

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

**Financial Statements
December 31, 2019**

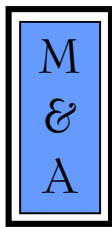


**EAGLE RIVER
WATER & SANITATION
DISTRICT**

**Eagle River Water and Sanitation District
Financial Statements
December 31, 2019**

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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, 2019, 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, 2019, 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

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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.
August 27, 2020**

MANAGEMENT'S DISCUSSION AND ANALYSIS



**EAGLE RIVER
WATER & SANITATION
DISTRICT**

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2019**

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 2019, overall net position decreased by \$539,023. As part of the long term capital improvement program, the District spent cash on capital assets of \$14,161,982 (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, 2019. In addition, the District's capital assets were depreciated \$9,522,195.

The District's 2019 financial activity generated a decrease of \$17,835,581 in net position on a budgetary basis. In accordance with Generally Accepted Accounting Principles (GAAP), \$9,522,195 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 a decrease in net position of \$539,023 for 2019, compared to a \$137,721 increase in 2018.

In 2019, total revenues were \$33,888,290, which was an increase of \$670,916 over 2018 levels. Service fees revenue increased \$314,397. This was a result of a decrease in water usage. Operating revenue increased \$189,403. 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 2019, total expenses were \$34,427,313, which was an increase of \$1,347,660 over 2018 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 2019 were increased from 2018 rates. The water service base rate is \$15.66 per SFE. The usage rates for tier one (0 to 9,999 gallons) is \$2.64 per 1,000 gallons. The usage rates for tier two (11,000 to 19,999 gallons), tier three (20,000 to 29,999 gallons), tier four (30,000 to 39,999 gallons) and tier five (40,000 and over) are \$4.62, \$8.09, \$10.11 and \$12.64 per 1,000 gallons, respectively. The Capital Replacement Program fee was \$5.49 per month per SFE. The Debt Service base rate is established to provide a reliable revenue source for repayment of the 2009 Wastewater bonds, 2012 Wastewater bonds and 2017 Water bonds. For 2019 the rate established was \$3.00 per month per SFE for the 2009 Wastewater bonds, a decrease from the 2018 rate of \$3.26 per month per SFE. The 2012 Wastewater bond rate was established at \$5.89 per month per SFE for 2019, which was a decrease from the 2018 rate of \$5.91 per SFE. The 2017 Water bond rate was established at \$6.48 per month per SFE for 2019, which is the first year of collection for the 2017 Water bonds.

Water service rates in 2018 were not increased from 2017 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 2018 the rates established were \$7.10 and \$3.20 per month per SFE for the 2009 Water and Wastewater bonds, a change from the 2017 rates of \$7.23 and \$3.20 per month per SFE. The 2012 Wastewater bond rate was established at \$5.91 per month per SFE for 2018, which was unchanged from 2017.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2019
(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, 2019
(continued)**

NET POSITION

	2019			2018		
	Water	Sanitation	Total	Water	Sanitation	Total
Assets:						
Current and other assets	12,909,960	39,298,236	52,208,196	11,378,323	59,037,652	70,415,975
Capital assets, net	38,256,886	123,484,754	161,741,640	37,145,365	119,975,207	157,120,572
Total Assets	51,166,846	162,782,990	213,949,836	48,523,688	179,012,859	227,536,547
Deferred Outflow of Resources:						
Deferred charge on refunding	1,176,948	-	1,176,948	1,281,063	-	1,281,063
Total Deferred Outflow of Resources	1,176,948	-	1,176,948	1,281,063	-	1,281,063
Liabilities:						
Other liabilities	734,629	6,354,511	7,089,140	568,988	6,969,756	7,538,744
Long-term liabilities	24,309,891	64,331,183	88,641,074	21,397,082	80,046,963	101,444,045
Total Liabilities	25,044,520	70,685,694	95,730,214	21,966,070	87,016,719	108,982,789
Deferred Inflow of Resources:						
Unavailable property tax revenue	1,464,921	1,965,537	3,430,458	1,417,655	1,912,031	3,329,686
Total Deferred Inflow of Resources	1,464,921	1,965,537	3,430,458	1,417,655	1,912,031	3,329,686
Net Position:						
Net investment in capital assets	16,149,288	69,457,782	85,607,070	18,135,324	45,283,999	63,419,323
Restricted:						
Debt	1,954,096	3,278,450	5,232,546	1,570,862	4,816,463	6,387,325
Capital projects	-	9,959,781	9,959,781	-	12,935,669	12,935,669
Unrestricted	7,730,969	7,435,746	15,166,715	6,714,840	27,047,978	33,762,818
Total Net Position	25,834,353	90,131,759	115,966,112	26,421,026	90,084,109	116,505,135

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 \$25,834,353 and \$90,131,759 for water and sanitation, respectively, as of December 31, 2019 and \$26,421,026 and \$90,084,109 for water and sanitation, respectively, as of December 31, 2018.

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, 2019
(continued)**

NET POSITION (continued)

During 2019, overall net position decreased \$539,023. Current and other assets decreased \$13,586,711. The majority of this decrease is due to the District spending down bond proceeds.

As of December 31, 2019, total net capital assets are \$161,741,640, which is an increase of \$4,621,068 from the 2018 amount of \$157,120,572. The change in net capital assets of \$4,621,068 is net of the current year additions, deletions, and depreciation. Capital asset details can be found on pages D13 – D14.

During 2019, total liabilities decreased \$13,252,575. The increase in total liabilities is related to timing of payments made to vendors.

During 2018, overall net position increased \$137,721. In 2018, current and other assets increased \$590,579. The major reason for this increase is the 2017 debt issuance proceeds held at year end.

Capital asset additions net of deletions in 2018 of \$9,054,532 and depreciation were part of the District's long term capital improvement program.

During 2018, total liabilities increased \$394,799. The increase in liabilities is related to 2018 debt issuances.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2019
(continued)**

REVIEW OF REVENUES

	2019			2018		
	Water	Sanitation	Total	Water	Sanitation	Total
Revenues:						
Operating revenues:						
Service fees	5,552,938	13,795,327	19,348,265	5,631,939	13,401,929	19,033,868
Contract services	-	5,185,805	5,185,805	-	4,979,685	4,979,685
Meter sales and rentals	-	973,573	973,573	-	1,267,027	1,267,027
Other	158,680	520,061	678,741	76,785	639,616	716,401
Non-operating revenues:						
Property taxes	1,421,534	1,882,305	3,303,839	1,417,438	1,902,230	3,319,668
Specific ownership taxes	84,114	108,470	192,584	78,659	102,007	180,666
Investment income	66,762	1,015,644	1,082,406	83,420	679,710	763,130
Gain (loss) on investments	26,204	261,697	287,901	36,119	221,873	257,992
Transfer of EPRC stock	-	-	-	(13,314)	-	(13,314)
Interest credit - Build America Bonds	-	275,490	275,490	-	307,866	307,866
Other	16,861	50,647	67,508	21,198	(1,034,448)	(1,013,250)
Capital contributions:						
Tap fees	143,987	1,880,708	2,024,695	650,154	1,499,025	2,149,179
Contributed assets	-	158,801	158,801	638,690	437,222	1,075,912
Other	-	308,682	308,682	96,044	96,500	192,544
Total Revenues	7,471,080	26,417,210	33,888,290	8,717,132	24,500,242	33,217,374

In 2019, total revenues were \$33,888,290, which is an increase of \$670,916 over 2018 revenues of \$33,217,374.

Service fee revenue increased \$314,397 in 2019. This resulted from increasing water usage. Overall operating revenue increased \$189,403 in 2018. This was a result of an increase in contract services provided along with an increase in investment income and tap fee's.

In 2018, total revenues were \$33,217,374, which is an increase of \$1,462,051 over 2017 levels.

Service fee revenue in 2018 increased \$202,308. This was a result of increased water usage. Overall operating revenue increased \$569,690. This was a result of an increase in contract services provided.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2019
(continued)**

REVIEW OF EXPENSES

	2019			2018		
	Water	Sanitation	Total	Water	Sanitation	Total
Expenses:						
Operating Expenses:						
Maintenance	869,913	2,416,946	3,286,859	892,453	2,555,244	3,447,697
Water operations	3,241,321	1,865,977	5,107,298	3,339,962	1,647,342	4,987,304
Wastewater treatment	-	9,631,755	9,631,755	-	9,399,211	9,399,211
Engineering	388,625	1,165,874	1,554,499	316,420	949,260	1,265,680
Laboratory	139,378	418,134	557,512	129,383	388,149	517,532
Employee housing	-	485,487	485,487	-	482,046	482,046
General and administrative	2,613,082	7,165,954	9,779,036	2,309,170	6,818,945	9,128,115
Non-operating expenses:						
Interest expense	762,740	3,162,889	3,925,629	741,365	3,010,923	3,752,288
Treasurer's fees	42,694	56,544	99,238	42,615	57,165	99,780
Total Expenses	8,057,753	26,369,560	34,427,313	7,771,368	25,308,285	33,079,653
Change in Net Position	(586,673)	47,650	(539,023)	945,764	(808,043)	137,721
Net Position - Beginning of Year	26,421,026	90,084,109	116,505,135	25,475,262	90,892,152	116,367,414
Net Position - End of Year	25,834,353	90,131,759	115,966,112	26,421,026	90,084,109	116,505,135

In 2019, total expenses were \$34,427,313, which was an increase of \$1,347,660 over 2018 expenses of \$33,079,653.

Operating expenses increased \$1,174,861 in 2019. The increase was largely attributable to the higher expenses associated with water operations, employee housing, and general and administrative costs. General and administrative costs increased in 2019 partly due to personnel expense increases and software purchases.

In 2018, total expenses were \$33,079,653, which was an increase of \$1,361,359 over 2017 levels.

