	831,434

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

Eagle River Water and Sanitation District
Schedule of Revenues, Expenditures, and Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended 2016)
(Continued)

	<u>2017</u>			Final Budget Variance Positive (Negative)	<u>2016</u>
	Original Budget	Final Budget	Actual		Actual
Expenditures - Sanitation (continued):					
Debt Service:					
Principal	1,480,000	1,480,000	1,480,000	-	2,613,124
Interest	3,038,598	3,038,598	3,049,708	(11,110)	2,888,364
Refunding payments to escrow agent	-	12,555,000	-	12,555,000	-
Debt issuance costs	-	-	-	-	206,410
Subtotal - Debt Service	<u>4,518,598</u>	<u>17,073,598</u>	<u>4,529,708</u>	<u>12,543,890</u>	<u>5,707,898</u>
Capital Outlay	<u>4,658,830</u>	<u>4,658,830</u>	<u>3,973,067</u>	<u>685,763</u>	<u>8,740,116</u>
Total Sanitation Expenditures	<u>23,391,410</u>	<u>35,946,410</u>	<u>22,691,664</u>	<u>13,254,746</u>	<u>27,253,538</u>
Total District Expenditures	<u>32,709,001</u>	<u>58,352,611</u>	<u>44,147,654</u>	<u>14,204,957</u>	<u>34,969,179</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,589,002)	(29,232,612)	13,425,801	42,658,413	20,348,139
Fund Available - Beginning of Year	<u>40,909,267</u>	<u>40,909,267</u>	<u>53,218,129</u>	<u>12,308,862</u>	<u>32,869,990</u>
Funds Available - End of Year	<u>37,320,265</u>	<u>11,676,655</u>	<u>66,643,930</u>	<u>54,967,275</u>	<u>53,218,129</u>
Funds available at year-end is computed as follows					
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>		<u>Total</u>
Current assets	8,832,922	65,387,784	74,220,706		61,836,368
Current liabilities and unavailable property tax revenue	(3,109,765)	(7,084,907)	(10,194,672)		(11,112,368)
Current portion of long-term obligations	1,097,896	1,520,000	2,617,896		2,494,129
	<u>6,821,053</u>	<u>59,822,877</u>	<u>66,643,930</u>		<u>53,218,129</u>

Reconciliation to GAAP Basis

	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	<u>Total</u>
Excess (deficiency) of revenues over expenditures	(582,347)	14,008,148	13,425,801	20,348,139
Contributed assets from developers	75,545	297,468	373,013	144,240
Proceeds from bond issue	(12,545,000)	(12,430,000)	(24,975,000)	(25,240,336)
Premium (discount) on debt issuance	(560,573)	(493,977)	(1,054,550)	-
Change in patronage dividends receivable	(3,215)	(3,045)	(6,260)	(9,000)
Change in other long-term receivables	76,786	-	76,786	(115,136)
Proceeds from disposition of capital assets	(26,218)	(317,504)	(343,722)	(351,697)
Gain (loss) on disposition of property	(8,450)	47,571	39,121	54,037
Depreciation	(1,789,901)	(7,312,905)	(9,102,806)	(8,673,967)
Amortization of bond premiums, discounts, and refunding costs	23,109	198,034	221,143	214,516
Net loan advances (repayments)	-	72,480	72,480	(108,901)
Debt principal payments	1,054,129	1,480,000	2,534,129	3,578,680
Principal payment to refunded bond escrow agent	12,856,876	-	12,856,876	-
Capitalized assets	1,924,762	3,973,067	5,897,829	10,197,907
Prior year construction in progress expensed in the current year	(9,759)	-	(9,759)	(35,569)
Capitalized interest	-	8,740	8,740	320,783
Change in compensated absences	5,805	17,403	23,208	(22,791)
Change in Net Position - GAAP Basis	<u>491,549</u>	<u>(454,520)</u>	<u>37,029</u>	<u>300,905</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2017

1998 Assessment Obligation Note
Payable to Eagle Park Reservoir Company
Original Principal - \$1,909,842
Interest Rate - 5.45%

<u>Year Ending December 31,</u>	<u>Principal Due September 16</u>	<u>Interest Due September 16</u>	<u>Total</u>
2018	72,896	57,787	130,683
2019	76,869	53,814	130,683
2020	81,059	49,624	130,683
2021	85,476	45,207	130,683
2022	90,135	40,548	130,683
2023	95,047	35,636	130,683
2024	100,227	30,456	130,683
2025	105,689	24,994	130,683
2026	111,449	19,234	130,683
2027	117,524	13,159	130,683
2028	123,929	6,754	130,683
	<u>1,060,300</u>	<u>377,213</u>	<u>1,437,513</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2017

2011 Water Refunding General Obligation Bond			
Original Principal - \$2,930,000			
Interest Rate - 3.00% to 4.00%			
Year Ending December 31,	Principal Due April 1 and October 1	Interest Due June 1 and December 1	Total
2018	270,000	55,150	325,150
2019	280,000	47,050	327,050
2020	300,000	35,850	335,850
2021	300,000	23,850	323,850
2022	315,000	12,600	327,600
	<u>1,465,000</u>	<u>174,500</u>	<u>1,639,500</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2017

2012 Water General Obligation Bonds			
Original Principal - \$1,000,000			
Interest Rate - 2.30% to 2.50%			
Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2018	-	40,000	40,000
2019	-	40,000	40,000
2020	-	40,000	40,000
2021	-	40,000	40,000
2022	-	40,000	40,000
2023	130,000	40,000	170,000
2024	135,000	35,000	170,000
2025	140,000	29,800	169,800
2026	145,000	24,400	169,400
2027	145,000	18,600	163,600
2028	150,000	12,600	162,600
2029	155,000	6,400	161,400
	<u>1,000,000</u>	<u>366,800</u>	<u>1,366,800</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2017

2012 General Obligation Water Refunding Bonds
Original Principal - \$6,605,000
Interest Rate - 2.00% to 3.00%

Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2018	375,000	198,650	573,650
2019	385,000	187,400	572,400
2020	400,000	175,850	575,850
2021	415,000	163,850	578,850
2022	420,000	151,400	571,400
2023	440,000	138,800	578,800
2024	460,000	121,200	581,200
2025	475,000	102,800	577,800
2026	490,000	83,800	573,800
2027	515,000	64,200	579,200
2028	535,000	43,600	578,600
2029	555,000	22,200	577,200
	<u>5,465,000</u>	<u>1,453,750</u>	<u>6,918,750</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2017

