

**SNOWMASS WATER
& SANITATION DISTRICT**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2019



SNOWMASS
WATER & SANITATION
D I S T R I C T



DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

SNOWMASS WATER & SANITATION DISTRICT

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Independent Auditor's Report



DALBY, WENDLAND & CO., P.C.

Grand Junction

CPAs and Business Advisors

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities of Snowmass Water & Sanitation District (the District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Dalby, Wendland & Co., P.C.

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

July 2, 2020

Management's Discussion and Analysis

SNOWMASS WATER & SANITATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2019

As management of the Snowmass Water & Sanitation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019, with comparative information presented for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

Financial Highlights

Federal and State environmental regulations are causing the District to undertake a major upgrade and overhaul of its wastewater treatment plant. District engineers have generated a plan which will use existing plant and equipment as much as possible, but a new building will be constructed and much of the equipment in the existing buildings will be replaced. Construction of the new building commenced in late 2017 and is expected to take 24 to 32 months to complete. Total cost of the project is currently expected to be about \$27,600,000. In May 2016, District voters approved a plan to issue bonds totaling \$19,850,000, which will be repaid through increased property taxes on those living in the District. Bonds with total face value of \$8,050,000 were issued by the District in November 2016 and a second bond offering totaling \$11,800,000 closed in early 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL SUMMARY AND ANALYSIS

These financial statements distinguish functions of the District that will be principally supported by service charges, system development fees and taxes. The functions of the District include effective and economical operation of District systems within the jurisdictional boundaries of the District. The notes

to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

NET POSITION

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets	\$ 16,304,879	\$ 26,048,281
Capital assets	<u>69,136,257</u>	<u>57,341,991</u>
<i>Total assets</i>	<u>85,441,136</u>	<u>83,390,272</u>
LIABILITIES		
Current liabilities	2,355,657	2,328,693
Long-term liabilities	<u>22,004,139</u>	<u>23,082,848</u>
<i>Total liabilities</i>	<u>24,359,796</u>	<u>25,411,541</u>
DEFERRED INFLOWS OF RESOURCES		
Property tax revenue	<u>2,820,736</u>	<u>2,795,874</u>
<i>Total deferred inflows of resources</i>	<u>2,820,736</u>	<u>2,795,874</u>
NET POSITION		
Net investment in capital assets	47,028,753	41,619,896
Restricted for:		
Emergency reserves	21,500	21,500
Waste Water Treatment Plant Upgrade	5,309,289	12,866,708
Unrestricted	<u>5,901,062</u>	<u>674,753</u>
<i>Total net position</i>	<u>\$ 58,260,604</u>	<u>\$ 55,182,857</u>

Assets

Current assets decreased by \$9,743,402 compared with 2018. The District was constructing its Wastewater Treatment Plant Upgrade during 2019, using cash raised in prior years from the sale of bonds, service fees and from system development fees.

Capital assets in total increased by \$11,794,266 during 2019. The District spent \$9,805,243 on its Wastewater Treatment Plant Upgrade. Other capital projects and miscellaneous equipment purchases totaled \$549,023. Reducing capital assets was \$1,440,371 of depreciation expense incurred during the year.

Liabilities

Total liabilities decreased \$1,051,745 during 2019. This is primarily due to the repayment of bonds and other long-term debt as scheduled.

Net Position

The largest portion of the District's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Overall, the District's total net position increased by \$3,077,747 during 2019. Operations were comparable to prior years. Property tax revenue, specific ownership taxes and interest income were slightly stronger than expected bringing in \$88,519 more than budget. System development fees revenue generated \$282,055 more than budget.