Operating expenses increased \$1,286,579 in 2018. The increase was related mostly to water operations and wastewater treatment expenses, employee housing, and general and administrative costs.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2019
(continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's investment in capital assets at December 31, 2019 and 2018 amounted to \$161,741,640 and \$157,120,572 (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, 2019. See the Schedule of Water and Storage Rights in the Statistical Section (pages F10-13) for additional information. The change in capital assets in 2019 is as follows:

	Water			Sanitation				
	1/1/19 Beginning Balance	Additions	Retirements	12/31/19 Ending Balance	1/1/19 Beginning Balance	Additions	Retirements	12/31/19 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	2,244,752	3,215,293	(1,902,924)	3,557,121	11,289,896	11,082,545	(15,168,692)	7,203,749
Total capital assets, not being depreciated	3,741,168	3,215,293	(1,902,924)	5,053,537	14,843,576	11,082,545	(15,168,692)	10,757,429
Capital assets, being depreciated:								
Treatment plants	4,799,247	103,413	-	4,902,660	138,800,510	645,240	-	139,445,750
Distribution systems	49,673,426	1,489,591	-	51,163,017	55,608,591	522,488	-	56,131,079
Computers, equipment and vehicles	3,034,516	192,049	(44,135)	3,182,430	9,103,548	576,147	(132,405)	9,547,290
Employee housing	-	-	-	-	6,077,813	13,418,655	(19,672)	19,476,796
Total capital assets being depreciated	57,507,189	1,785,053	(44,135)	59,248,107	209,590,462	15,162,530	(152,077)	224,600,915
Less accumulated depreciation for:								
Treatment plants	(2,325,663)	(196,082)	-	(2,521,745)	(71,001,326)	(4,845,761)	-	(75,847,087)
Distribution systems	(19,934,465)	(1,486,302)	-	(21,420,767)	(26,590,987)	(1,440,269)	-	(28,031,256)
Computers, equipment and vehicles	(1,842,864)	(300,553)	41,171	(2,102,246)	(5,528,592)	(901,658)	123,513	(6,306,737)
Employee housing	-	-	-	-	(1,337,926)	(351,570)	986	(1,688,510)
Total accumulated depreciation	(24,102,992)	(1,982,937)	41,171	(26,044,758)	(104,458,831)	(7,539,258)	124,499	(111,873,590)
Total capital assets, being depreciated, net	33,404,197	(197,884)	(2,964)	33,203,349	105,131,631	7,623,272	(27,578)	112,727,325
Total capital assets, net	37,145,365	3,017,409	(1,905,888)	38,256,886	119,975,207	18,705,817	(15,196,270)	123,484,754

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2019
(continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

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

Long-term Debt

At December 31, 2019, the District loans payable to the water loan for Eagle Park Reservoir shares from the Colorado Water Conservation Board (CWCB) had \$910,535 outstanding. Also, the Water General Obligation Bonds issued in 2011 and 2012 for water system improvements had an outstanding balance at December 31, 2019 of \$6,620,000. The 2017 Water Revenue Refunding Bonds had outstanding principal of \$11,435,000. The 2009, 2012, and 2017 Sanitation District Revenue Bonds had principal outstanding of \$37,405,000. The 2016 Sanitation District General Obligation Bonds had principal outstanding of \$21,510,000. Other changes in debt in the current year are representative of scheduled reductions on long term obligations.

At December 31, 2018, 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 \$987,404 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 \$7,285,000. The 2009 Water District Revenue Bonds had principal outstanding of \$11,820,000. The 2009 and 2012 Sanitation District Revenue Bonds had principal outstanding of \$52,335,000. The 2016 Sanitation District General Obligation Bonds had principal outstanding of \$22,010,000. 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, 2019
(continued)**

BUDGET VARIANCES AND FUTURE CONSIDERATIONS

Budget Variances

In 2019, budgeted revenues were \$64,595,975. Revenues came in under budget expectations by \$26,668,865. The variance is mostly due to the budgeted proceeds on bond issuances which did not occur. The expenditure original budget was \$62,107,444, which was amended to \$62,107,444 for capital projects carried forward from previous years. Actual expenditures of \$55,762,691 were \$6,344,753 under budget, mainly due to multi-year capital project spending projects being carried forward.

2020 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 2020, the approved revenue budget is \$71,487,000 and the approved expenditure budget is \$58,359,000, including \$28,315,682 of new capital additions.

The 2020 Water Service rates changed from 2019 rates. The 2020 Water Service rates are \$15.66 service base rate per SFE, plus \$6.48 debt service base rate per SFE and tiered usage rates of \$2.64 per 1,000 gallons for tier one, \$4.62 per 1,000 gallons for tier two, and \$8.09 per 1,000 gallons for tier three. Capital Replacement Program monthly fee of \$5.49 per month per SFE. The Series 2017 Bonds Debt Service Base Rate of \$6.48 is determined on an annual basis by dividing the net annual debt service requirements on the Series 2017 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 2020 Wastewater Service rates changed from 2019 rates. The 2020 Wastewater Service base rate is \$25.95 per month per SFE. Series 2009 Bonds Debt Service Base Rate is \$3.00 per month per SFE, and the Series 2012 Bonds Debt Service Base Rate is \$5.89 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: Linn Brooks, General Manager, 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, 2019
(With Comparative Totals for 2018)

	2019			2018
	Water	Sanitation	Total	Total
Assets:				
Current Assets:				
Cash and cash equivalents - Unrestricted	4,064,590	8,906,383	12,970,973	5,294,690
Cash and cash equivalents - Restricted	1,067,986	7,235,185	8,303,171	2,812,541
Investments - Unrestricted	254,151	9,856,841	10,110,992	17,137,661
Investments - Restricted	886,110	6,003,046	6,889,156	30,454,203
Receivables, net of allowance for uncollectibles:				
Service	582,481	2,749,790	3,332,271	2,502,797
Property taxes	1,464,921	1,965,537	3,430,458	3,329,686
Current portion of notes receivable	-	29,166	29,166	27,559
Interest	18,122	52,038	70,160	145,442
Other	474,522	1,163,261	1,637,783	2,710,565
Inventory	391,849	248,666	640,515	491,181
Deposits	-	120,153	120,153	574,271
Prepaid expenses	44,044	158,431	202,475	441,090
Total Current Assets	9,248,776	38,488,497	47,737,273	65,921,686
Non-current Assets:				
Other Assets:				
Notes receivable - Due in more than one year	-	402,727	402,727	511,893
Patronage dividend receivable	139,690	407,012	546,702	517,849
Other receivables	68,052	-	68,052	11,105
Investment in Eagle Park Reservoir Company	3,453,442	-	3,453,442	3,453,442
Total Other Assets	3,661,184	809,739	4,470,923	4,494,289
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	3,557,121	7,203,749	10,760,870	13,534,648
Treatment plants	4,902,660	139,445,750	144,348,410	143,599,757
Distribution systems	51,163,017	56,131,079	107,294,096	105,282,017
Computers, equipment, and vehicles	3,182,430	9,547,290	12,729,720	12,138,064
Employee housing	-	19,476,796	19,476,796	6,077,813
Less: Accumulated depreciation	(26,044,758)	(111,873,590)	(137,918,348)	(128,561,823)
Total Capital Assets	38,256,886	123,484,754	161,741,640	157,120,572
Total Non-current Assets	41,918,070	124,294,493	166,212,563	161,614,861
Total Assets	51,166,846	162,782,990	213,949,836	227,536,547
Deferred Outflows of Resources:				
Deferred charge on refunding	1,176,948	-	1,176,948	1,281,063
Total Deferred Outflows of Resources	1,176,948	-	1,176,948	1,281,063
Total Assets and Deferred Outflows of Resources	52,343,794	162,782,990	215,126,784	228,817,610

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

Eagle River Water and Sanitation District
Statement of Net Position
December 31, 2019
(With Comparative Totals for 2018)
(Continued)

	2019			2018
	Water	Sanitation	Total	Total
Liabilities:				
Current Liabilities:				
Accounts payable	542,206	4,132,795	4,675,001	4,494,370
Service fees payable	-	1,642,158	1,642,158	2,238,260
Accrued payroll and related liabilities	109,756	329,268	439,024	400,237
Interest payable	82,667	202,197	284,864	354,919
Loans and bonds payable - Due within one year	1,301,059	1,620,000	2,921,059	2,686,869
Deposits	-	48,093	48,093	50,958
Total Current Liabilities	2,035,688	7,974,511	10,010,199	10,225,613
Non-current Liabilities:				
Compensated absences - Due in more than one year	114,809	344,426	459,235	474,297
Loans and bonds payable - Due in more than one year	22,894,023	62,366,757	85,260,780	98,282,879
Total Non-current Liabilities	23,008,832	62,711,183	85,720,015	98,757,176
Total Liabilities	25,044,520	70,685,694	95,730,214	108,982,789
Deferred Inflows of Resources:				
Unavailable property tax revenue	1,464,921	1,965,537	3,430,458	3,329,686
Total Deferred Inflows of Resources	1,464,921	1,965,537	3,430,458	3,329,686
Net Position:				
Net investment in capital assets	16,149,288	69,457,782	85,607,070	63,419,323
Restricted for:				
Debt	1,954,096	3,278,450	5,232,546	6,387,325
Capital projects	-	9,959,781	9,959,781	12,935,669
Unrestricted	7,730,969	7,435,746	15,166,715	33,762,818
Total Net Position	25,834,353	90,131,759	115,966,112	116,505,135

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, 2019
(With Comparative Totals for 2018)

	2019			2018
	Water	Sanitation	Total	Total
Operating Revenues:				
Service fees	5,552,938	13,795,327	19,348,265	19,033,868
Contract services	-	5,185,805	5,185,805	4,979,685
Meter sales and rental income	-	973,573	973,573	1,267,027
Other charges for services	158,680	520,061	678,741	716,401
Total Operating Revenues	5,711,618	20,474,766	26,186,384	25,996,981
Operating Expenses:				
Maintenance	869,913	2,416,946	3,286,859	3,447,697
Water operations	3,241,321	1,865,977	5,107,298	4,987,304
Wastewater treatment	-	9,631,755	9,631,755	9,399,211
Engineering	388,625	1,165,874	1,554,499	1,265,680
Laboratory	139,378	418,134	557,512	517,532
Employee housing	-	485,487	485,487	482,046
General and administrative	2,451,870	7,165,954	9,617,824	9,128,115
Total Operating Expenses	7,091,107	23,150,127	30,241,234	29,227,585
Operating Income (Loss)	(1,379,489)	(2,675,361)	(4,054,850)	(3,230,604)
Non-operating Revenues (Expenses):				
Property taxes	1,421,534	1,882,305	3,303,839	3,319,668
Specific ownership taxes	84,114	108,470	192,584	180,666
Investment income	66,762	1,015,644	1,082,406	763,130
Gain (loss) on investments	26,204	261,697	287,901	257,992
Transfer of EPRC stock	-	-	-	(13,314)
Interest credit - Build America Bonds	-	275,490	275,490	307,866
Gain (loss) on disposal of capital assets	4,724	14,237	18,961	(1,098,042)
Other non-operating revenues	12,137	36,410	48,547	84,792
Interest expense, net of amortization expense	(762,740)	(3,162,889)	(3,925,629)	(3,752,288)
Treasurer's fees	(42,694)	(56,544)	(99,238)	(99,780)
Bond issuance costs	(161,212)	-	(161,212)	-
Total Non-operating Revenues (Expenses)	648,829	374,820	1,023,649	(49,310)
Income (Loss) Before Capital Contributions	(730,660)	(2,300,541)	(3,031,201)	(3,279,914)
Capital Contributions:				
Tap fees	143,987	1,880,708	2,024,695	2,149,179
Contributed assets - physical assets	-	158,801	158,801	1,075,912
Fees in lieu of water and sewer lines	-	42,000	42,000	96,500
Contributed assets - cash	-	266,682	266,682	96,044
Total Capital Contributions	143,987	2,348,191	2,492,178	3,417,635
Change in Net Position	(586,673)	47,650	(539,023)	137,721
Net Position - Beginning of Year	26,421,026	90,084,109	116,505,135	116,367,414
Net Position - End of Year	25,834,353	90,131,759	115,966,112	116,505,135