2017 Water Revenue Refunding Bonds

Original Principal - \$12,545,000

Interest Rate - 2.00% to 5.00%

Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2018	380,000	428,200	808,200
2019	385,000	420,600	805,600
2020	395,000	412,900	807,900
2021	410,000	401,050	811,050
2022	420,000	388,750	808,750
2023	430,000	376,150	806,150
2024	445,000	364,325	809,325
2025	470,000	342,075	812,075
2026	490,000	318,575	808,575
2027	515,000	294,075	809,075
2028	540,000	268,325	808,325
2029	560,000	246,725	806,725
2030	585,000	224,325	809,325
2031	600,000	206,775	806,775
2032	620,000	188,775	808,775
2033	640,000	170,175	810,175
2034	660,000	149,375	809,375
2035	685,000	127,925	812,925
2036	705,000	103,950	808,950
2037	730,000	79,275	809,275
2038	755,000	53,725	808,725
2039	780,000	27,300	807,300
	<u>12,200,000</u>	<u>5,593,350</u>	<u>17,793,350</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Sanitation
December 31, 2017

2009 Wastewater Revenue Bonds
Direct Pay Build America Bonds
Principal - \$15,785,000
Interest Rate - 4.71% - 6.79%

<u>Year Ending December 31,</u>	<u>Principal Due December 1</u>	<u>Interest Due June 1 and December 1</u>	<u>Total</u>
2018	395,000	939,763	1,334,763
2019	405,000	921,158	1,326,158
2020	420,000	902,083	1,322,083
2021	435,000	878,101	1,313,101
2022	450,000	853,263	1,303,263
2023	470,000	827,567	1,297,567
2024	485,000	800,731	1,285,731
2025	505,000	770,127	1,275,127
2026	525,000	738,261	1,263,261
2027	545,000	705,134	1,250,134
2028	570,000	670,745	1,240,745
2029	595,000	634,777	1,229,777
2030	615,000	597,233	1,212,233
2031	645,000	556,397	1,201,397
2032	670,000	513,569	1,183,569
2033	700,000	469,081	1,169,081
2034	730,000	422,601	1,152,601
2035	760,000	374,129	1,134,129
2036	795,000	322,525	1,117,525
2037	830,000	268,545	1,098,545
2038	865,000	212,187	1,077,187
2039	2,260,000	153,454	2,413,454
	<u>14,670,000</u>	<u>13,531,431</u>	<u>28,201,431</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Sanitation
December 31, 2017

2012 Wastewater Revenue Bonds
Enterprise Wastewater Revenue Bonds
Principal - \$28,060,000
Interest Rate - 2.00% - 5.00%

<u>Year Ending December 31,</u>	<u>Principal Due December 1</u>	<u>Interest Due June 1 and December 1</u>	<u>Total</u>
2018	635,000	1,172,550	1,807,550
2019	655,000	1,153,500	1,808,500
2020	665,000	1,140,400	1,805,400
2021	685,000	1,120,450	1,805,450
2022	705,000	1,099,900	1,804,900
2023	735,000	1,071,700	1,806,700
2024	765,000	1,042,300	1,807,300
2025	795,000	1,011,700	1,806,700
2026	835,000	971,950	1,806,950
2027	875,000	930,200	1,805,200
2028	920,000	886,450	1,806,450
2029	955,000	851,350	1,806,350
2030	990,000	814,900	1,804,900
2031	1,030,000	777,200	1,807,200
2032	1,070,000	738,100	1,808,100
2033	1,110,000	697,500	1,807,500
2034	1,165,000	642,000	1,807,000
2035	1,220,000	583,750	1,803,750
2036	1,285,000	522,750	1,807,750
2037	1,350,000	458,500	1,808,500
2038	1,415,000	391,000	1,806,000
2039	1,485,000	320,250	1,805,250
2040	1,560,000	246,000	1,806,000
2041	1,640,000	168,000	1,808,000
2042	1,720,000	86,000	1,806,000
	<u>26,265,000</u>	<u>18,898,400</u>	<u>45,163,400</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Sanitation
December 31, 2017

2016 Wastewater General Obligation Bonds
Enterprise General Obligation Bonds
Principal - \$23,295,000
Interest Rate - 2.00% - 5.00%

<u>Year Ending December 31,</u>	<u>Principal Due December 1</u>	<u>Interest Due June 1 and December 1</u>	<u>Total</u>
2018	490,000	881,950	1,371,950
2019	500,000	872,150	1,372,150
2020	515,000	857,150	1,372,150
2021	530,000	841,700	1,371,700
2022	545,000	825,800	1,370,800
2023	555,000	814,900	1,369,900
2024	585,000	787,150	1,372,150
2025	595,000	772,525	1,367,525
2026	610,000	757,650	1,367,650
2027	630,000	740,875	1,370,875
2028	660,000	709,375	1,369,375
2029	695,000	676,375	1,371,375
2030	720,000	648,575	1,368,575
2031	750,000	619,775	1,369,775
2032	775,000	597,275	1,372,275
2033	795,000	574,025	1,369,025
2034	830,000	538,250	1,368,250
2035	870,000	500,900	1,370,900
2036	910,000	461,750	1,371,750
2037	950,000	420,800	1,370,800
2038	980,000	387,550	1,367,550
2039	1,015,000	353,250	1,368,250
2040	1,050,000	317,725	1,367,725
2041	1,085,000	280,975	1,365,975
2042	1,125,000	243,000	1,368,000
2043	1,185,000	186,750	1,371,750
2044	1,245,000	127,500	1,372,500
2045	1,305,000	65,250	1,370,250
	<u>22,500,000</u>	<u>15,860,950</u>	<u>38,360,950</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Sanitation
December 31, 2017

2017 Wastewater Revenue Crossover Refunding Bonds			
Original Principal - \$12,430,000			
Interest Rate - 3.00% to 5.00%			
Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2018	-	404,995	404,995
2019	-	428,819	428,819
2020	440,000	428,819	868,819
2021	450,000	415,619	865,619
2022	465,000	402,119	867,119
2023	480,000	388,169	868,169
2024	495,000	373,769	868,769
2025	510,000	358,919	868,919
2026	525,000	343,619	868,619
2027	550,000	317,369	867,369
2028	580,000	289,869	869,869
2029	605,000	260,869	865,869
2030	635,000	230,619	865,619
2031	655,000	211,569	866,569
2032	675,000	191,919	866,919
2033	695,000	171,669	866,669
2034	720,000	149,950	869,950
2035	740,000	127,450	867,450
2036	765,000	104,325	869,325
2037	790,000	79,463	869,463
2038	815,000	53,788	868,788
2039	840,000	27,296	867,296
	<u>12,430,000</u>	<u>5,761,002</u>	<u>18,191,002</u>

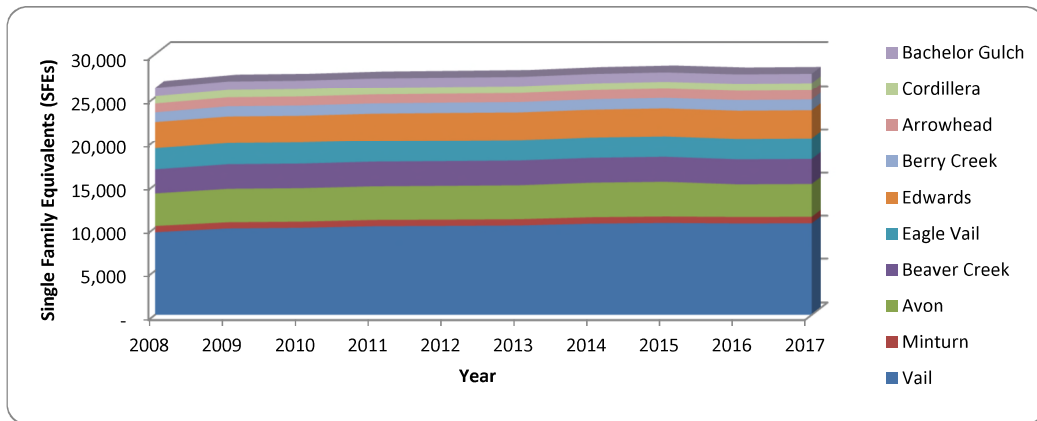
The accompanying notes are an integral part of these financial statements.