CHANGES IN NET POSITION

Revenues	<u>2019</u>	<u>2018</u>
Operating Revenues		
Water sales	\$ 2,952,634	\$ 2,987,666
Sewer sales	<u>2,422,447</u>	<u>2,307,399</u>
<i>Total Operating Revenues</i>	<u>5,375,081</u>	<u>5,295,065</u>
Non-operating Revenues		
Taxes	2,901,455	2,879,992
Interest	<u>436,337</u>	<u>511,563</u>
<i>Total Non-Operating Revenues</i>	<u>3,337,792</u>	<u>3,391,555</u>
<i>Total Revenue</i>	<u>8,712,873</u>	<u>8,686,620</u>
Expenses		
Operating Expenses		
Water	2,484,936	2,576,860
Sewer	<u>1,644,327</u>	<u>1,813,719</u>
<i>Total Operating Expenses</i>	<u>4,129,263</u>	<u>4,390,579</u>
Non-operating Expenses		
Interest	645,342	668,409
Other	131,569	138,205
Loss on disposal of assets	-	2,100
<i>Total Non-Operating Expenses</i>	<u>776,911</u>	<u>808,714</u>
General and Administrative Expenses	<u>1,302,755</u>	<u>1,235,118</u>
<i>Total Expenses</i>	<u>6,208,929</u>	<u>6,434,411</u>
<i>Income Before Capital Contributions</i>	<u>2,503,944</u>	<u>2,252,209</u>
Capital Contributions	<u>573,803</u>	<u>1,308,727</u>
<i>Changes in Net Position</i>	<u>3,077,747</u>	<u>3,560,936</u>
Net Position – beginning of the year	<u>55,182,857</u>	<u>51,621,921</u>
Net Position – end of the year	<u>\$ 58,260,604</u>	<u>\$ 55,182,857</u>

Revenues

Water and sewer service fee revenue increased by less than 1% compared with 2018. Tax revenues were comparable to 2018. Interest earnings decreased by \$75,000 because of additional bond monies being spent in 2019 on the wastewater treatment plant nutrient upgrade.

Expenses

Water operating expenses decreased by about 5% in 2019, after a 24% increase the prior year. This was primarily due to lower engineering fees and fewer repairs. Sanitation expenses decreased by 13%. General and administrative expenses increased by 6% as anticipated due to server upgrades.

Capital Contributions

Capital contributions consist of system development fees and contributions of capital assets by developers (usually water and sewer lines in new developments). System development fees represent the cost to a builder to add a project on to the District's water and sanitation systems. It is a uniform charge, based on the size of the project. As such, system development fee revenues increase and decrease along with building activity in the District. In 2019 the District brought in \$573,803 in system development fee revenue compared to \$1,308,727 in 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	December 31, 2019	Net Changes	December 31, 2018	Net Changes	December 31, 2017
Capital assets					
Land and land rights	\$ 4,317,421	\$ -	\$ 4,317,421	\$ -	\$ 4,317,421
Water rights	773,024	-	773,024	-	773,024
Construction in progress	26,825,909	12,352,020	14,473,889	8,387,403	6,086,486
Water system	38,464,691	770,332	37,694,359	37,095	37,657,264
Sanitation system	24,388,960	49,065	24,339,895	501,239	23,838,656
Equipment	3,186,055	33,059	3,152,996	114,296	3,038,700
Total capital assets	<u>97,956,060</u>	<u>13,204,476</u>	<u>84,751,584</u>	<u>9,040,033</u>	<u>75,711,551</u>
Accumulated depreciation	28,819,803	1,410,210	27,409,593	1,429,258	25,980,335
Total capital assets - net	<u>\$ 69,136,257</u>	<u>\$11,794,266</u>	<u>\$ 57,341,991</u>	<u>\$ 7,610,775</u>	<u>\$ 49,731,216</u>

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

Debt Administration

In January 2017, the District issued new General Obligation Bonds with face value totaling \$11,800,000. The bonds carry interest rates of 3% to 5% and are due for repayment between 2017 and 2031. Because market rates were below District bond interest rates at the time of sale, they were sold at a premium of \$1,544,020. Interest is paid semi-annually in June and December. The premium is amortized against interest expense. Scheduled debt repayments reduced these bonds by \$650,000 during 2019.