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, 2019
(With Comparative Totals for the Year Ended 2018)

	2019			2018
	Water	Sanitation	Total	Total
Cash Flows From Operating Activities:				
Cash received from customers and others	5,526,561	20,846,185	26,372,746	24,651,188
Cash payments for goods and services	(2,628,702)	(7,921,558)	(10,550,260)	(8,526,474)
Cash payments to employees and for benefits	(2,594,908)	(9,297,800)	(11,892,708)	(11,014,311)
Net Cash Provided (Used) by Operating Activities	302,951	3,626,827	3,929,778	5,110,403
Cash Flows From Non-capital Financing Activities:				
Property taxes levied for operations, net	466,330	516,873	983,203	991,153
Specific ownership taxes received	28,447	30,708	59,155	55,701
Patronage dividend received	2,638	7,913	10,551	32,249
Other cash receipts	2,286	6,857	9,143	48,729
Net Cash Provided (Used) by Non-capital Financing Activities	499,701	562,351	1,062,052	1,127,832
Cash Flows From Capital and Related Financing Activities:				
Proceeds from bond issuance, including premium	4,143,712	-	4,143,712	-
Property taxes levied for debt service, net	912,516	1,308,888	2,221,404	2,228,735
Specific ownership taxes received	55,667	77,762	133,429	124,965
Cash received from tap fees	143,987	1,880,708	2,024,695	2,149,179
Proceeds from sale of capital assets	7,688	41,818	49,506	406,178
Interest subsidy payment received - Build America Bonds	-	275,490	275,490	280,456
Cash received (paid) related to capital asset deposit	-	(2,865)	(2,865)	2,160
Fees in lieu of water and sewer lines	-	308,682	308,682	192,544
Cash paid for principal on debt	(1,126,869)	(1,155,000)	(2,281,869)	(2,617,896)
Cash paid for interest on debt	(749,845)	(3,377,605)	(4,127,450)	(4,181,169)
Cash paid for debt issuance costs	(161,212)	-	(161,212)	-
Cash paid for capital acquisitions	(2,843,959)	(23,709,344)	(26,553,303)	(16,142,849)
Net Cash Provided (Used) by Capital and Related Financing Activities	381,685	(24,351,466)	(23,969,781)	(17,557,697)
Cash Flows From Investing Activities:				
Interest income received	61,332	643,990	705,322	755,235
Proceeds from sales and maturities of investments	1,675,219	31,032,601	32,707,820	59,884,257
Principal received on notes receivable	-	107,559	107,559	145,669
Purchase of investments	(125,201)	(1,250,636)	(1,375,837)	(61,344,322)
Issuance of notes receivable	-	-	-	(89,760)
Net Cash Provided (Used) by Investing Activities	1,611,350	30,533,514	32,144,864	(648,921)
Net Increase (Decrease) in Cash and Cash Equivalents	2,795,687	10,371,226	13,166,913	(11,968,383)
Cash and Cash Equivalents - Beginning of Year	2,336,889	5,770,342	8,107,231	20,075,614
Cash and Cash Equivalents - End of Year	5,132,576	16,141,568	21,274,144	8,107,231
Represented by Balance Sheet captions:				
Cash and cash equivalents - Unrestricted	4,064,590	8,906,383	12,970,973	5,294,690
Cash and cash equivalents - Restricted	1,067,986	7,235,185	8,303,171	2,812,541
Cash and Cash Equivalents - End of Year	5,132,576	16,141,568	21,274,144	8,107,231

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, 2019
(With Comparative Totals for the Year Ended 2018)
(Continued)

	2019			2018
	Water	Sanitation	Total	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	(1,379,489)	(2,675,361)	(4,054,850)	(3,230,604)
Adjustments:				
Depreciation	1,982,937	7,539,258	9,522,195	9,214,014
(Increase) decrease in accounts receivable	(185,057)	371,418	186,361	(1,345,793)
(Increase) decrease in inventory	(75,172)	(74,162)	(149,334)	43,307
(Increase) decrease in deposits	-	454,118	454,118	(574,271)
(Increase) decrease in prepaid expenses	60,374	178,241	238,615	54,958
Increase (decrease) in accounts payable	(106,574)	(1,588,376)	(1,694,950)	115,575
Increase (decrease) in service fees payable	-	(596,102)	(596,102)	804,503
Increase (decrease) in payroll liabilities	9,697	29,090	38,787	(5,823)
Increase (decrease) in accrued compensated absences	(3,765)	(11,297)	(15,062)	34,537
Total Adjustments	1,682,440	6,302,188	7,984,628	8,341,007
Net Cash Provided (Used) by Operating Activities	302,951	3,626,827	3,929,778	5,110,403
Non-cash Investing, Capital, and Financing Activities:				
Contribution of capital assets from developers	-	158,802	158,802	1,075,912
Unrealized gain (loss) on investments	30,555	449,783	480,338	257,992

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

NOTES TO THE FINANCIAL STATEMENTS



**EAGLE RIVER
WATER & SANITATION
DISTRICT**

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019

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 three blended component units and while they are legally separate entities they are 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, 2016 and 2019 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, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Bighorn Terrace Sewer Subdistrict – During 2018, the District incorporated the Bighorn Terrace Sewer Subdistrict (the “Bighorn Terrace Subdistrict”) for the purpose of creating a separate taxing district pursuant to the Special District Act. 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.

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, 2019
(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, 2019 and 2018, 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 2019 and 2018, the District capitalized interest of \$0 and \$189,909 as part of capital assets, respectively.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(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:

Assets	Years
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, 2019
(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, 2018, from which comparative totals were derived.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(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 2019.

1. For the 2019 budget year, prior to August 25, 2018, 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, 2018, 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, 2018, 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 2018 were collected in 2019 and taxes certified in 2019 will be collected in 2020. 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, 2019
(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 \$38,274,292 and \$55,699,095 as of December 31, 2019 and 2018, 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, 2019, the District had the following recurring fair value measurements:

Investments Measured at Fair Value	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
United States Treasury notes	8,820,694	-	8,820,694	-
Federal agency securities	7,000,449	-	7,000,449	-
United States Corporate	1,179,005	-	1,179,005	-

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(Continued)

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	10,835,970
Colotrust	5,304,666

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, 2019
(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:

	Required Ratings
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, 2019, unrealized gains were \$287,901, which reflects changes in the fair market value of investments. At December 31, 2019, the District had the following cash and investments with the following maturities:

	Standard & Poors Rating	Carrying Amounts	Maturities Less than one year	One to five years
<i>Petty cash</i>	Not rated	1,200	1,200	-
<i>Deposits:</i>				
Checking	Not rated	5,132,308	5,132,308	-
Money market	AAA	10,835,970	10,835,970	-
<i>Investment pools</i>	AAAm	5,304,666	5,304,666	-
<i>Investments:</i>				
United States Corporate	AA+/AA-/AAA	1,179,005	759,612	419,393
United States Treasury notes	AA+	8,820,694	2,148,309	6,672,385
Federal agency securities	AA+	7,000,449	3,979,546	3,020,903
Total		<u>38,274,292</u>	<u>28,161,611</u>	<u>10,112,681</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(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:

	Maximum Percentage
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, 2019 were as follows:

Issuer	Reported Amount	Percentage of Investment Portfolio
United States Government	8,820,694	27%
Wells Fargo Advantage Money Market	10,835,970	33%
Federal Home Loan Mortgage Corp	1,841,320	6%
Colotrust	5,304,666	16%
Federal National Mortgage Assoc	2,515,753	8%
Federal Home Loan Bank	2,293,503	7%

B. Restricted Cash, Cash Equivalents and Investments

At December 31, 2019, cash has been restricted for the following purposes:

	Water	Sanitation	Total
Restricted for capital projects	-	9,959,781	9,959,781
Debt service reserves	1,354,096	2,678,450	4,032,546
Rate stabilization funds	600,000	600,000	1,200,000
Total	<u>1,954,096</u>	<u>13,238,231</u>	<u>15,192,327</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(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:

	Water	Sanitation	Total
Cash and cash equivalents - Unrestricted	4,064,590	8,906,383	12,970,973
Cash and cash equivalents - Restricted	1,067,986	7,235,185	8,303,171
Investments - Unrestricted	254,151	9,856,841	10,110,992
Investments - Restricted	886,110	6,003,046	6,889,156
Total	6,272,837	32,001,455	38,274,292

D. Notes Receivable

The following is an analysis of changes in notes receivable for the year ended December 31, 2019:

	1/1/19 Beginning Balance	Additions	Reductions	12/31/19 Ending Balance
Red Cliff	100,891	-	(53,146)	47,745
Employees	416,495	-	(50,000)	366,495
Sewer tap purchases	22,066	-	(4,413)	17,653
	539,452	-	(107,559)	431,893
Less: Current portion	(27,559)	(1,607)	-	(29,166)
Long-term portion	511,893	(1,607)	(107,559)	402,727

The following notes receivable were outstanding as of December 31, 2019:

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, 2019
(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, 2019, the District received a refund of \$10,551 from Holy Cross. The balance due to the District at December 31, 2019 and 2018 was \$546,702 and \$517,849, 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, 2018, 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.