STATISTICAL SECTION



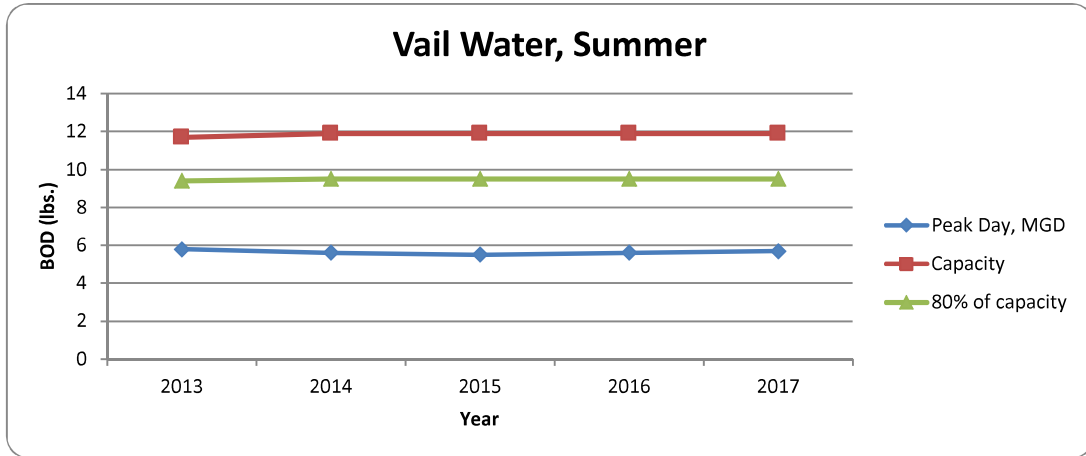
Eagle River Water & Sanitation District

**Eagle River Water and Sanitation District
Single Family Equivalents (SFEs) in Service
Ten Year Comparison
December 31, 2017
(Unaudited)**



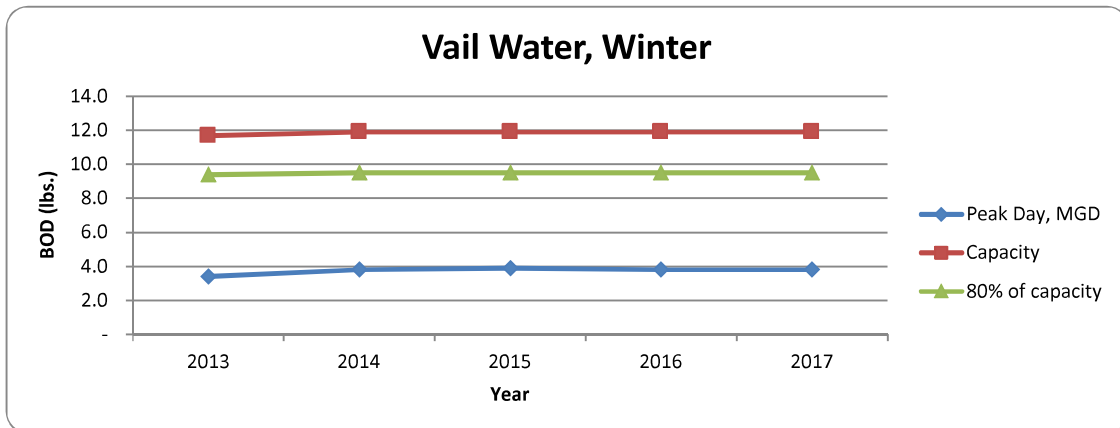
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Vail	9,502	9,932	10,004	10,184	10,218	10,264	10,474	10,551	10,494	10,509
Minturn	705	699	697	710	709	711	724	726	732	733
Avon	3,821	3,913	3,916	3,932	3,953	3,969	4,038	4,062	3,823	3,847
Beaver Creek	2,715	2,779	2,781	2,794	2,799	2,802	2,807	2,823	2,824	2,829
Eagle Vail	2,392	2,401	2,402	2,409	2,408	2,410	2,414	2,425	2,427	2,433
Edwards	3,075	3,111	3,119	3,125	3,147	3,140	3,150	3,174	3,197	3,202
Berry Creek	1,106	1,162	1,165	1,169	1,171	1,180	1,190	1,195	1,211	1,220
Arrowhead	998	1,017	1,025	1,021	1,026	1,031	1,040	1,050	1,062	1,063
Cordillera	829	845	845	853	852	858	862	868	880	877
Bachelor Gulch	1,044	1,055	1,058	1,065	1,065	1,071	1,069	1,076	1,072	1,076
Total SFEs	<u>26,187</u>	<u>26,914</u>	<u>27,012</u>	<u>27,262</u>	<u>27,348</u>	<u>27,436</u>	<u>27,768</u>	<u>27,948</u>	<u>27,722</u>	<u>27,789</u>
Percent increase	<u>2.03%</u>	<u>2.78%</u>	<u>0.36%</u>	<u>0.93%</u>	<u>0.32%</u>	<u>0.32%</u>	<u>1.21%</u>	<u>0.65%</u>	<u>-0.81%</u>	<u>0.24%</u>

Eagle River Water and Sanitation District
Water Demand Compared To Capacity
Five Year Comparison
December 31, 2017
(Unaudited)



Vail Water, Summer

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Peak Day, MGD	5.8	5.6	5.5	5.6	5.7
Capacity	11.7	11.9	11.9	11.9	11.9
80% of capacity	9.4	9.5	9.5	9.5	9.5
Flow, MGD as a % Capacity	50%	47%	46%	47%	48%