In November 2016, the District issued new General Obligation Bonds with face value of \$8,050,000. The bonds carry an interest rate of 5% and are repayable between 15 and 20 years from the date of issue. Because the market rate of interest was below the rate being paid on the bonds, they were sold at a premium of \$1,950,000. Interest is paid semi-annually in May and December. The premium is amortized against interest expense.

During 2011, the District borrowed \$1,952,805 from the Colorado Water Conservancy Board (CWCB), to assist in financing the completion of the Ziegler Reservoir project. This note is payable in equal annual installments of \$146,890 including interest at 4.25%, over 20 years beginning September 1, 2013. Scheduled debt repayments reduced this note by \$82,021 during 2019.

Long-term obligations also include deferred revenue from the sale of snowmaking water to the Aspen Skiing Company. This obligation is being amortized to revenue over 20 years at \$54,762 per year.

BUDGETARY HIGHLIGHTS

The District prepares its budget on the modified accrual basis of accounting to focus on the effective control of its resources. Depreciation, amortization and infrastructure contributions are not reflected because they do not use or provide available funds. Expenditures include capital outlay and debt repayment, as they require the use of available resources. Total expenditures came in under the amended budget by \$948,155 during 2019, because capital expenditures for the Wastewater Treatment Plant Nutrient upgrade project were less than the amended budget. Overall revenues exceeded budget by

\$496,893, mostly due to strong system development fees, leaving the District \$1,446,637 ahead of budget for the year.

ECONOMIC FACTORS AND RATES

- The District's Board of Directors approved a 4.2% increase in water and 4.5% increase in sewer service fees for 2020.
- The District's Board of Directors increased water and sewer system development fee rates by 5% for 2020.
- The District's Board of Directors approved a 2020 operating budget based on projected revenues of \$8,799,080 with net operating gain of \$2,326,211, a \$4,240,789 decrease in cash reserves and \$6,892,000 of total capital expenditure.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

SNOWMASS WATER & SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 622,446
Restricted cash	1,174,964
Investments	7,808,429
Restricted investments	3,511,879
Accounts receivable	77,452
Property tax receivable	2,820,736
Inventory	111,635
Prepaid expenses	177,338
	<u>16,304,879</u>
	<i>Total Current Assets</i>
Capital Assets	
Capital assets not being depreciated	31,916,354
Capital assets being depreciated, net	37,219,903
	<u>69,136,257</u>
	<i>Total Capital Assets, Net</i>
	<u>85,441,136</u>
	<i>Total Assets</i>
LIABILITIES	
Current Liabilities	
Accounts payable	898,387
Accrued liabilities	356,508
Warranty deposits	205,322
Current portion of CWCB note payable	85,507
Current portion of general obligation bonds payable	675,000
Current portion of unearned revenues - Aspen Skiing Company	54,762
Customer fee unearned revenues	80,171
	<u>2,355,657</u>
	<i>Total Current Liabilities</i>
Long-Term Liabilities	
CWCB note payable	1,358,788
General obligation bonds payable	19,988,209
Unearned revenues - Aspen Skiing Company	657,142
	<u>22,004,139</u>
	<i>Total Liabilities</i>
	<u>24,359,796</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	2,820,736
	<u>2,820,736</u>
	<i>Total Deferred Inflows of Resources</i>
NET POSITION	
Net investment in capital assets	47,028,753
Restricted for:	
Emergency reserves	21,500
Waste Water Treatment Plant Upgrade	5,309,289
Unrestricted	5,901,062
	<u>58,260,604</u>
	<i>Total Net Position</i>
	<u>\$ 58,260,604</u>

See accompanying notes.