In March 2018, the District transferred 16.8789 Class A, Series 2 shares to Upper Eagle Regional Water Authority, which had a historical cost of \$13,314.

As of December 31, 2019, the District held 4,328.121 Class A Shares (approximately 16.7%), 125 Class B Series 1 and 125 Class B Series 2 shares of the stock in the Reservoir Company at a cost of \$3,453,442. 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, 2019
(Continued)

III. Detailed Notes on All Funds (continued)

G. Capital Assets

Capital asset activity related to water services for 2019 was as follows:

	1/1/19 Beginning Balance	Additions	Retirements and Transfers	12/31/19 Ending Balance
Water				
Capital assets, not being depreciated:				
Water rights	1,496,416	-	-	1,496,416
Construction in progress	2,244,752	3,215,293	(1,902,924)	3,557,121
Total capital assets, not being depreciated	3,741,168	3,215,293	(1,902,924)	5,053,537
Capital assets, being depreciated:				
Treatment plants	4,799,247	103,413	-	4,902,660
Distribution systems	49,673,426	1,489,591	-	51,163,017
Computers, equipment and vehicles	3,034,516	192,049	(44,135)	3,182,430
Total capital assets being depreciated	57,507,189	1,785,053	(44,135)	59,248,107
Less accumulated depreciation for:				
Treatment plants	(2,325,663)	(196,082)	-	(2,521,745)
Distribution systems	(19,934,465)	(1,486,302)	-	(21,420,767)
Computers, equipment and vehicles	(1,842,864)	(300,553)	41,171	(2,102,246)
Total accumulated depreciation	(24,102,992)	(1,982,937)	41,171	(26,044,758)
Total capital assets, being depreciated, net	33,404,197	(197,884)	(2,964)	33,203,349
Total capital assets, net - Water	37,145,365	3,017,409	(1,905,888)	38,256,886

Fully depreciated assets totaled \$4,652,378 for the year ended December 31, 2019.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Detailed Notes on All Funds (continued)

G. Capital Assets (continued)

Capital asset activity related to sanitation services for 2019 was as follows:

	1/1/19 Beginning Balance	Additions	Retirements and Transfers	12/31/19 Ending Balance
Sanitation				
Capital assets, not being depreciated:				
Land and easements	3,553,680	-	-	3,553,680
Construction in progress	11,289,896	11,082,545	(15,168,692)	7,203,749
Total capital assets, not being depreciated	14,843,576	11,082,545	(15,168,692)	10,757,429
Capital assets, being depreciated:				
Treatment plants	138,800,510	645,240	-	139,445,750
Distribution systems	55,608,591	522,488	-	56,131,079
Computers, equipment and vehicles	9,103,548	576,147	(132,405)	9,547,290
Employee housing	6,077,813	13,418,655	(19,672)	19,476,796
Total capital assets being depreciated	209,590,462	15,162,530	(152,077)	224,600,915
Less accumulated depreciation for:				
Treatment plants	(71,001,326)	(4,845,761)	-	(75,847,087)
Distribution systems	(26,590,987)	(1,440,269)	-	(28,031,256)
Computers, equipment and vehicles	(5,528,592)	(901,658)	123,513	(6,306,737)
Employee housing	(1,337,926)	(351,570)	986	(1,688,510)
Total accumulated depreciation	(104,458,831)	(7,539,258)	124,499	(111,873,590)
Total capital assets, being depreciated, net	105,131,631	7,623,272	(27,578)	112,727,325
Total capital assets, net - Sanitation	119,975,207	18,705,817	(15,196,270)	123,484,754

Fully depreciated assets totaled \$31,597,489 for the year ended December 31, 2019.

Depreciation expense for the year ended December 31, 2019 was charged to the following departments:

	Water	Sanitation	Total
Maintenance	102,656	307,968	410,624
Water operations	1,682,384	-	1,682,384
Wastewater treatment	-	6,286,029	6,286,029
General and administrative	197,897	945,261	1,143,158
Total	1,982,937	7,539,258	9,522,195

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(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. 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 1 and December 1, through 2022. The principal is payable on December 1 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, 2019 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, 2019
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

3. 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 1 and December 1, through 2029. The principal is payable on December 1 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.

4. 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 1 and December 1, through 2029. The principal is payable on December 1 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.

5. 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, 2019
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

5. 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.

6. Water Enterprise Revenue Bonds, Series 2019

The District, through the Water Subdistrict, issued \$3,825,000 of water revenue bonds in December 2019, the proceeds of which will be used to construct improvements to the District's water system and pay the costs of issuance. The interest rate on the bonds are 4.00%. Interest is payable on June 1 and December 1, through 2039. The principal is payable on December 1 and matures in various increments through 2039.

Principal on the serial bonds is due beginning in 2020 through 2039 in amounts ranging from \$125,000 to \$255,000.

Only bonds maturing on and after December 1, 2029, are subject to redemption prior to maturity; these bonds are subject to redemption prior to maturity at the option of the District at par.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

6. Water Enterprise Revenue Bonds, Series 2019 (continued)

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.

I. Long-Term Debt – Sanitation

1. 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, 2019, the District recognized revenue of \$275,490 related to this subsidy.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

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

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.

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, 2019 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.

The 2009B bonds were refunded by the 2017 wastewater revenue crossover refunding bonds on December 1, 2019. The 2009B bonds are considered defeased and have been removed from long-term debt.

2. 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.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

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

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.

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 wastewater 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 1 and December 1, through 2045. The principal is payable on December 1 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.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

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 1, 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.

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, 2019
(Continued)

III. Detailed Notes on All Funds (continued)

J. Long-term Liability Activity Schedule

Long-term liability activity for 2019 was as follows:

	1/1/19 Beginning Balance	Additions	Reductions	12/31/19 Ending Balance	Due Within One Year
Water					
1998 assessment obligation note	987,404	-	(76,869)	910,535	81,059
2011 refunding general obligation bonds	1,195,000	-	(280,000)	915,000	300,000
2012A general obligation bonds	1,000,000	-	-	1,000,000	-
2012B general obligation refunding bonds	5,090,000	-	(385,000)	4,705,000	400,000
2017 revenue refunding bonds	11,820,000	-	(385,000)	11,435,000	395,000
2019 revenue bonds	-	3,825,000	-	3,825,000	125,000
Unamortized bond premiums	1,186,104	318,712	(100,269)	1,404,547	-
Accrued compensated absences	118,574	-	(3,765)	114,809	-
Subtotal - Water	<u>21,397,082</u>	<u>4,143,712</u>	<u>(1,230,903)</u>	<u>24,309,891</u>	<u>1,301,059</u>
Sanitation					
2009B wastewater revenue bonds	14,275,000	-	(14,275,000)	-	-
2012 wastewater revenue bonds	25,630,000	-	(655,000)	24,975,000	665,000
2016 general obligation bonds	22,010,000	-	(500,000)	21,510,000	515,000
2017 wastewater revenue refunding bond	12,430,000	-	-	12,430,000	440,000
Unamortized bond premiums	5,346,240	-	(274,483)	5,071,757	-
Accrued compensated absences	355,723	-	(11,297)	344,426	-
Subtotal - Sanitation	<u>80,046,963</u>	<u>-</u>	<u>(15,715,780)</u>	<u>64,331,183</u>	<u>1,620,000</u>
Total	<u>101,444,045</u>	<u>4,143,712</u>	<u>(16,946,683)</u>	<u>88,641,074</u>	<u>2,921,059</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(Continued)

III. Detailed Notes on All Funds (continued)

K. Debt Service Schedules

Debt service requirements at December 31, 2019, were as follows for water operations:

Water		Principal	Interest	Total
2020		1,301,059	971,587	2,272,646
2021		1,345,476	934,507	2,279,983
2022		1,390,135	898,448	2,288,583
2023		1,245,047	854,936	2,099,983
2024		1,295,228	814,331	2,109,559
2025	- 2029	7,208,590	3,256,467	10,465,057
2030	- 2034	4,145,000	2,255,725	6,400,725
2035	- 2039	4,860,000	1,707,875	6,567,875
Total water debt service		22,790,535	11,693,876	34,484,411

Debt service requirements at December 31, 2019, were as follows for sanitation operations:

Sanitation		Principal	Interest	Total
2020		1,620,000	3,375,627	4,995,627
2021		1,665,000	3,315,252	4,980,252
2022		1,715,000	3,242,370	4,957,370
2023		1,770,000	3,167,132	4,937,132
2024		1,845,000	3,087,936	4,932,936
2025	- 2029	10,340,000	13,865,818	24,205,818
2030	- 2034	12,615,000	10,721,858	23,336,858
2035	- 2039	15,430,000	6,899,559	22,329,559
2040	- 2044	10,610,000	2,355,404	12,965,404
2045		1,305,000	192,750	1,497,750
Total sanitation debt service		58,915,000	50,223,706	109,138,706

Aggregate debt service requirements at December 31, 2019, were as follows for the District:

Combined		Principal	Interest	Total
2020		2,921,059	4,347,214	7,268,273
2021		3,010,476	4,249,759	7,260,235
2022		3,105,135	4,140,818	7,245,953
2023		3,015,047	4,022,068	7,037,115
2024		3,140,228	3,902,267	7,042,495
2025	- 2029	17,548,590	17,122,285	34,670,875
2030	- 2034	16,760,000	12,977,583	29,737,583
2035	- 2039	20,290,000	8,607,434	28,897,434
2040	- 2044	10,610,000	2,355,404	12,965,404
2045		1,305,000	192,750	1,497,750
Total combined debt service		81,705,535	61,917,582	143,623,117

The District is compliant in ongoing disclosure requirements to the secondary bond market in accordance with the Securities and Exchange Commission's Rule 15c2-12.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(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 2019 covered payroll was \$8,563,800. Contributions actually made, which equaled the required contributions, were \$428,190 for plan members and \$930,895 for the District for the year ended December 31, 2019. Forfeitures totaled \$9,143 and for the year ended December 31, 2019.

As of December 31, 2019, there were no outstanding contribution liabilities.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(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, 2019 and 2018, the balance outstanding was \$0.

