

**SNOWMASS WATER  
& SANITATION DISTRICT**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2020



SNOWMASS  
**WATER & SANITATION**  

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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**

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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, 2020, 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, 2020, 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.

DWC

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

June 7, 2021

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## Management's Discussion and Analysis

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**SNOWMASS WATER & SANITATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2020

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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, 2020, with comparative information presented for the year ended December 31, 2019. 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 to use the existing plant and equipment as much as possible. A new building was constructed and much of the equipment in the existing buildings has now been replaced. Construction of the new building commenced in late 2017 and was completed in early 2021. 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, financing, 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

	2020	2019
<b>ASSETS</b>		
Current assets	\$ 11,349,457	\$ 16,304,879
Capital assets	<u>74,944,156</u>	<u>69,136,257</u>
<i>Total assets</i>	<u><b>86,293,613</b></u>	<u>85,441,136</u>
<b>LIABILITIES</b>		
Current liabilities	1,462,157	2,355,657
Long-term liabilities	<u>20,959,070</u>	<u>22,004,139</u>
<i>Total liabilities</i>	<u><b>22,421,227</b></u>	<u>24,359,796</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property tax revenue	<u>2,811,246</u>	2,820,736
<i>Total deferred inflows of resources</i>	<u><b>2,811,246</b></u>	<u>2,820,736</u>
<b>NET POSITION</b>		
Net investment in capital assets	53,798,325	47,028,753
Restricted for:		
Emergency reserves	21,500	21,500
Waste Water Treatment Plant Upgrade	3,505,214	5,309,289
Unrestricted	<u>3,736,101</u>	<u>5,901,062</u>
<i>Total net position</i>	<u><b>\$ 61,061,140</b></u>	<u>\$ 58,260,604</u>

#### **Assets**

Current assets decreased by \$4,955,422 compared with 2019. The District had substantially completed the construction of its Wastewater Treatment Plant Upgrade during 2020, using cash raised in prior years from the sale of bonds, service fees and from system development fees.

Capital assets in total increased by \$5,807,899 during 2020. The District expended \$4,098,396 on its Wastewater Treatment Plant Upgrade. Other capital projects and miscellaneous equipment purchases totaled \$3,284,508. Amounts reducing capital assets included \$1,466,514 of depreciation expense incurred during the year and a loss of \$108,494 relating to disposals of capital assets.

#### **Liabilities**

Total liabilities decreased \$1,938,569 during 2020. This is primarily due to the repayment of bonds and other long-term debt as scheduled and a decrease in accounts payable due to the construction of the Wastewater Treatment Plant Upgrade being primarily complete at the end of December 2020.

#### **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 \$2,800,536 during 2020. Operations were comparable to prior years.

**CHANGES IN NET POSITION**

	<b>2020</b>	2019
<b>Revenues</b>		
<b>Operating Revenues</b>		
Water sales	\$ 3,327,958	\$ 2,952,634
Sewer sales	<u>2,524,106</u>	<u>2,422,447</u>
<i>Total Operating Revenues</i>	<u>5,852,064</u>	<u>5,375,081</u>
<b>Non-operating Revenues</b>		
Taxes	2,916,233	2,901,455
Interest	<u>82,181</u>	<u>436,337</u>
<i>Total Non-Operating Revenues</i>	<u>2,998,414</u>	<u>3,337,792</u>
<i>Total Revenue</i>	<u>8,850,478</u>	<u>8,712,873</u>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Water	2,336,461	2,484,938
Sewer	<u>1,868,557</u>	<u>1,644,327</u>
<i>Total Operating Expenses</i>	<u>4,205,018</u>	<u>4,129,263</u>
<b>Non-operating Expenses</b>		
Interest	679,704	645,342
Other	200,071	131,569
Loss on disposal of assets	<u>108,494</u>	<u>-</u>
<i>Total Non-Operating Expenses</i>	<u>988,269</u>	<u>776,911</u>
<b>General and Administrative Expenses</b>	<u>1,322,770</u>	<u>1,302,755</u>
<i>Total Expenses</i>	<u>6,516,057</u>	<u>6,208,929</u>
<i>Income Before Capital Contributions</i>	<u>2,334,421</u>	<u>2,503,944</u>
<b>Capital Contributions</b>	<u>466,115</u>	<u>573,803</u>
<i>Changes in Net Position</i>	<u>2,800,536</u>	<u>3,077,747</u>
<b>Net Position – beginning of the year</b>	<u>58,260,604</u>	<u>55,182,857</u>
<b>Net Position – end of the year</b>	<u>\$ 61,061,140</u>	<u>\$ 58,260,604</u>

**Revenues**

Water and sewer service fee revenue increased by less than 1% compared with 2019. Tax revenues were comparable to 2019. Interest earnings decreased by \$354,156 because of additional bond monies being expended in 2019 and 2020 on the wastewater treatment plant nutrient upgrade.