SNOWMASS WATER & SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended December 31, 2019

Water Operations

Revenues	
Service fees	\$ 2,815,932
Other	136,702
	2,952,634
Direct expenses	
Salaries and benefits	965,088
Depreciation	726,140
Repairs and maintenance	318,794
Chemicals and supplies	228,905
Utilities and telemetering	127,728
Other direct expenses	118,281
	2,484,936
	467,698

Operating Income From Water Operations

Sanitation Operations

Revenues	
Service fees	2,417,314
Other	5,133
	2,422,447
Direct expenses	
Salaries and benefits	487,352
Depreciation	502,325
Repairs and maintenance	144,949
Chemicals and supplies	268,391
Utilities and telemetering	219,158
Other direct expenses	22,152
	1,644,327
	778,120

Operating Income From Sanitation Operations

General and Administrative Expenses

1,302,755

Loss From Operations

(56,937)

Non-Operating Revenues and (Expenses)

Tax revenue	2,901,455
Interest expense	(645,342)
Interest income	436,337
Other expenses, net of other revenue	(131,569)
	2,560,881

Total Non-Operating Revenues and (Expenses)

2,560,881

Income Before Capital Contributions

2,503,944

Capital Contributions

System development fees	573,803
	573,803

Total Capital Contributions

573,803

Increase in Net Position

3,077,747

Net Position - beginning of the year

55,182,857

Net Position - end of the year

\$ 58,260,604

See accompanying notes.

SNOWMASS WATER & SANITATION DISTRICT

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

Cash Flows From Operating Activities	
Cash received from customers	\$ 5,261,586
Cash payments to suppliers for goods and services	(1,989,743)
Cash payments to employees for services	(1,967,197)
<i>Net Cash Provided By Operating Activities</i>	1,304,646
Cash Flows From Noncapital Financing Activities	
Property and specific ownership taxes received	1,109,197
Miscellaneous non-operating revenue	9,463
Miscellaneous non-operating expenses	(141,032)
<i>Net Cash Provided By Noncapital Financing Activities</i>	977,628
Cash Flows From Capital and Related Financing Activities	
Property and specific ownership taxes received	1,792,258
System development fees	573,803
Warranty deposits received	205,322
Warranty deposits paid	(171,322)
Principal paid on debt	(732,021)
Interest paid on debt	(911,569)
Acquisition of capital assets	(13,234,637)
Sale of capital assets	3,800
<i>Net Cash Used for Capital and Related Financing Activities</i>	(12,474,366)
Cash Flows From Investing Activities	
Purchase of investments	(3,118,207)
Maturities of investments	1,297,327
Sale of investments	13,171,700
Net investment income received	436,337
<i>Net Cash Provided by Investing Activities</i>	11,787,157
Net Increase in Cash and Cash Equivalents	1,595,065
Cash, Restricted Cash, and Cash Equivalents - beginning of the year	202,344
Cash, Restricted Cash, and Cash Equivalents - end of the year	\$ 1,797,410
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Loss from operations	\$ (56,937)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation	1,440,371
Gain on sale of capital assets	(3,800)
Changes in operating assets and liabilities:	
Accounts receivable	41,970
Prepaid expenses	(29,461)
Accounts payable	34,780
Accrued liabilities	29,388
Customer fee unearned revenues	(151,664)
<i>Net Cash Provided By Operating Activities</i>	\$ 1,304,646

See accompanying notes.

Notes to Financial Statements

SNOWMASS WATER & SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Basis of Accounting

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. Restricted cash relates to future capital outlay and is restricted in accordance with bond documents.

Investments

The District's excess cash is invested in investment pools. Restricted investments relate to future capital outlay and are restricted in accordance with bond documents.

Accounts Receivable

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

Property Taxes

Property taxes for the current year are levied in December of the previous year and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes for 2019 are reported as a receivable and as a deferred inflow of resources at December 31. The deferred taxes are reported as revenue in the year in which the lien attaches and they are available and collected.

Inventory

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

Capital Assets

Capital assets include assets with an individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution or at developer's cost.