The value of water distributed by the District through the interconnect was \$68,052 and \$11,105 during the year ended December 31, 2019 and 2018, 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, 2019
(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 \$5,185,606 and \$4,979,685 of contract fees from the Authority during 2019 and 2018, respectively. The District has outstanding management fees due from the Authority as of December 31, 2019 and 2018 totaling \$1,378,873 and \$2,039,264, respectively, included in other receivables. There were other outstanding receivables, for operations services, due from the Authority as of December 31, 2019 and 2018 totaling \$1,378,873 and \$327,942, respectively, included in other accounts receivables. As of December 31, 2019 and 2018 there was \$1,449,938 and \$2,007,962 for water service billed, due to the Authority included in accounts payable, respectively.

The District earned \$18,780 and \$18,581 of contract fees from other governments which it has similar agreements (i.e. Town of Minturn and Eagle Park Reservoir Company) during 2019 and 2018, 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 four significant contract commitments remaining at December 31, 2019:

Contract No.	Contractor	Description	Amount
18.15.054	Carollo Engineers, Inc.	Avon Nutrient Upgrades	3,491,000
19.15.076	Pinyon Environmental, Inc.	Water Quality	124,237
19.15.079	Economy Air Conditioning & Heating	Administrative Building Renovation	592,560
19.15.093	Stone Security	Security Access Control	207,104

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2019
(Continued)

V. Subsequent Events

A. Enterprise Wastewater Revenue Improvement Bonds, Series 2020A

The District issued \$35,220,000 of wastewater revenue bonds in June 2020, with annual interest rates ranging from 3.00% to 4.00%. Interest is payable June 1 and December 1, through 2049. The principal is payable on December 1 and matures in various increments through 2049. 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.

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 and 2017 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, 2029, are not subject to optional prior redemption. Bonds maturing on or after December 1, 2030, are subject to redemption prior to maturity at the option of District at par plus accrued interest.

B. Enterprise Taxable Wastewater Revenue Refunding Bonds, Series 2020B

The District issued \$24,930,000 of taxable wastewater revenue refunding bonds in June 2020, with annual interest rates ranging from 0.821% to 2.415%. 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 will be used to refund the 2012 Enterprise Wastewater Revenue Bonds, on and after December 1, 2024.

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, 2019
(Continued)

V. Subsequent Events (continued)

**B. Enterprise Taxable Wastewater Revenue Refunding Bonds, Series 2020B
(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 and 2017 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, 2029, are not subject to optional prior redemption. Bonds maturing on or after December 1, 2030, are subject to redemption prior to maturity at the option of District at par plus accrued interest.

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, 2019
(With Comparative Totals for the Year Ended 2018)

	2019				2018
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:					
Water:					
Service fees	5,505,000	5,505,000	5,552,938	47,938	5,631,939
Other charges for services	59,380	59,380	101,733	42,353	76,785
Property taxes	1,340,000	1,340,000	1,421,534	81,534	1,417,438
Specific ownership taxes	62,000	62,000	84,114	22,114	78,659
Investment income	15,000	15,000	66,762	51,762	83,420
Gain (loss) on investment	-	-	26,204	26,204	36,119
Proceeds from sale of assets	-	-	7,688	7,688	11,404
Tap fees	300,000	300,000	143,987	(156,013)	650,154
Contributed assets - cash	-	-	-	-	96,044
Proceeds from bond issue	4,000,000	4,000,000	3,825,000	(175,000)	-
Premium (discount) on debt issuance	-	-	318,712	318,712	-
Other	20,500	20,500	4,923	(15,577)	21,140
Total Water Revenues	11,301,880	11,301,880	11,553,595	251,715	8,103,102
Sanitation:					
Service fees	13,840,000	13,840,000	13,795,327	(44,673)	13,401,929
Contract services	4,060,000	4,060,000	5,185,805	1,125,805	4,979,685
Rental income	430,000	430,000	474,952	44,952	439,532
Meter sales	665,000	665,000	498,621	(166,379)	827,496
Other charges for services	1,192,179	1,192,179	520,061	(672,118)	639,616
Property taxes	1,850,000	1,850,000	1,882,305	32,305	1,902,230
Specific ownership taxes	95,000	95,000	108,470	13,470	102,007
Investment income	47,000	47,000	1,015,644	968,644	679,710
Gain (loss) on investment	-	-	261,697	261,697	221,873
Interest credit - Build America Bonds	302,416	302,416	275,490	(26,926)	307,866
Proceeds from sale of assets	-	-	41,817	41,817	394,773
Tap fees	750,000	750,000	1,880,708	1,130,708	1,499,025
Fees in lieu of sewer lines	-	-	42,000	42,000	96,500
Contributed assets - cash	-	-	266,682	266,682	-
Proceeds from bond issue	30,000,000	30,000,000	-	(30,000,000)	-
Net loan (advances) repayments	-	-	107,560	107,560	55,049
Other	62,500	62,500	16,376	(46,124)	59,838
Total Sanitation Revenues	53,294,095	53,294,095	26,373,515	(26,920,580)	25,607,129
Total Revenues	64,595,975	64,595,975	37,927,110	(26,668,865)	33,710,231
Expenditures - Water:					
Water Operations:					
Salaries and benefits	2,513,420	2,513,420	2,604,602	(91,182)	2,400,152
Supplies and materials	435,178	435,178	468,982	(33,804)	396,533
Telephone and radio service	66,250	66,250	69,732	(3,482)	73,922
Insurance	60,750	60,750	62,047	(1,297)	62,400
Repairs and maintenance	167,475	167,475	235,766	(68,291)	227,415
Other	595,754	595,754	498,161	97,593	473,795
Utilities	285,000	285,000	273,344	11,656	248,397
Chemicals	67,000	67,000	78,308	(11,308)	73,679
Meter replacement	545,250	545,250	136,937	408,313	281,187
Outside services	8,750	8,750	8,561	189	6,919
Total Water Operations	4,744,827	4,744,827	4,436,440	308,387	4,244,399

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, 2019
(With Comparative Totals for the Year Ended 2018)
(Continued)

	2019				2018
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Expenditures - Water (continued):					
General and Administrative:					
Legal	25,000	25,000	90,240	(65,240)	81,575
Accounting and audit	17,750	17,750	30,565	(12,815)	32,119
Engineering	23,250	23,250	1,541	21,709	15,765
Management and consulting	386,875	386,875	382,564	4,311	418,220
Benefit administration	12,500	12,500	10,647	1,853	8,483
Community relations	29,853	29,853	18,329	11,524	20,649
Directors fees and expenses	5,625	5,625	3,727	1,898	5,652
Maintenance contracts	73,750	73,750	50,423	23,327	33,947
Water quality	86,250	86,250	79,352	6,898	100,152
Treasurer's fees	42,000	42,000	42,694	(694)	42,615
Total General and Administrative	<u>702,853</u>	<u>702,853</u>	<u>710,082</u>	<u>(7,229)</u>	<u>759,177</u>
Debt Service:					
Principal	1,126,869	1,126,869	1,126,869	-	1,097,896
Interest	746,605	746,605	758,895	(12,290)	776,962
Debt issuance costs	229,500	229,500	161,212	68,288	-
Subtotal - Debt Service	<u>2,102,974</u>	<u>2,102,974</u>	<u>2,046,976</u>	<u>55,998</u>	<u>1,874,858</u>
Capital Outlay	<u>3,078,324</u>	<u>3,078,324</u>	<u>3,105,527</u>	<u>(27,203)</u>	<u>2,251,065</u>
Total Water Expenditures	<u>10,628,978</u>	<u>10,628,978</u>	<u>10,299,025</u>	<u>329,953</u>	<u>9,129,499</u>
Expenditures - Sanitation:					
Sanitation Operations:					
Salaries and benefits	9,465,553	9,465,553	9,601,343	(135,790)	8,854,669
Supplies and materials	2,618,233	2,618,233	2,096,373	521,860	2,194,385
Telephone and radio service	198,750	198,750	209,197	(10,447)	221,765
Insurance	182,250	182,250	186,142	(3,892)	187,200
Repairs and maintenance	731,175	731,175	617,258	113,917	538,171
Other	861,215	861,215	768,062	93,153	747,113
Utilities	1,205,400	1,205,400	1,043,576	161,824	969,353
Meter replacement	-	-	-	-	8,540
Permits	43,500	43,500	42,999	501	42,999
Outside services	26,250	26,250	25,683	567	27,509
Total Sanitation Operations	<u>15,332,326</u>	<u>15,332,326</u>	<u>14,590,633</u>	<u>741,693</u>	<u>13,791,704</u>
General and Administrative:					
Legal	255,000	255,000	331,781	(76,781)	342,498
Accounting and audit	38,250	38,250	50,151	(11,901)	57,196
Engineering	39,750	39,750	19,247	20,503	26,141
Management and consulting	130,125	130,125	107,915	22,210	56,323
Benefit administration	37,500	37,500	31,940	5,560	25,450
Community relations	37,058	37,058	22,315	14,743	24,031
Directors fees and expenses	16,875	16,875	11,180	5,695	16,955
Maintenance contracts	221,250	221,250	156,869	64,381	101,841
Sanitation quality	383,750	383,750	300,136	83,614	323,443
Treasurer's fees	56,000	56,000	56,544	(544)	57,165
Debt issuance costs	300,000	300,000	-	300,000	-
Total General and Administrative	<u>1,515,558</u>	<u>1,515,558</u>	<u>1,088,078</u>	<u>427,480</u>	<u>1,031,043</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, 2019
(With Comparative Totals for the Year Ended 2018)
(Continued)