**Expenses**

Water operating expenses decreased by about 6% in 2020. Sanitation expenses increased by 5%. General and administrative expenses increased by 1%.

**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 2020 the District received \$466,115 in system development fee and contributed capital revenue compared to \$573,803 in 2019.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

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

	December 31, 2020	Net Changes	December 31, 2019	Net Changes	December 31, 2018
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	28,539,580	1,713,671	26,825,909	12,352,020	14,473,889
Water system	42,102,400	3,637,709	38,464,691	770,332	37,694,359
Sanitation system	26,135,099	1,746,139	24,388,960	49,065	24,339,895
Equipment	3,268,255	82,200	3,186,055	33,059	3,152,996
Total capital assets	<u>105,135,779</u>	<u>7,179,719</u>	<u>97,956,060</u>	<u>13,204,476</u>	<u>84,751,584</u>
Accumulated depreciation	<u>30,191,623</u>	<u>1,371,820</u>	<u>28,819,803</u>	<u>1,410,210</u>	<u>27,409,593</u>
Total capital assets - net	<u>\$ 74,944,156</u>	<u>\$ 5,807,899</u>	<u>\$ 69,136,257</u>	<u>\$11,794,266</u>	<u>\$ 57,341,991</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 \$675,000 during 2020.

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 \$85,507 during 2020.

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 \$281,043 during 2020. Overall revenues exceeded budget by \$76,933, mostly due to strong water service fees, leaving the District \$357,976 favorable of budget for the year.

## **ECONOMIC FACTORS AND RATES**

- The District's Board of Directors approved a 3.2% increase in water and 3.5% increase in sewer service fees for 2021.
- The District's Board of Directors increased water and sewer system development fee rates by 5% for 2021.
- The District's Board of Directors approved a 2021 operating budget based on projected revenues of \$8,826,110 with net operating gain of \$2,238,347, a \$660,653 decrease in cash reserves and \$3,224,000 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.

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## Basic Financial Statements

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# SNOWMASS WATER & SANITATION DISTRICT

## STATEMENT OF NET POSITION

December 31, 2020

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<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 299,816
Restricted cash	19,036
Investments	6,214,901
Restricted investments	1,707,804
Accounts receivable	200,728
Property tax receivable	2,811,246
Inventory	95,926
	<u>11,349,457</u>
	<i>Total Current Assets</i>
<b>Capital Assets</b>	
Capital assets not being depreciated	33,630,025
Capital assets being depreciated, net	41,314,131
	<u>74,944,156</u>
	<i>Total Capital Assets, Net</i>
	<u>86,293,613</u>
	<i>Total Assets</i>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	85,959
Accrued liabilities	333,865
Warranty deposits	196,540
Current portion of CWCB note payable	89,141
Current portion of general obligation bonds payable	700,000
Current portion of unearned revenues - Aspen Skiing Company	54,762
Customer fee unearned revenues	1,890
	<u>1,462,157</u>
	<i>Total Current Liabilities</i>
<b>Long-Term Liabilities</b>	
CWCB note payable	1,269,647
General obligation bonds payable	19,087,043
Unearned revenues - Aspen Skiing Company	602,380
	<u>20,959,070</u>
	<i>Total Liabilities</i>
	<u>22,421,227</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	2,811,246
	<u>2,811,246</u>
	<i>Total Deferred Inflows of Resources</i>
<b>NET POSITION</b>	
Net investment in capital assets	53,798,325
Restricted for:	
Emergency reserves	21,500
Waste Water Treatment Plant Upgrade	3,505,214
Unrestricted	3,736,101
	<u>61,061,140</u>
	<i>Total Net Position</i>
	<u>\$ 61,061,140</u>

See accompanying notes.

**SNOWMASS WATER & SANITATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the year ended December 31, 2020

**Water Operations**

Revenues	
Service fees	\$ 3,233,135
Other	94,823
	3,327,958
Direct expenses	
Salaries and benefits	852,774
Depreciation	749,749
Repairs and maintenance	411,092
Chemicals and supplies	148,486
Utilities and telemetering	142,208
Other direct expenses	32,152
	2,336,461
<i>Operating Income From Water Operations</i>	991,497

**Sanitation Operations**

Revenues	
Service fees	2,522,976
Other	1,130
	2,524,106
Direct expenses	
Salaries and benefits	521,636
Depreciation	504,224
Repairs and maintenance	313,340
Chemicals and supplies	270,461
Utilities and telemetering	237,898
Other direct expenses	20,998
	1,868,557
<i>Operating Income From Sanitation Operations</i>	655,549

**General and Administrative Expenses**

<i>Income From Operations</i>	1,322,770
	324,276

**Non-Operating Revenues and (Expenses)**

Tax revenue	2,916,233
Interest expense	(679,704)
Interest income	82,181
Other expenses, net of other revenue	(200,071)
Loss on disposal of assets	(108,494)
	2,010,145
<i>Total Non-Operating Revenues and (Expenses)</i>	2,010,145
<i>Income Before Capital Contributions</i>	2,334,421

**Capital Contributions**

System development fees	381,115
Contributed Capital Assets	85,000
	466,115
<i>Total Capital Contributions</i>	466,115
<i>Increase in Net Position</i>	2,800,536

<b>Net Position</b> - beginning of the year	58,260,604
<b>Net Position</b> - end of the year	\$ 61,061,140

See accompanying notes.