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

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

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

Compensated Absences

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

Developer Contributions

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

Net Position

The District's net position is classified as follows:

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

Net investment in capital assets	
Capital assets – net of accumulated depreciation	\$ 69,136,257
Current portion of CWCB note payable	(85,507)
Long-term portion of CWCB note payable	(1,358,788)
Bond funds expended on capital assets	<u>(20,663,209)</u>
	<u>\$ 47,028,753</u>

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BUDGETS

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

- A. Budgets are required by state law.
- B. The budget officer is required to submit a proposed budget to the Board of Directors (the Board) annually.
- C. Public hearings are conducted by the Board to obtain taxpayer comments.
- D. Certification of the mill levies to the Board of County Commissioners and adoption of the budget and appropriations are required by December 15.
- E. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget. A supplemental appropriation was made to the 2019 budget in December 2019 decreasing operating and general expenditures by \$56,847, increasing capital outlay by \$1,240,000 and increasing debt service by \$1,589.
- F. Budget appropriations lapse at the end of each year.
- G. The District adopts budgets on a modified accrual basis that is consistent with GAAP.

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

	Revenues	Expenditures	Other Financing Sources	Other Financing Uses
Budgetary basis	\$ 9,241,377	\$(19,008,119)	\$ 3,800	\$ -
Capital outlay	-	13,234,637	-	-
Cash proceeds on sale of fixed assets	-	-	(3,800)	-
Debt principal reduction	-	732,021	-	-
Depreciation	-	(1,440,371)	-	-
Amortization bond premium	-	263,440	-	-
Change in unearned revenues – Aspen Skiing Company	54,762	-	-	-
<i>Accrual basis</i>	<u>\$ 9,296,139</u>	<u>\$ (6,218,392)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 - TAX, SPENDING, AND DEBT LIMITATIONS

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

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment.

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

NOTE 4 - CASH DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

The District's investment policy regarding selection of depository and custodial banks was designed to follow state regulations and the Colorado Public Deposit Protection Act (PDPA). The District's deposits are either covered by depository insurance or are collateralized under PDPA and are therefore not deemed to be exposed to the custodial credit risk. The District's deposits are governed by Colorado Statute. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal deposit insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to 102% of the uninsured deposits. The Colorado Division of Banking is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. A total of \$500,000 is insured with depositor's insurance and the remaining balances are collateralized under PDPA requirements.

Custodial Credit Risk - Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest, including: obligations of the United States and certain U.S. government agency securities, certain international agency securities, general obligation and revenue bonds of U.S. local government entities, bankers' acceptances of certain banks, commercial paper, local government investment pools, written repurchase agreements collateralized by certain authorized securities, certain money market funds, and guaranteed investment contracts.

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

At December 31, 2019, the District had funds in a local government investment pool (ColoTrust). The pool operates similarly to a money market fund and each share is equal in value to \$1.00. Pool investments include U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and Agency securities. The pool is rated AAAM by Standard and Poor's. Financial statements for ColoTrust may be obtained on their website at www.colotrust.com.

The composition of all cash and investments held by the District at December 31, 2019 is as follows:

Cash on hand		\$	200
Deposits:			
Cash in checking account(s)			1,797,210
Certificates of deposit			-
	<i>Total Deposits</i>		<u>1,797,410</u>
Investment pools			<u>11,320,308</u>
	<i>Total Cash, Deposits and Investments</i>		<u>\$13,117,718</u>

Interest Rate Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer or institution. The District places no limit on the amount the District may invest in any one issuer. The District's investments are held by two issuers. Each issuer's share of the investment pool exceeds 5% of total District investments as of December 31, 2019.

NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land and land rights	\$ 4,317,421	\$ -	\$ -	\$ -	\$ 4,317,421
Water rights	773,024	-	-	-	773,024
Construction in progress	14,473,889	12,661,480	-	(309,460)	26,825,909
<i>Total Capital Assets, Not Being Depreciated</i>	<u>19,564,334</u>	<u>12,661,480</u>	<u>-</u>	<u>(309,460)</u>	<u>31,916,354</u>
Capital assets being depreciated:					
Water system – plant and lines	37,694,359	460,872	-	309,460	38,464,691
Sanitation system – plant and lines	24,339,895	49,065	-	-	24,388,960
Equipment	3,152,996	63,220	(30,161)	-	3,186,056
<i>Total Capital Assets, Being Depreciated</i>	<u>65,187,250</u>	<u>573,157</u>	<u>(30,161)</u>	<u>309,460</u>	<u>66,039,707</u>
Less accumulated depreciation for:					
Water system – plant and lines	(13,022,081)	(726,140)	30,161	-	(13,718,060)
Sanitation system – plant and lines	(12,295,102)	(502,325)	-	-	(12,797,427)
Equipment	(2,092,410)	(211,906)	-	-	(2,304,316)
<i>Total Accumulated Depreciation</i>	<u>(27,409,593)</u>	<u>(1,440,371)</u>	<u>30,161</u>	<u>-</u>	<u>(28,819,803)</u>
Total Capital Assets, Being Depreciated, Net	<u>37,777,657</u>	<u>(867,214)</u>	<u>-</u>	<u>-</u>	<u>37,219,903</u>
<i>Capital Assets, Net</i>	<u>\$ 57,341,991</u>	<u>\$ 11,794,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,136,257</u>

The District is in the process of completing a major upgrade of its wastewater treatment facilities in order to meet new State and Federal environmental regulations. All of the existing building infrastructure will remain, but a new building will be added and most of the equipment in the current building will be replaced during the duration of the capital project.

Depreciation expense for the year ended December 31, 2019 is allocated to operations as follows:

Water operations	\$ 726,140
Sanitation operations	502,325
Administration	<u>211,906</u>
	<u>\$ 1,440,371</u>

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2019 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Warranty deposits	\$ 171,322	\$ 34,000	\$ -	\$ 205,322	\$ 205,322
CWCB note payable	1,526,316	-	(82,021)	1,444,295	85,507
Series 2016 general obligation bonds	8,050,000	-	-	8,050,000	-
Premium on 2016 bond sale	1,716,759	-	(109,709)	1,607,050	-
Series 2017 general obligation bonds	10,590,000	-	(650,000)	9,940,000	675,000
Premium on 2017 bond sale	1,219,890	-	(153,731)	1,066,159	-
<i>Long-term Liabilities</i>	<u>\$ 23,274,287</u>	<u>\$ 34,000</u>	<u>\$ (995,461)</u>	<u>\$ 22,312,826</u>	<u>\$ 965,829</u>

Warranty Deposits

The District may require a developer who contributes infrastructure to the District, to deposit 5% or more of the value of that infrastructure as a warranty deposit with the District. These funds may be used by the District to make necessary repairs or alterations to the infrastructure during the warranty period. At the end of the warranty period, any unused funds are returned to the developer. No interest is paid on the warranty deposits payable. The District also collects final inspection deposits along with its system development fees when new construction is undertaken. At December 31, 2019, this amount was made up of only final inspection deposits which totaled \$205,322, all payable during 2019.

CWCB Notes Payable

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

Bonds Payable

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

In January 2017, the District issued general obligation bonds totaling \$11,800,000. The bonds are scheduled to be repaid between 2017 and 2031. Principal and interest on the bonds is paid semi-annually on June 1 and December 1 with interest rates from 3% to 5%. The bonds sold at a premium, which reduced their effective yield to a range of .98% to 2.84%. The premium is being amortized to reduce the District's interest expense from the bonds.