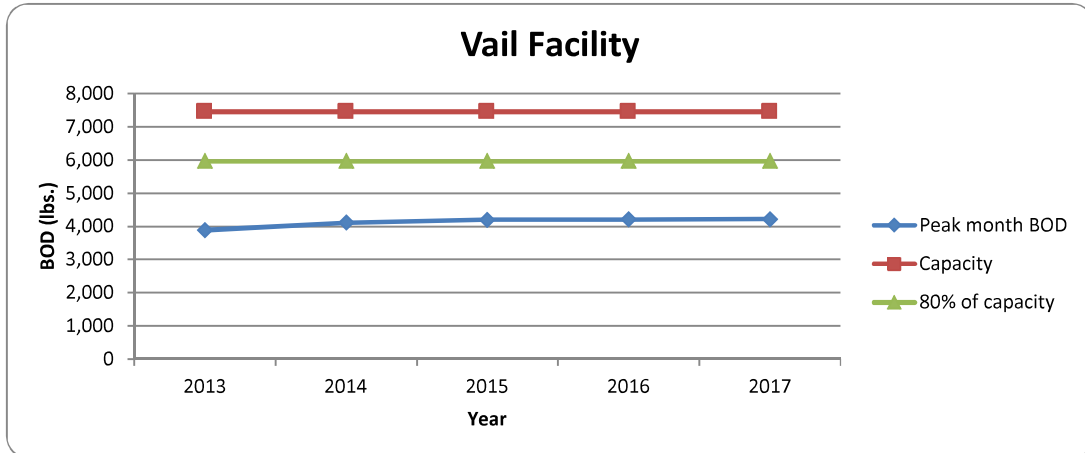


Vail Water, Winter

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Peak Day, MGD	3.4	3.8	3.9	3.8	3.8
Capacity	11.7	11.9	11.9	11.9	11.9
80% of capacity	9.4	9.5	9.5	9.5	9.5
Flow, MGD as a % Capacity	29%	32%	33%	32%	32%

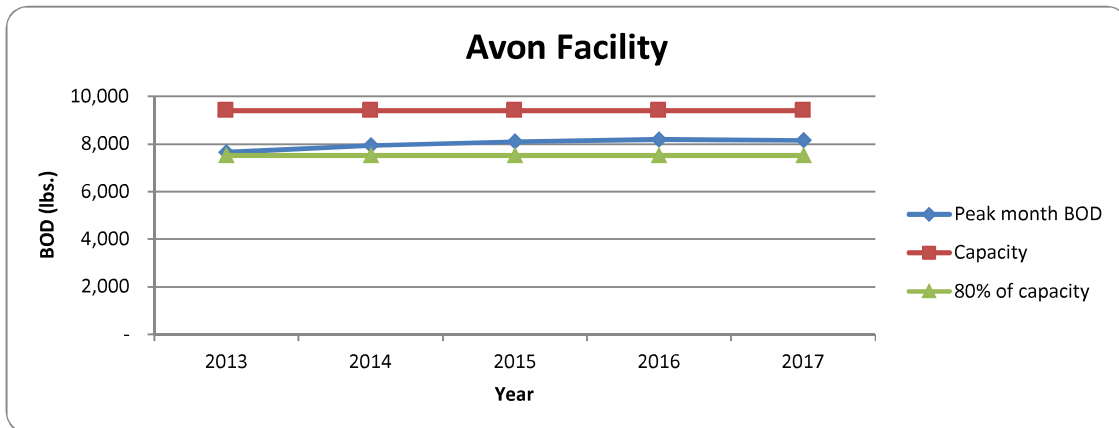
**Eagle River Water and Sanitation District
Wastewater Loadings Compared to Facility Capacity
Five Year Comparison
December 31, 2017
(Unaudited)**

Biochemical Oxygen Demand ("BOD") is the rate in which organisms use oxygen in wastewater while stabilizing decomposable organic matter under aerobic conditions. In decomposition, organic matter serves as food for the bacteria and energy results from its oxidation. BOD measurements are used as a surrogate measure of the organic strength of wastes in water.



Vail Facility

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Peak month BOD	3,887	4,110	4,197	4,209	4,218
Capacity	7,450	7,450	7,450	7,450	7,450
80% of capacity	5,960	5,960	5,960	5,960	5,960
Peak month BOD as % of capacity	52%	55%	56%	56%	57%

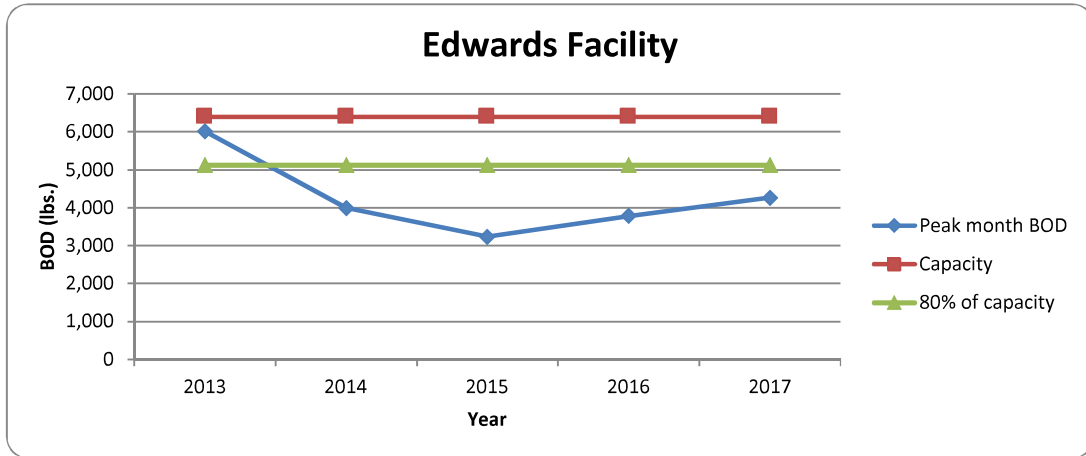


Avon Facility

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Peak month BOD	7,648	7,945	8,109	8,192	8,159
Capacity	9,400	9,400	9,400	9,400	9,400
80% of capacity	7,520	7,520	7,520	7,520	7,520
Peak month BOD as % of capacity	81%	85%	86%	87%	87%

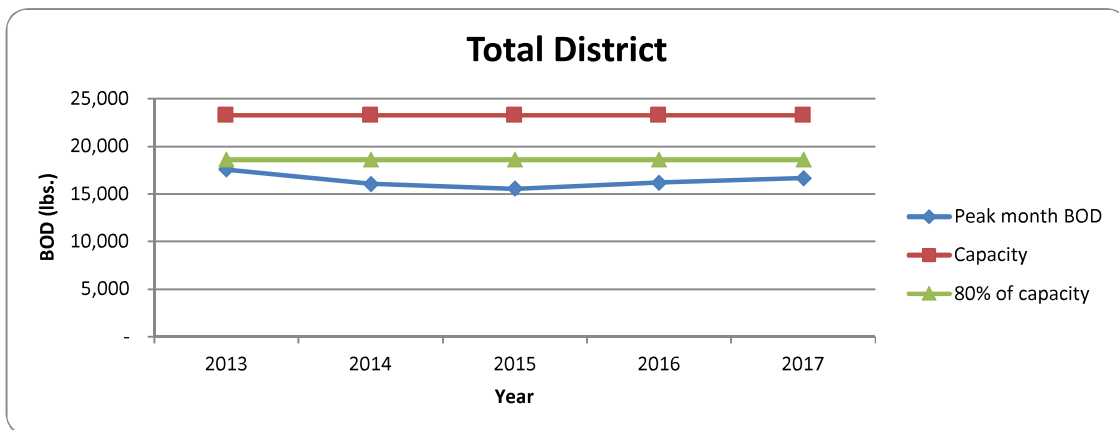
**Eagle River Water and Sanitation District
Wastewater Loadings Compared to Facility Capacity
Five Year Comparison
December 31, 2017
(Continued)
(Unaudited)**