	2019			2018
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
Expenditures - Sanitation (continued):				
Debt Service:				
Principal	1,155,000	1,155,000	1,155,000	-
Interest	3,395,609	3,395,609	3,298,500	97,109
Refunding payments to escrow agent	14,275,000	14,275,000	14,275,000	-
Subtotal - Debt Service	18,825,609	18,825,609	18,728,500	97,109
Capital Outlay	15,804,973	15,804,973	11,056,455	4,748,518
Total Sanitation Expenditures	51,478,466	51,478,466	45,463,666	6,014,800
Total District Expenditures	62,107,444	62,107,444	55,762,691	6,344,753
Excess (Deficiency) of Revenues Over Expenditures	2,488,531	2,488,531	(17,835,581)	(20,324,112)
Fund Available - Beginning of Year	48,857,689	48,857,689	55,053,256	6,195,567
Funds Available - End of Year	<u>51,346,220</u>	<u>51,346,220</u>	<u>37,217,675</u>	<u>(14,128,545)</u>
Funds available at year-end is computed as follows	Water	Sanitation	Total	Total
Current assets	9,248,776	38,488,497	47,737,273	65,921,686
Current liabilities and unavailable property tax revenue	(3,500,609)	(9,940,048)	(13,440,657)	(13,555,299)
Current portion of long-term obligations	1,301,059	1,620,000	2,921,059	2,686,869
	<u>7,049,226</u>	<u>30,168,449</u>	<u>37,217,675</u>	<u>55,053,256</u>
Reconciliation to GAAP Basis				
	Water	Sanitation	Total	Total
Excess (deficiency) of revenues over expenditures	1,254,570	(19,090,151)	(17,835,581)	(11,590,674)
Contributed assets from developers	-	158,802	158,802	1,075,912
Proceeds from bond issue	(3,825,000)	-	(3,825,000)	-
(Premium) discount on debt issuance	(318,712)	-	(318,712)	-
Change in patronage dividends receivable	7,214	21,640	28,854	3,814
Change in other long-term receivables	56,945	(1,607)	55,338	(100,384)
Proceeds from disposition of capital assets	(7,688)	(41,817)	(49,505)	(406,177)
Gain (loss) on disposition of property	4,724	14,237	18,961	(1,098,042)
Depreciation	(1,982,937)	(7,539,258)	(9,522,195)	(9,214,014)
Amortization of bond premiums, discounts, and refunding costs	(3,845)	274,485	270,640	255,437
Net loan advances (repayments)	-	(107,559)	(107,559)	(55,049)
Debt principal payments	1,126,869	1,155,000	2,281,869	2,617,896
Principal payment to refunded bond escrow agent	-	14,275,000	14,275,000	-
Increase (decrease) in investment in Eagle Park Reservoir Company	-	-	-	(13,314)
Capitalized assets	3,105,527	11,056,455	14,161,982	18,659,022
Prior year construction in progress expensed in the current year	(8,105)	(138,874)	(146,979)	(152,078)
Capitalized interest	-	-	-	189,909
Change in compensated absences	3,765	11,297	15,062	(34,537)
Change in Net Position - GAAP Basis	(586,673)	47,650	(539,023)	137,721

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, 2019

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

Year Ending December 31,	Principal Due September 16	Interest Due September 16	Total
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>910,535</u>	<u>265,612</u>	<u>1,176,147</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, 2019

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
2020	300,000	35,850	335,850
2021	300,000	23,850	323,850
2022	315,000	12,600	327,600
	<u>915,000</u>	<u>72,300</u>	<u>987,300</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, 2019

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
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>286,800</u>	<u>1,286,800</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, 2019

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
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>4,705,000</u>	<u>1,067,700</u>	<u>5,772,700</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, 2019

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
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>11,435,000</u>	<u>4,744,550</u>	<u>16,179,550</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, 2019

2019 Water Revenue Bonds Original Principal - \$3,825,000 Interest Rate - 3.00% to 45.00%			
Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2020	125,000	257,363	382,363
2021	135,000	260,550	395,550
2022	145,000	265,150	410,150
2023	150,000	264,350	414,350
2024	155,000	263,350	418,350
2025	160,000	262,150	422,150
2026	165,000	260,750	425,750
2027	175,000	264,150	439,150
2028	180,000	262,150	442,150
2029	190,000	264,950	454,950
2030	195,000	262,350	457,350
2031	200,000	261,500	461,500
2032	210,000	265,500	475,500
2033	215,000	264,200	479,200
2034	220,000	262,750	482,750
2035	225,000	261,150	486,150
2036	235,000	264,400	499,400
2037	240,000	262,350	502,350
2038	250,000	265,150	515,150
2039	255,000	262,650	517,650
	<u>3,825,000</u>	<u>5,256,913</u>	<u>9,081,913</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, 2019

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

Year Ending December 31,	Principal Due December 1	Interest Due	Total
		June 1 and December 1	
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>24,975,000</u>	<u>16,572,350</u>	<u>41,547,350</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, 2019

2016 Wastewater General Obligation Bonds Enterprise General Obligation Bonds Principal - \$23,295,000 Interest Rate - 2.00% - 5.00%			
Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
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>21,510,000</u>	<u>14,106,850</u>	<u>35,616,850</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, 2019

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
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>4,927,188</u>	<u>17,357,188</u>

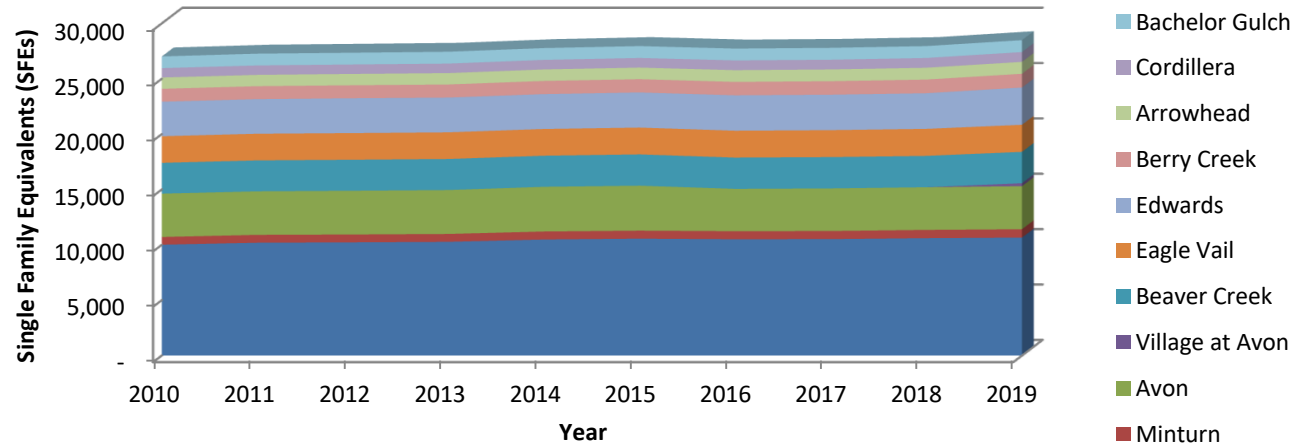
The accompanying notes are an integral part of these financial statements.

STATISTICAL SECTION



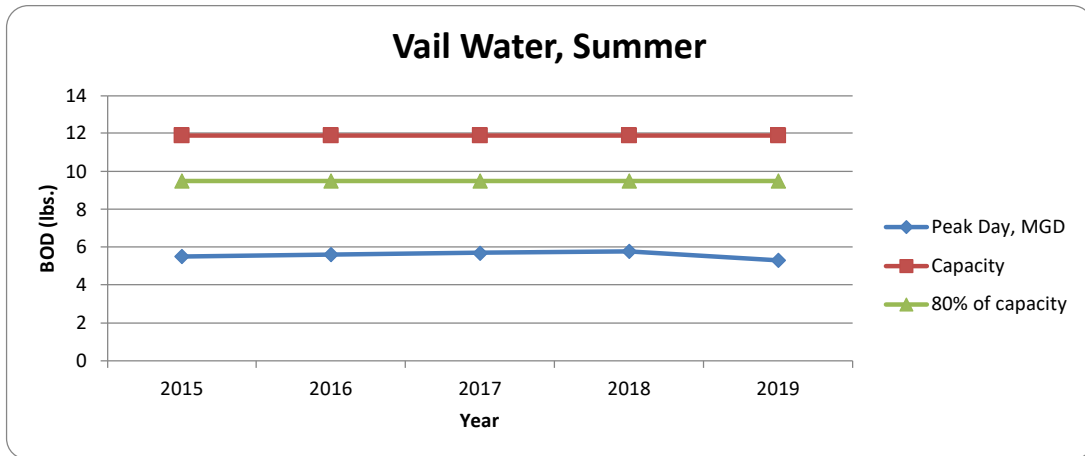
EAGLE RIVER
WATER & SANITATION
DISTRICT

**Eagle River Water and Sanitation District
Single Family Equivalents (SFEs) in Service
Ten Year Comparison
December 31, 2019
(Unaudited)**



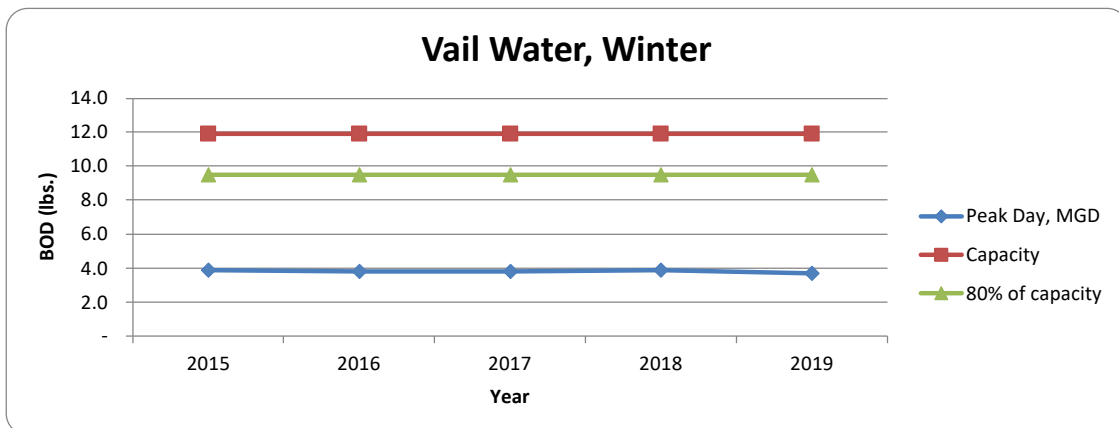
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Vail	10,004	10,184	10,218	10,264	10,474	10,551	10,494	10,509	10,595	10,650
Minturn	697	710	709	711	724	726	732	733	748	752
Avon	3,916	3,932	3,953	3,969	4,038	4,062	3,823	3,847	3,855	3,890
Village at Avon	-	-	-	-	-	-	-	-	-	268
Beaver Creek	2,781	2,794	2,799	2,802	2,807	2,823	2,824	2,829	2,829	2,831
Eagle Vail	2,402	2,409	2,408	2,410	2,414	2,425	2,427	2,433	2,441	2,446
Edwards	3,119	3,125	3,147	3,140	3,150	3,174	3,197	3,202	3,220	3,366
Berry Creek	1,165	1,169	1,171	1,180	1,190	1,195	1,211	1,220	1,231	1,239
Arrowhead	1,025	1,021	1,026	1,031	1,040	1,050	1,062	1,063	1,071	1,079
Cordillera	845	853	852	858	862	868	880	877	882	884
Bachelor Gulch	1,058	1,065	1,065	1,071	1,069	1,076	1,072	1,076	1,075	1,079
Total SFEs	<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>	<u>27,947</u>	<u>28,484</u>
Percent increase	<u>2.03%</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>	<u>0.57%</u>	<u>1.92%</u>