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

	Principal	Interest	Total
2020	\$ 760,507	\$ 888,583	\$ 1,649,090
2021	789,141	864,698	1,653,839
2022	817,930	839,910	1,657,840
2023	846,879	814,210	1,661,089
2024 – 2028	5,189,771	3,525,129	8,714,900
2029 – 2033	6,565,067	2,113,240	8,678,307
2034 – 2038	4,465,000	453,750	4,918,750
<i>Total</i>	<u>\$ 19,434,295</u>	<u>\$ 9,499,520</u>	<u>\$28,933,815</u>

NOTE 7 - RAW WATER CONTRACT

The District entered into an agreement on July 31, 2012 with the Aspen Skiing Company (ASC) to provide raw water from Ziegler Reservoir for snowmaking at its Snowmass Ski Area. Between October 15 and December 31, each year, ASC has the contractual right to remove snowmaking water from the Reservoir as long as minimum storage levels are maintained. In particularly dry years, additional water may be withdrawn after December 31, under certain circumstances and with District approval. The term of the contract is 99 years. District labor and electrical costs incurred in providing this water will be billed and reimbursed by ASC yearly. Routine minor maintenance costs associated with the necessary infrastructure is to be paid by the District with major repair costs split evenly between the parties. ASC paid the District \$1,250,000 at execution of the agreement and further promises to pay \$100,000 each January 1 for 20 years (total \$3,250,000) beginning in 2013. The District recognized revenue of \$154,762 in 2019 related to this contract. The District currently has, as of December 31, 2019, \$711,904 in unearned revenues that will be recognized equally at \$54,762 per year over the remaining 14 year payment schedule and is reflected in the statement of net position as the current portion of deferred revenue from the ASC contract.

NOTE 8 - PENSION PLANS

Deferred Compensation Plan

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

Defined Contribution Plan

The employees of the District may participate in the District's 401(a) Retirement Savings Plan (the Plan), which is a defined contribution plan and is maintained and administered by Nationwide Retirement Services. In a defined contribution plan, benefits depend solely on amounts contributed to

the Plan plus investment earnings. The Plan is available to all employees of the District who participate in the 457 Plan. Under this Plan, the District matches the employees' contributions to the 457 Plan, up to 5%, and remits them to the Plan Administrator. The employees do not contribute to this Plan. The District's contributions, plus earnings, become vested at a rate of 20% each year of participation in the Plan. District contributions for Plan members who leave employment before they are fully vested are used to reduce the District's current period contribution requirements. Plan provisions and contribution requirements are established and may be amended by the Board. Contributions made by the District for the year ended December 31, 2019 were \$107,617.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Prepaid System Development Fees

As of December 31, 2019, the District has received prepaid system development fees for equivalent residential unit connections, which is recognized as revenue when paid by the customer. The District is not required to repay the fees, but is required to provide water and sanitation service upon request.

Legal Proceedings

At times, the District may be subject to various claims and legal proceedings arising in the ordinary course of business. Although occasional adverse decisions or settlements may occur, management believes that the final disposition of any such matters will not have a material adverse effect on the net position, results of operations or cash flows of the District.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The District became a member of the Colorado Special Districts Property and Liability Pool (Pool) in 2004. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage during 2019.

The District pays annual premiums to the Pool for general liability, property, public official's liability and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

Employee Health and Dental Insurance

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

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 2, 2020, the date at which the financial statements were available to be issued.

Subsequent to year end, the World Health Organization has declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global, national, and local markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of its operations and financial results. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