Biochemical Oxygen Demand ("BOD") is the rate in which organisms use oxygen in wastewater while stabilizing decomposable organic matter under aerobic conditions. In decomposition, organic matter serves as food for the bacteria and energy results from its oxidation. BOD measurements are used as a surrogate measure of the organic strength of wastes in water.



Edwards Facility

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Peak month BOD	6,017	3,996	3,235	3,784	4,267
Capacity	6,400	6,400	6,400	6,400	6,400
80% of capacity	5,120	5,120	5,120	5,120	5,120
Peak month BOD as % of capacity	94%	62%	51%	59%	67%



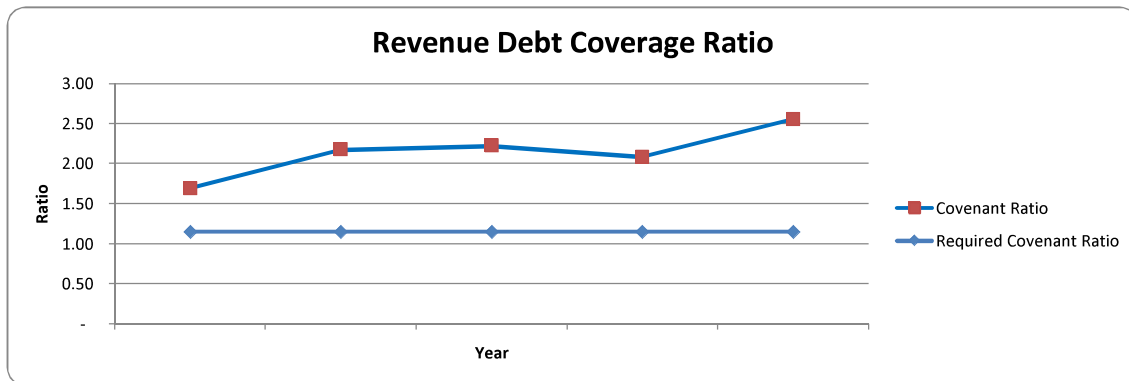
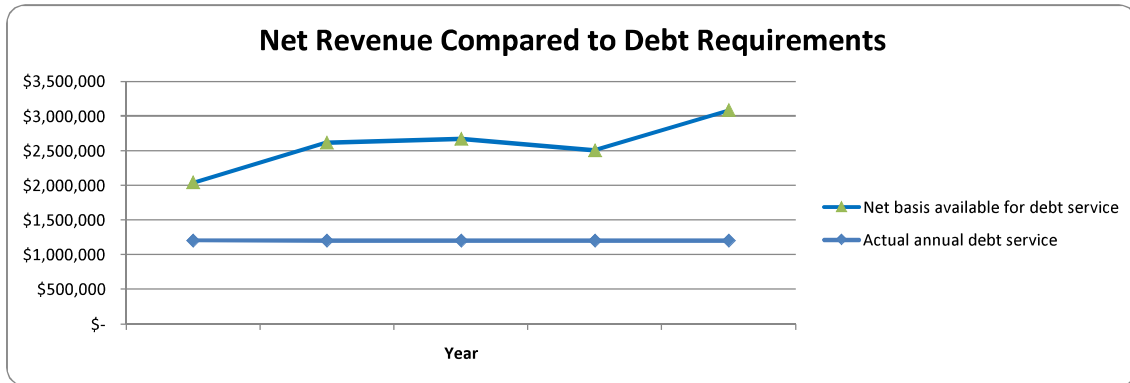
Total District

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Peak month BOD	17,552	16,051	15,411	16,185	16,644
Capacity	23,250	23,250	23,250	23,250	23,250
80% of capacity	18,600	18,600	18,600	18,600	18,600
Peak month BOD as % of capacity	75%	69%	67%	70%	72%

**Eagle River Water and Sanitation District
Top 10 Customers
Five Year Comparison
December 31, 2017
(Unaudited)**

Customer Type	1,000 Gallons	Sales Dollar Amount	% of Total Sales Dollars
<u>Vail Water Sales</u>			
Ski Company / Resort	77,319	\$ 156,774	2.8%
Town of Vail	23,412	136,309	2.4%
Condominiums / Resort	12,867	92,655	1.7%
Hotel / Resort	19,965	84,221	1.5%
Hotel / Resort	19,821	83,947	1.5%
Hospital	13,144	76,225	1.4%
Hotel / Resort	6,173	63,949	1.1%
Hotel / Resort / Commercial	11,369	59,647	1.1%
Hotel / Resort	12,065	52,564	0.9%
Condominiums / Resort	9,221	47,750	0.9%
Total - Top 10 Customers	205,356	\$ 854,041	15.3%
Total - All Other Customers	488,700	4,717,404	84.7%
Total Service Fees	694,056	\$ 5,571,445	100.0%
<u>Wastewater Sales</u>			
Ski Company / Resort		\$ 276,526	2.1%
Mobile Home Park		184,249	1.4%
Hotel / Resort		123,596	0.9%
Hotel / Resort		114,376	0.9%
Apartment Complex		110,313	0.8%
Condominiums / Resort		105,172	0.8%
Condominiums / Resort		100,699	0.8%
Hotel / Resort		100,355	0.8%
Apartment Complex		92,917	0.7%
Hotel / Resort		91,637	0.7%
Total - Top 10 Customers		\$ 1,299,840	9.8%
Total - All Other Customers		11,960,275	90.2%
Total Service Fees		\$ 13,260,115	100.0%

Eagle River Water and Sanitation District
Rate Maintenance Covenant - Water
Five Year Comparison
December 31, 2017
(Unaudited)