Eagle River Water and Sanitation District
Water Demand Compared To Capacity
Five Year Comparison
December 31, 2019
(Unaudited)



Vail Water, Summer

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Peak Day, MGD	5.5	5.6	5.7	5.8	5.3
Capacity	11.9	11.9	11.9	11.9	11.9
80% of capacity	9.5	9.5	9.5	9.5	9.5
Flow, MGD as a % Capacity	46%	47%	48%	49%	45%

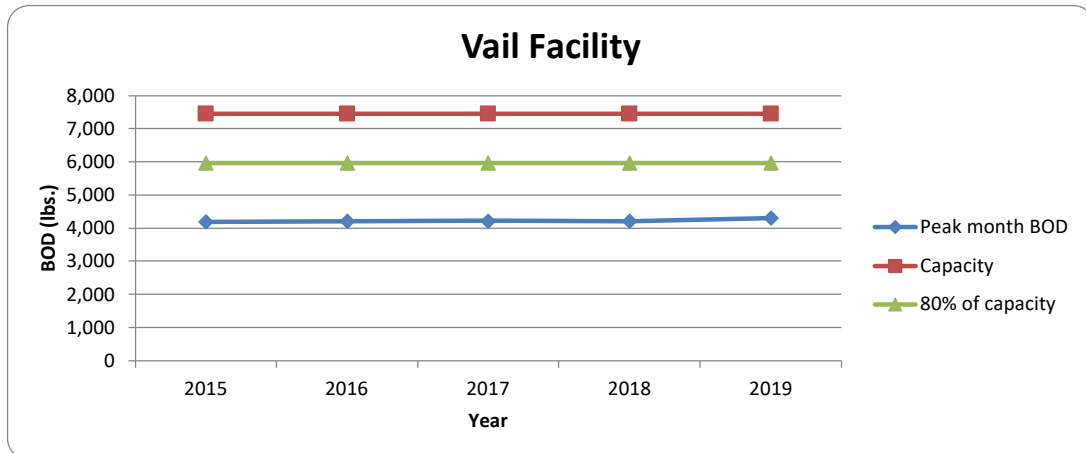


Vail Water, Winter

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Peak Day, MGD	3.9	3.8	3.8	3.9	3.7
Capacity	11.9	11.9	11.9	11.9	11.9
80% of capacity	9.5	9.5	9.5	9.5	9.5
Flow, MGD as a % Capacity	33%	32%	32%	33%	31%

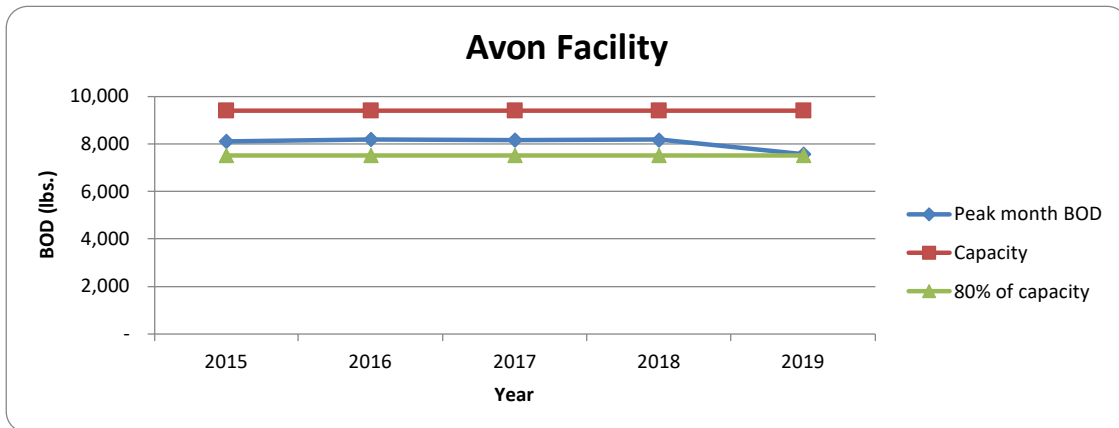
**Eagle River Water and Sanitation District
Wastewater Loadings Compared to Facility Capacity
Five Year Comparison
December 31, 2019
(Unaudited)**

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Peak month BOD	4,197	4,209	4,218	4,212	4,304
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	56%	56%	57%	57%	58%

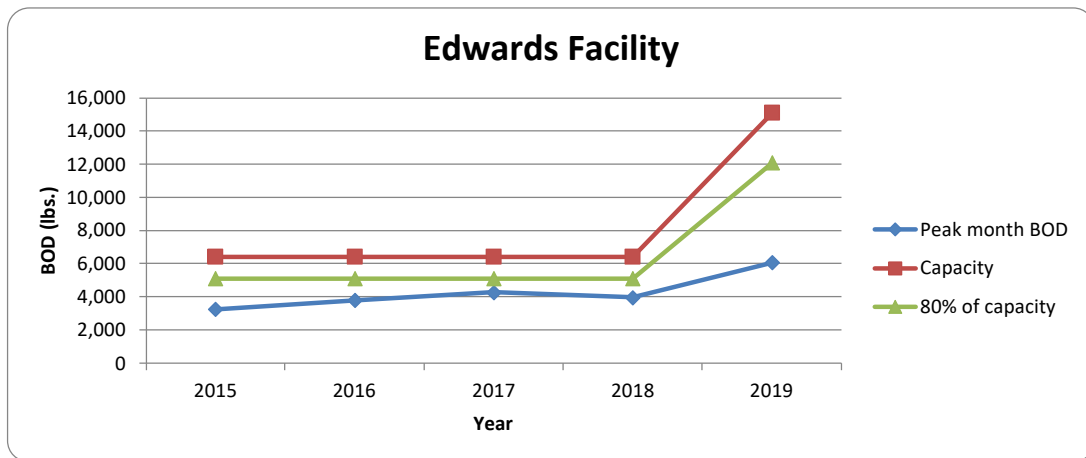


Avon Facility

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Peak month BOD	8,109	8,192	8,159	8,173	7,582
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	86%	87%	87%	87%	81%

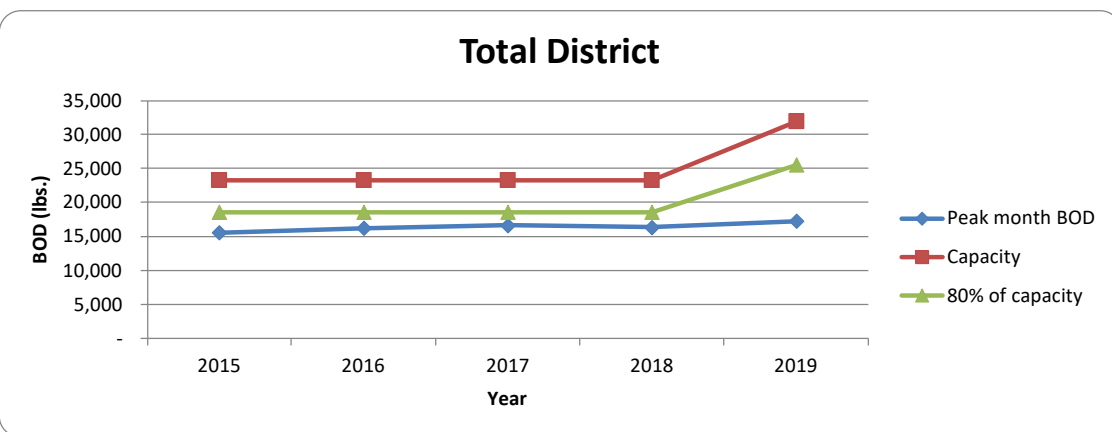
**Eagle River Water and Sanitation District
Wastewater Loadings Compared to Facility Capacity
Five Year Comparison
December 31, 2019
(Continued)
(Unaudited)**

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Peak month BOD	3,235	3,784	4,267	3,951	6,057
Capacity	6,400	6,400	6,400	6,400	15,100
80% of capacity	5,120	5,120	5,120	5,120	12,080
Peak month BOD as % of capacity	51%	59%	67%	62%	40%



Total District

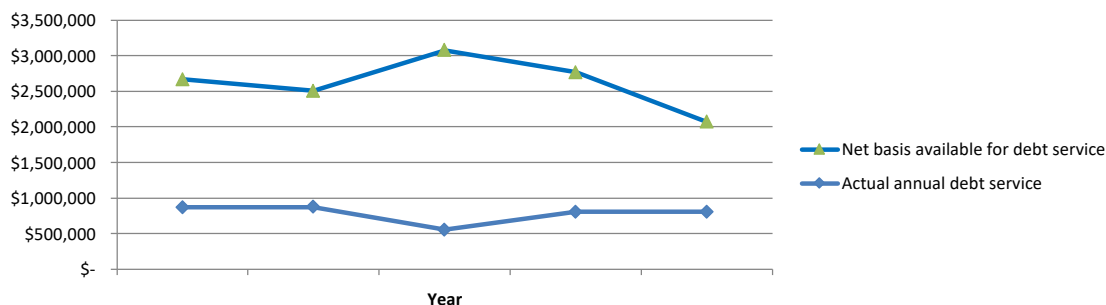
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Peak month BOD	15,541	16,185	16,644	16,336	17,259
Capacity	23,250	23,250	23,250	23,250	31,950
80% of capacity	18,600	18,600	18,600	18,600	25,560
Peak month BOD as % of capacity	67%	70%	72%	70%	54%

Eagle River Water and Sanitation District
Top 10 Customers
Five Year Comparison
December 31, 2019
(Unaudited)