Other Supplemental Information

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

For the year ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Water service fees	\$ 2,662,416	\$ 2,662,416	\$ 2,761,170	\$ 98,754
Sanitation service fees	2,461,047	2,461,047	2,417,314	(43,733)
Water system development fees	140,039	140,039	249,874	109,835
Sanitation system development fees	151,709	151,709	323,929	172,220
Property taxes	2,798,873	2,798,873	2,796,437	(2,436)
Specific ownership taxes	70,400	70,400	105,018	34,618
Investment income	380,000	380,000	436,337	56,337
Other revenue	80,000	80,000	151,298	71,298
<i>Total Revenue</i>	<u>8,744,484</u>	<u>8,744,484</u>	<u>9,241,377</u>	<u>496,893</u>
<i>Total Revenue & Other Financing Sources</i>	<u>8,744,484</u>	<u>8,744,484</u>	<u>9,241,377</u>	<u>496,893</u>
Operating Expenditures				
Water				
Salaries	746,011	746,011	669,609	76,402
Employee benefits	248,720	248,720	295,479	(46,759)
Supplies and other	165,000	165,000	199,497	(34,497)
Utilities	148,000	148,000	112,508	35,492
Repairs and maintenance	235,000	235,000	318,794	(83,794)
Telemetry	17,000	17,000	15,220	1,780
Chemicals	38,000	38,000	29,407	8,593
Engineering	32,000	32,000	118,281	(86,281)
Miscellaneous	8,000	8,000	-	8,000
	<u>1,637,731</u>	<u>1,637,731</u>	<u>1,758,795</u>	<u>(121,064)</u>
Sanitation				
Salaries and employee benefits	423,653	423,653	372,738	50,915
Employee benefits	209,089	209,089	114,614	94,475
Supplies and other	225,000	225,000	214,378	10,622
Utilities	248,000	248,000	217,427	30,573
Repairs and maintenance	235,000	178,153	144,949	33,204
Telemetry	8,000	8,000	1,731	6,269
Chemicals	37,000	37,000	54,013	(17,013)
Engineering	35,000	35,000	22,152	12,848
Miscellaneous	2,000	2,000	-	2,000
	<u>1,422,742</u>	<u>1,365,895</u>	<u>1,142,002</u>	<u>223,893</u>
General Expenditures				
Salaries	370,343	370,343	404,648	(34,305)
Employee benefits	142,205	142,205	134,188	8,017
Contract labor	21,000	21,000	5,308	15,692
Supplies and other	115,000	115,000	179,904	(64,904)
Repairs and maintenance	9,000	9,000	7,459	1,541
Insurance	151,000	151,000	172,552	(21,552)
Audit	32,000	32,000	30,715	1,285
Legal	82,000	82,000	59,477	22,523
Engineering	96,000	96,000	87,302	8,698
Telephone	7,100	7,100	9,295	(2,195)
County treasurer's fees	160,000	160,000	140,232	19,768
Miscellaneous	50,000	50,000	800	49,200
	<u>1,235,648</u>	<u>1,235,648</u>	<u>1,231,880</u>	<u>3,768</u>

(Continued)

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

For the year ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Debt Service				
Principal	732,000	732,000	732,021	(21)
Interest	910,000	911,589	908,782	1,218
Bond issuance costs	-	-	-	-
	<u>1,642,000</u>	<u>1,643,589</u>	<u>1,640,803</u>	<u>1,197</u>
Capital Outlay				
Water capital expenditures	1,945,000	1,945,000	460,873	1,484,127
Sanitation capital expenditures	10,792,000	12,032,000	49,065	11,982,935
Equipment	98,000	98,000	63,220	34,780
Construction in progress	-	-	12,661,481	(12,661,481)
	<u>12,835,000</u>	<u>14,075,000</u>	<u>13,234,639</u>	<u>840,361</u>
Total Expenditures	<u>18,773,121</u>	<u>19,957,863</u>	<u>19,008,119</u>	<u>948,155</u>
Excess of Revenue Over Expenditures	<u>(10,028,637)</u>	<u>(11,213,379)</u>	<u>(9,766,742)</u>	<u>1,446,637</u>
Change in Net Position (Budgetary Basis)	<u>\$ (10,028,637)</u>	<u>\$ (11,213,379)</u>	<u>(9,766,742)</u>	<u>\$ 1,446,637</u>
Available Resources - January 1			21,710,497	
Available Resources - December 31			<u>\$ 11,943,755</u>	

Available Resources at December 31, 2019 is computed as follows:

Current assets	\$ 16,304,879
Current liabilities	(2,355,657)
Deferred inflows of resources	(2,820,736)
	<u>\$ 11,128,486</u>

(Concluded)