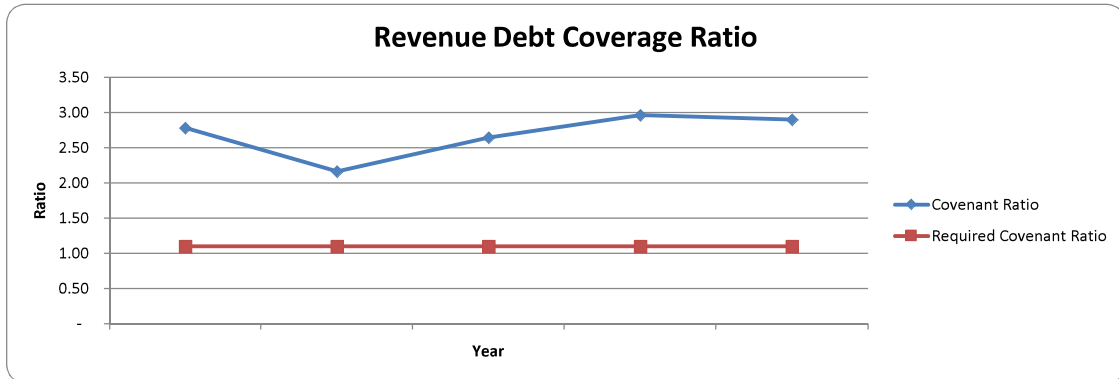
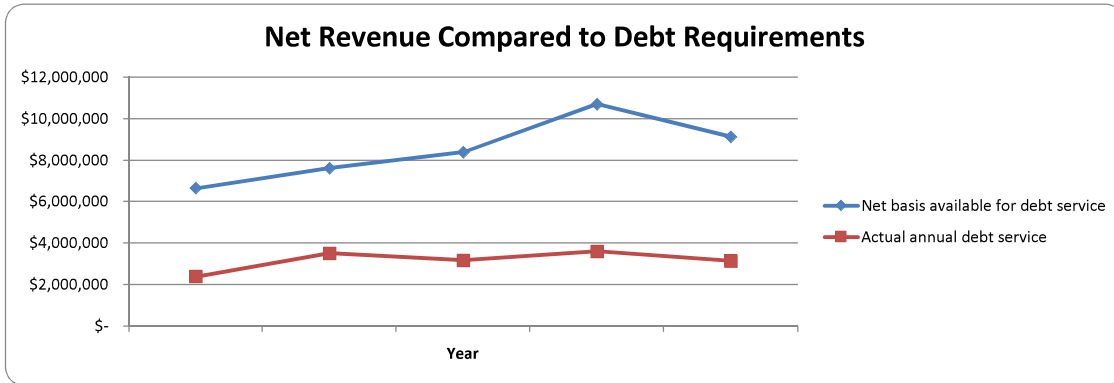
Per the bond covenants, the District is to assess a fee to cover operations and maintenance and 115% of water debt service.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating revenue	4,498,998	4,839,562	4,874,625	4,884,210	5,741,036
Plus:					
Tap fees and other contributed cash	308,895	309,134	761,113	485,228	442,780
Investment income	15,620	9,640	21,261	18,706	77,164
Property taxes for general operating	424,746	429,259	446,884	446,643	474,496
Other non-operating revenues	27,076	23,312	22,630	18,651	19,870
Proceeds from sale of system		-	-	-	-
Rate stabilization funds	600,000	600,000	600,000	600,000	600,000
Total revenues available for debt service	<u>5,875,335</u>	<u>6,210,907</u>	<u>6,726,513</u>	<u>6,453,438</u>	<u>7,355,346</u>
Expenses	6,442,116	6,239,419	6,837,516	6,754,017	7,104,017
Less:					
Interest expense	(1,047,355)	(988,993)	(1,007,672)	(978,037)	(835,720)
Depreciation	(1,418,591)	(1,521,530)	(1,606,490)	(1,674,283)	(1,789,902)
Major capital additions	(142,970)	(138,275)	(170,040)	(154,719)	(206,249)
Total expenses available for debt service	<u>3,833,200</u>	<u>3,590,621</u>	<u>4,053,314</u>	<u>3,946,978</u>	<u>4,272,146</u>
Net basis available for debt service	<u>2,042,135</u>	<u>2,620,286</u>	<u>2,673,199</u>	<u>2,506,460</u>	<u>3,083,200</u>
Actual annual debt service (excluding general obligation debt)	<u>1,207,444</u>	<u>1,204,862</u>	<u>1,202,713</u>	<u>1,205,062</u>	<u>1,206,663</u>
Covenant Ratio	<u>1.69</u>	<u>2.17</u>	<u>2.22</u>	<u>2.08</u>	<u>2.56</u>
Required Covenant Ratio	<u>1.15</u>	<u>1.15</u>	<u>1.15</u>	<u>1.15</u>	<u>1.15</u>

Rate Maintenance Covenant: The District's Water Enterprise Series 2009 bonds include a Rate Maintenance Covenant sufficient revenues to pay: (i) Operation and Maintenance Expenses, (ii) 115% of each Fiscal Year's Bond Requirements of the Bonds, (iii) any amounts required to pay all Policy Costs then due and owing and all sums, (iv) any amounts required to meet then existing deficiencies pertaining to any fund or account relating to the Gross Pledged Revenues or any securities payable there from.

The above Rate Maintenance Covenant is tested annually. It is the District's policy to use unrestricted cash and investments (\$4,641,356 at December 31, 2017) to meet the Rate Maintenance Covenant if necessary.

Eagle River Water and Sanitation District
Rate Maintenance Covenant - Sanitation
Five Year Comparison
December 31, 2017
(Unaudited)



Per the bond covenants, the District is to assess a fee to cover operations and maintenance and 110% of sewer debt service.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating revenue	16,000,377	16,555,561	16,814,212	19,882,202	19,686,255
Plus:					
Tap fees and other contributed cash	542,998	891,676	1,211,291	1,102,004	1,144,761
Investment income	30,623	52,821	91,645	71,504	434,026
Interest credit - Build America Bonds	347,298	319,688	322,119	322,813	312,105
Property taxes for general operating	513,105	516,631	506,338	507,831	539,174
Other non-operating revenues	140,215	78,936	81,665	55,953	59,609
Rate stabilization funds	600,000	600,000	600,000	600,000	600,000
Total revenues available for debt service	<u>18,174,616</u>	<u>19,015,313</u>	<u>19,627,270</u>	<u>22,542,307</u>	<u>22,775,930</u>
Expenses	18,865,900	20,273,980	20,189,192	20,737,104	24,069,390
Less:					
Interest expense	(1,309,408)	(2,223,333)	(2,166,414)	(1,872,207)	(2,842,937)
Depreciation	(5,463,258)	(6,060,278)	(6,276,561)	(6,505,166)	(7,312,904)
Major capital additions	(429,580)	(569,755)	(590,412)	(502,746)	(263,659)
Total expenses available for debt service	<u>11,523,479</u>	<u>11,399,957</u>	<u>11,243,471</u>	<u>11,835,759</u>	<u>13,649,890</u>
Net basis available for debt service	<u>6,651,137</u>	<u>7,615,356</u>	<u>8,383,799</u>	<u>10,706,548</u>	<u>9,126,040</u>
Actual annual debt service (excluding general obligation debt)	<u>2,390,602</u>	<u>3,518,690</u>	<u>3,172,788</u>	<u>3,610,528</u>	<u>3,149,173</u>
Covenant Ratio	<u>2.78</u>	<u>2.16</u>	<u>2.64</u>	<u>2.97</u>	<u>2.90</u>
Required Covenant Ratio	<u>1.10</u>	<u>1.10</u>	<u>1.10</u>	<u>1.10</u>	<u>1.10</u>

Rate Maintenance Covenant: The District's Wastewater Revenue Bonds, Series 2009A, 2009B, and 2012 include a Rate Maintenance Covenant sufficient revenues to pay: (i) Operation and Maintenance Expenses, (ii) 110% of each Fiscal Year's Bond Requirements of the Bonds, (iii) any amounts required to pay all Policy Costs then due and owing and all sums, (iv) any amounts required to meet then existing deficiencies pertaining to any fund or account relating to the Gross Pledged Revenues or any securities payable there from.