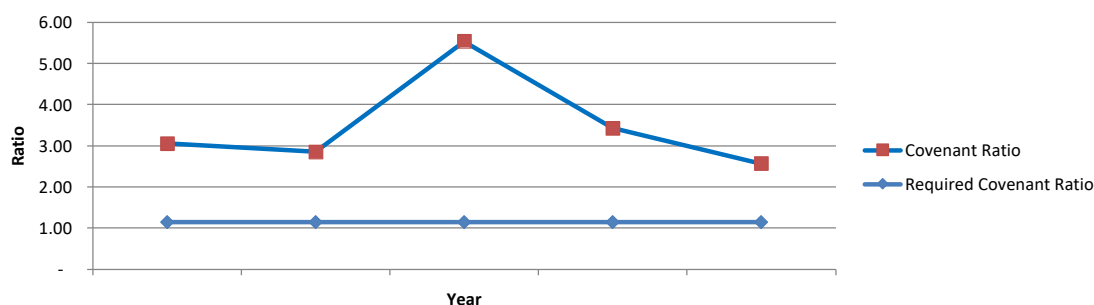
Customer Type	1,000 Gallons	Sales Dollar Amount	% of Total Sales Dollars
<u>Vail Water Sales</u>			
Ski Company / Resort	41,569	\$ 137,333	2.5%
Town of Vail	20,975	113,491	2.0%
Condominiums / Resort	15,826	92,260	1.7%
Hotel / Resort	12,175	91,723	1.7%
Hotel / Resort	20,557	89,723	1.6%
Hotel / Resort	15,024	70,687	1.3%
Hospital	11,500	61,754	1.1%
Hotel / Resort / Commercial	12,820	55,547	1.0%
Hotel / Resort	9,169	47,462	0.9%
Condominiums / Resort	4,462	46,106	0.8%
Total - Top 10 Customers	164,077	\$ 806,086	14.5%
Total - All Other Customers	488,700	4,746,852	85.5%
Total Service Fees	652,777	\$ 5,552,938	100.0%
<u>Wastewater Sales</u>			
Ski Company / Resort		\$ 275,609	2.0%
Mobile Home Park		189,756	1.4%
Hotel / Resort		133,149	1.0%
Hotel / Resort		131,603	1.0%
Apartment Complex		110,993	0.8%
Condominiums / Resort		107,931	0.8%
Condominiums / Resort		105,907	0.8%
Hotel / Resort		105,191	0.8%
Apartment Complex		96,569	0.7%
Hotel / Resort		92,050	0.7%
Total - Top 10 Customers		\$ 1,348,758	9.8%
Total - All Other Customers		12,446,569	90.2%
Total Service Fees		\$ 13,795,327	100.0%

Eagle River Water and Sanitation District
Rate Maintenance Covenant - Water
Five Year Comparison
December 31, 2019
(Unaudited)

Net Revenue Compared to Debt Requirements



Revenue Debt Coverage Ratio



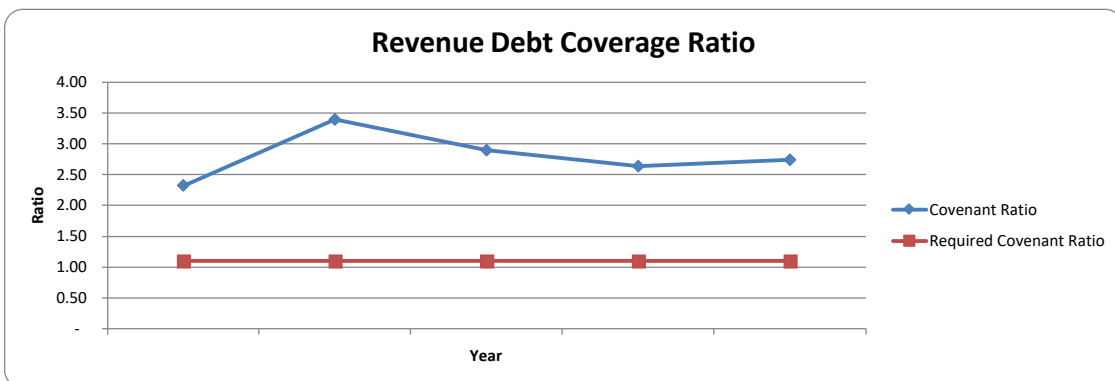
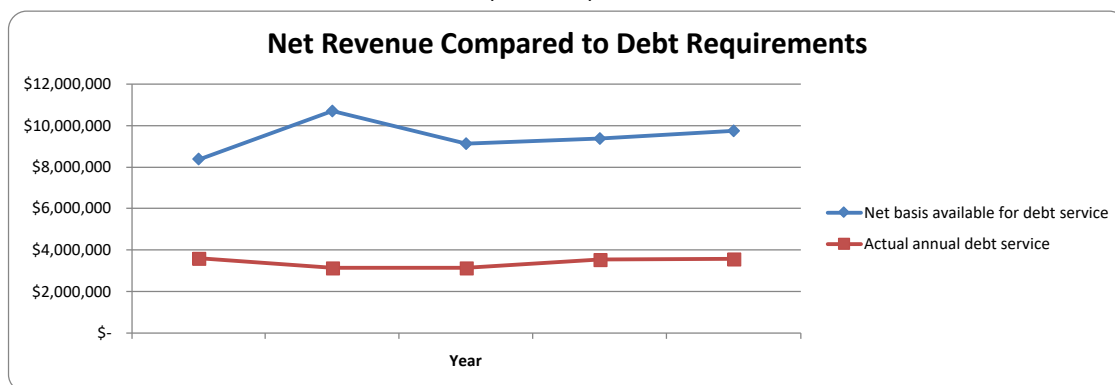
Per the bond covenants, the District is to assess a fee to cover operations and maintenance and 115% of water debt service.

	2015	2016	2017	2018	2019
Operating revenue	4,874,625	4,884,210	5,741,036	5,708,724	5,711,618
Plus:					
Tap fees and other contributed cash	761,113	485,228	442,780	650,154	143,987
Investment income	21,261	18,706	77,164	83,420	66,762
Property taxes for general operating	446,884	446,643	474,496	510,169	509,210
Other non-operating revenues	22,630	18,651	19,870	21,198	12,137
Rate stabilization funds	600,000	600,000	600,000	600,000	600,000
Total revenues available for debt service	6,726,513	6,453,438	7,355,346	7,573,665	7,043,714
Expenses	6,837,516	6,754,017	7,104,017	7,728,753	7,853,847
Less:					
Interest expense	(1,007,672)	(978,037)	(835,720)	(741,365)	(762,740)
Depreciation	(1,606,490)	(1,674,283)	(1,789,902)	(1,893,422)	(1,982,937)
Major capital additions	(170,040)	(154,719)	(206,249)	(289,187)	(136,937)
Total expenses available for debt service	4,053,314	3,946,978	4,272,146	4,804,779	4,971,233
Net basis available for debt service	2,673,199	2,506,460	3,083,200	2,768,886	2,072,481
Actual annual debt service (excluding general obligation debt)	874,162	875,763	556,507	808,200	805,600
Covenant Ratio	3.06	2.86	5.54	3.43	2.57
Required Covenant Ratio	1.15	1.15	1.15	1.15	1.15

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 (\$4,595,661 at December 31, 2019) to meet the Rate Maintenance Covenant if necessary.

Eagle River Water and Sanitation District
Rate Maintenance Covenant - Sanitation
Five Year Comparison
December 31, 2019
(Unaudited)



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

	2015	2016	2017	2018	2019
Operating revenue	16,814,212	19,882,202	19,686,255	20,288,257	20,474,766
Plus:					
Tap fees and other contributed cash	1,211,291	1,102,004	1,144,761	1,499,025	2,147,390
Investment income	91,645	71,504	434,026	679,710	1,015,644
Interest credit - Build America Bonds	322,119	322,813	312,105	307,866	275,490
Property taxes for general operating	506,338	507,831	539,174	567,400	563,588
Other non-operating revenues	81,665	55,953	59,609	63,594	36,410
Rate stabilization funds	600,000	600,000	600,000	600,000	600,000
Total revenues available for debt service	19,627,270	22,542,307	22,775,930	24,005,852	25,113,288
Expenses	20,189,192	20,737,104	24,069,390	25,251,120	26,313,016
Less:					
Interest expense	(2,166,414)	(1,872,207)	(2,842,937)	(3,010,923)	(3,162,889)
Depreciation	(6,276,561)	(6,505,166)	(7,312,904)	(7,320,592)	(7,539,257)
Major capital additions	(502,746)	(523,972)	(263,659)	(285,234)	(253,368)
Total expenses available for debt service	11,243,471	11,835,759	13,649,890	14,634,371	15,357,502
Net basis available for debt service	8,383,799	10,706,548	9,126,040	9,371,481	9,755,786
Actual annual debt service (excluding general obligation debt)	3,610,528	3,149,173	3,148,897	3,547,308	3,563,477
Covenant Ratio	2.32	3.40	2.90	2.64	2.74
Required Covenant Ratio	1.10	1.10	1.10	1.10	1.10

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 (\$18,486,304 at December 31, 2019) 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, 2019
(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	
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	1,417,667	101.1%
2018	1,095,184,950	0.444	0.859	1,427,026	1,421,534	99.6%
2019	1,227,930,380	0.042	0.775	1,464,920		

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.

Eagle River Water and Sanitation District
Assessed Valuation, Property Taxes Levied and Collected - Sanitation
Five Year Comparison
December 31, 2019
(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	
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	1,903,214	101.2%
2018	2,342,657,810	0.231	0.585	1,911,608	1,882,305	98.5%
2019	2,565,975,770	0.231	0.535	1,965,537		

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.

**Eagle River Water and Sanitation District
Schedule of Water & Storage Rights
December 31, 2019
(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 \$3,453,442. 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, 2019.

The appraisal value as of September 30, 2019, 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
Eagle Park Reservoir Water	432.81211	\$38,500	\$3,453,442	\$16,663,266
Homestake Reservoir	250	38,500	0	9,625,000
Green Mtn. Res. contract	934	1,500	0	1,401,000
Wolford Mtn. Res. contract	500	3,735	0	1,867,500
Black Lakes storage	425	38,500	0	16,362,500
Conditional storage	584.45	100	0	58,445
In-basin consumptive use	902	9,360	1,496,416	8,442,720
Direct flow HUP water (winter)	89	38,500	0	3,426,500
TOTAL			\$4,949,858	\$57,846,931

Water Rights Owned

Eagle Park Reservoir Water

The District owns or has a perpetual contractual right to the water rights in connection with Eagle Park Reservoir (432.81211 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 \$38,500 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 \$38,500 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, 2019
(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 \$373.50 per acre-foot per year, or a total of \$3,735 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, 2019
(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 \$38,500 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 (584.45 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 \$9,360 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 \$38,500 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, 2019
(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.