The above Rate Maintenance Covenant is tested annually. It is the District's policy to use unrestricted cash and investments (\$25,045,863 at December 31, 2017) to meet the Rate Maintenance Covenant if necessary.

Eagle River Water and Sanitation District
Assessed Valuation, Property Taxes Levied and Collected - Water
Five Year Comparison
December 31, 2017
(Unaudited)

Calendar Year Ended December 31	Prior Year Assessed Valuation for Current Year Property Tax Levy	Total Mills Levied		Total Property Tax		% Collected to Levied
		Operating Mills Levied	Debt Service Mills Levied	Levied	Collected	
2010	\$ 1,047,156,590 *	0.475	0.940	\$ 1,481,727	\$ 1,473,417	99.4%
2011	1,059,176,210 *	0.475	0.934	1,492,379	1,481,122	99.2%
2012	871,564,200 *	0.475	1.135	1,403,218	1,384,378	98.7%
2013	867,000,510 *	0.475	1.109	1,373,329	1,371,553	99.9%
2014	903,631,550 *	0.475	1.001	1,333,760	1,316,106	98.7%
2015	891,582,030 *	0.475	1.067	1,374,819	1,374,344	100.0%
2016	1,011,063,110 *	0.444	0.931	1,390,212	1,384,680	99.6%
2017	1,012,817,770	0.444	0.941	1,402,752		

Note: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years. Information received from the County Treasurer does not permit identification of specific year of assessment.

* Net of Tax Increment Funding Areas (TIF), not generating Tax Revenue to the Sanitation District.

Eagle River Water and Sanitation District
Assessed Valuation, Property Taxes Levied and Collected - Sanitation
Five Year Comparison
December 31, 2017
(Unaudited)

Calendar Year Ended December 31	Prior Year Assessed Valuation for Current Year Property Tax Levy	Total Mills Levied		Total Property Tax		% Collected to Levied
		Operating Mills Levied	Debt Service Mills Levied	Levied	Collected	
2010	\$ 2,533,899,100 *	0.251	0.544	\$ 2,014,450	\$ 1,994,677	99.0%
2011	2,537,532,640 *	0.251	0.545	2,019,876	1,999,673	99.0%
2012	2,020,250,180 *	0.247	0.685	1,882,873	1,865,020	99.1%
2013	2,012,536,240 *	0.247	0.684	1,873,671	1,869,598	99.8%
2014	1,970,636,950 *	0.247	0.699	1,864,222	1,841,352	98.8%
2015	1,953,185,640 *	0.247	0.707	1,863,339	1,862,282	99.9%
2016	2,214,842,850 *	0.231	0.621	1,887,046	1,881,432	99.7%
2017	2,216,097,720	0.231	0.618	1,881,466		

Note: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years. Information received from the County Treasurer does not permit identification of specific year of assessment.

* Net of Tax Increment Funding Areas (TIF), not generating Tax Revenue to the Sanitation District.

**Eagle River Water and Sanitation District
Schedule of Water & Storage Rights
December 31, 2017
(Unaudited)**

Most of the water and storage rights currently used by the District were provided by the previous water utilities at no cost to the District. In accordance with Governmental Accounting Standards Board (GASB), only owned water and storage rights are shown on the District's Statement of Net Position at historic cost, totaling \$1,496,416. This cost represents mostly legal expenditures to establish the District's ability to use these rights to provide water directly to the customers and a small acquisition of new rights. Also in accordance with GASB, the investment in Eagle Park Reservoir Company Stock, which provides a valuable source of raw water supply, is not reflected in capital assets, but is shown in Other Assets at the historic cost of \$3,466,756. Management of the District believes the actual value of these water and storage rights used by the District to be greater than historical cost as of December 31, 2017.

The appraisal value as of January 1, 2017, performed by Porzak Browning & Bushong LLP (Special Water Rights Counsel for the District) is recited here solely for informational purposes.

Water Right	Quantity (a.f.)	Price per a.f.	Historical Cost	Appraisal Value
Investment in Eagle Park Reservoir Company	434.5	\$35,000	\$3,466,756	\$15,207,500
Homestake Reservoir	250	35,000	0	8,750,000
Green Mtn. Res. contract	934	1,500	0	1,401,000
Wolford Mtn. Res. contract	500	3,625	0	1,812,500
Black Lakes storage	425	35,000	0	14,875,000
Conditional storage	7,684.76	100	0	768,476
In-basin consumptive use	902	9,000	1,496,416	8,118,000
Direct flow HUP water (winter)	89	35,000	0	3,115,000
TOTAL			\$4,963,172	\$54,047,476

Water Rights Owned

Eagle Park Reservoir

The District owns or has a perpetual contractual right to the water rights in connection with Eagle Park Reservoir (434.5 a.f.). Refer to footnote III.F. for additional terms. The value of Eagle Park Reservoir is based on the District's dedication replacement cost of \$35,000 per acre-foot for non-irrigation season in-basin storage. That replacement cost is established by the District's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the District's service area.

Homestake Reservoir

The District owns or has a perpetual contractual right to the water rights in connection with Homestake Reservoir (250 a.f.). The value of Homestake Reservoir storage is based on the District's dedication replacement cost of \$35,000 per acre-foot for non-irrigation season in-basin storage. That replacement cost is established by the District's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the District's service area.

Eagle River Water and Sanitation District
Schedule of Water & Storage Rights
December 31, 2017
(Unaudited)
(Continued)

Green Mountain Reservoir

The District owns water related contracts in connection with Green Mountain Reservoir (934 a.f.).

Contract 9-07-60-W0408: This contract was executed on April 6, 1989, for a total of 934 acre-feet per year, 264 acre-feet for municipal and domestic use, and 670 acre-feet for industrial use which includes snowmaking. The annual contract payment is \$10 per acre-foot for municipal and domestic use water (264 acre-feet). The annual contract payment for industrial use water (670 acre-feet) is \$55 per acre-foot for the first 385 acre-feet, and a \$15 per acre foot standby charge and a \$40 per acre foot delivery charge for the remaining 285 acre-feet. The \$40 delivery charge is paid only for actual water delivered, while the standby charge is paid regardless of actual delivery. This lease is for a term of 40 years (expires April 5, 2029), with an option to renew for an additional 40 years.

Green Mountain Reservoir contract water value is based on the fact that Green Mountain Reservoir is a finite pool, that there are no new contracts being let by the U.S. Bureau of Reclamation for this pool, but also reflecting its lower value compared with Wolford Mountain Reservoir contract water due to less reliability and transfer issues with the Bureau. The term of the Green Mountain Reservoir contract is also less than the term of the Wolford Mountain Reservoir contract.

Wolford Mountain Reservoir

The District owns water related contracts in connection with Wolford Mountain Reservoir (500 a.f.).

Contract CW08010: This contract was executed on February 9, 2009, for 500 acre-feet per year. The base price was \$260.25 per acre-foot for the first year, and annual contract payments are \$260.25 per acre-foot, but they can be increased each year up to the amount of increase in the Consumer Price Increase plus the New Growth Index. It is for an initial term of 75 years (expiring February 9, 2084), with a right of first refusal at the end of the initial term on the same terms at which the River District is offering similar supplies to other municipal water providers.

Wolford Mountain Reservoir contract water value is based on a ten (10) year cost at \$362.50 per acre-foot per year, or a total of \$3,625 per acre-foot. A ten year lease cost is an approximation of the purchase value of this water.

Black Lakes

The Black Lakes water rights consist of two structures, Black Lake and Black Lake No. 2, and three separate water rights decreed to those structures. Pursuant to the decrees in Case Nos. W-4003, 79CW296, 82CW328, 05CW257, and 10CW200, the District's interest in the Black Lake No.1 water right is 352 a.f. absolute, and its interest in the Black Lake No.2 water right is 73 a.f. absolute. These structures and water rights are subject to two agreements: the Memorandum of Agreement dated January 30, 1986, between the Vail Valley Consolidated Water District and the Colorado Department of Natural Resources; and the Memorandum of Agreement dated June 23, 2005, between the Eagle River Water & Sanitation District and the Colorado Department of Natural Resources (together, the "MOAs").

By virtue of the decrees described above and the MOAs, the District owns a total of 425 a.f. absolute in the Black Lakes. Pursuant to the 2005 MOA, the District is free to use 125 a.f. for all uses any time of year. The District must release the other 300 a.f. during the December through March period to augment stream flows during that period. However, to the extent that the District diverts water from the System Interconnect and/or Dowds Junction diversions during the December through March period instead of diverting water at its Gore Creek wellfield, then it can keep an equivalent amount of water in Black Lakes for its use any time of year. (For example, if the District

Eagle River Water and Sanitation District
Schedule of Water & Storage Rights
December 31, 2017
(Unaudited)
(Continued)

diverts 150 a.f. of water at the System Interconnect during December through March, then it may use 150 a.f. of the 300 a.f. of Black Lakes water for any decreed use any time of year, and it would release the other 150 a.f. to Gore Creek during the December through March period to augment stream flows.)

The value of Black Lakes storage is based on the District's dedication replacement cost of \$35,000 per acre-foot for non-irrigation season in-basin storage. The value to the District of Black Lakes is that these reservoirs fill each year and the water is stored very high in the Gore Creek drainage. Therefore, the water is available for direct use and/or augmentation (i.e., replace out of priority depletions resulting from the diversion of other water rights) without causing any "gap" in the creek between the point of depletions and location of the replacement water. In other words, this water can be delivered directly to the location of the points of diversion and/or depletion.

Conditional Storage

The District's conditional storage (7,684.76042 a.f.) are decreed, but not yet completed, water rights. These water rights of the District exist in several locations throughout the District's service area and given a nominal value of \$100 per acre-foot due to the high cost of developing these storage rights.

In-Basin Consumptive Use

The District's in-basin consumptive use water rights (902 a.f.) includes senior irrigation water rights that were changed, and their historical consumptive use was quantified in Case Nos. W-2256, W-2264, 79CW124, and 82CW328. In-basin consumptive use credits are valued at the District's dedication replacement cost of \$9,000 per acre-foot of irrigation season water. This replacement cost is established by the District's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the District's service area. These water rights are generally quite senior and are not subject to curtailment; hence, their higher value. Further, these water rights have been changed to be used for municipal uses, including augmentation, thus permitting the District to divert and use other water rights when they are out of priority. The value of these water rights to the District is derived from their seniority and that they have already been quantified and changed to municipal uses and augmentation, and included in the District's plan for augmentation. The only reason why these are not the most valuable of the District's water rights on a per-acre-foot basis is due to the fact that they can only be used during the irrigation season, not year-round, unless they are diverted and placed in storage.

Direct Flow Historical Users' Pool

The District's historical users' pool (HUP) beneficiary water rights (89 a.f.) are decreed for non-irrigation season use as HUP rights, and the fact that 4.35 cfs of the District's HUP rights are senior to the CWCB instream flow water right. As a result, 89 acre-feet of winter use is not subject to curtailment. This quality makes these rights as valuable as in-basin storage such as Eagle Park Reservoir water, so we assigned a value of \$35,000 to these rights, equivalent to the District's non-irrigation season dedication cost.

These are water rights that are protected by Green Mountain Reservoir pursuant to the decrees for Green Mountain Reservoir, Senate Document 80 (which established the federal basis for Green Mountain Reservoir), and the final Operating Policy for Green Mountain Reservoir, Colorado-Big Thompson Project, Colorado (48 P.R. 56657). Pursuant to these Green Mountain Reservoir documents, as specifically described in the final Operating Policy, West Slope domestic and irrigation water rights that were "perfected" (actually diverted and used) as of October 15, 1977 are allowed to continue to divert at times when they otherwise would be curtailed. At such times, Green Mountain Reservoir will release water to downstream senior water rights to allow such continued diversions by the HUP "beneficiaries."

Eagle River Water and Sanitation District
Schedule of Water & Storage Rights
December 31, 2017
(Unaudited)
(Continued)

This category of HUP water rights typically consists of what are deemed to be fairly junior water rights (priorities between approximately 1940 and 1977) that would be curtailed in most years due to a call administered to protect either the Shoshone Power Plant or the Grand Valley "Cameo" water rights. However, because the HUP water rights benefit from the releases from Green Mountain Reservoir, they are allowed to continue to divert water at times when either Shoshone or Cameo is placing a call for water. This has the effect of enhancing the period of time, and thus the amount of water, that these HUP water rights can divert. This enhances their value. The District owns a number of such water rights that were perfected as of October 15, 1977. In fact, the District's augmentation plan decree in Case No. 82CW328 expressly recognizes the HUP status of a number of its water rights and incorporates these water rights, as so protected by Green Mountain Reservoir, in its plan for augmentation.