# SNOWMASS WATER & SANITATION DISTRICT

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

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### Cash Flows From Operating Activities

Cash received from customers	\$ 5,595,745
Cash payments to suppliers for goods and services	(2,698,231)
Cash payments to employees for services	(1,997,353)
	<u>900,161</u>

*Net Cash Provided By Operating Activities*

### Cash Flows From Noncapital Financing Activities

Property and specific ownership taxes received	1,109,197
Miscellaneous non-operating revenue	24,183
Miscellaneous non-operating expenses	(224,254)

*Net Cash Provided By Noncapital Financing Activities*

### Cash Flows From Capital and Related Financing Activities

Property and specific ownership taxes received	1,807,036
System development fees	381,115
Warranty deposits received	196,540
Warranty deposits paid	(205,322)
Principal paid on note and bonds payable	(760,507)
Interest paid on note and bonds payable	(888,583)
Acquisition of capital assets	(7,297,908)

*Net Cash Used for Capital and Related Financing Activities*

### Cash Flows From Investing Activities

Purchase of investments	(1,208,290)
Sale of investments	4,605,893
Net investment income received	82,181

*Net Cash Provided by Investing Activities*

**Net Decrease in Cash and Cash Equivalents**

**Cash, Restricted Cash, and Cash Equivalents - beginning of the year**

**Cash, Restricted Cash, and Cash Equivalents - end of the year**

### Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Income from operations \$ 324,276

Adjustments to reconcile income from operations to net cash provided by operating activities:

Depreciation	1,466,514
Loss on disposal of capital assets	108,494
Changes in operating assets and liabilities:	
Accounts receivable	(123,276)
Inventory	15,709
Prepaid expenses	177,338
Accounts payable	(812,427)
Accrued liabilities	(14,930)
Customer fee unearned revenues	(133,043)

*Net Cash Provided By Operating Activities*

See accompanying notes.

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**Notes to Financial Statements**

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# SNOWMASS WATER & SANITATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### 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 collectable; therefore, no allowance for doubtful accounts was recorded.

#### **Property Taxes**

Property taxes for the current year are levied in December of the previous year and attached as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due March 1 and June 15. Property taxes for 2020 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	\$ 74,944,156
Current portion of CWCB note payable	(89,141)
Long-term portion of CWCB note payable	(1,269,647)
Current portion of bond funds expended on capital assets	(700,000)
Long-term portion of bond funds expended on capital assets	<u>(19,087,043)</u>
	<u>\$ 53,798,325</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 2020 budget decreasing operating and general expenditures by \$339,473, increasing capital outlay by \$449,200 and increasing debt service by \$31,259.
- 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	\$ 9,201,014	\$ (13,224,812)	\$ -	\$ -
Capital outlay	-	7,297,907	-	-
Contributed capital	85,000	-	-	-
Debt principal reduction	-	760,507	-	-
Depreciation	-	(1,466,514)	-	-
Amortization bond premium	-	201,166	-	-
Loss on disposal of capital assets	-	(108,494)	-	-
Change in unearned revenues – Aspen Skiing Company	54,762	-	-	-
<i>Accrual basis</i>	<u>\$ 9,340,776</u>	<u>\$ (6,540,240)</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, 2020, 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.colotruster.com](http://www.colotruster.com).

The composition of all cash and investments held by the District at December 31, 2020 is as follows:

Cash on hand		\$	200
Deposits:			
Cash in checking account(s)			<u>318,652</u>
	<i>Total Deposits</i>		<u>318,852</u>
Investment pools			<u>7,922,705</u>
	<i>Total Cash, Deposits and Investments</i>	\$	<u>8,241,557</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, 2020.

## **NOTE 5 - CAPITAL ASSETS**

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

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land and land rights	\$ 4,317,421	\$ -	\$ -	\$ -	\$ 4,317,421
Water rights	773,024	-	-	-	773,024
Construction in progress	<u>26,825,909</u>	<u>4,389,089</u>	-	<u>(2,675,418)</u>	<u>28,539,580</u>
<i>Total Capital Assets, Not Being Depreciated</i>	<u>31,916,354</u>	<u>4,389,089</u>	-	<u>(2,675,418)</u>	<u>33,630,025</u>
Capital assets being depreciated:					
Water system – plant and lines	38,464,691	2,281,388	-	1,356,321	42,102,400
Sanitation system – plant and lines	24,388,960	610,124	(183,083)	1,319,098	26,135,099
Equipment	<u>3,186,056</u>	<u>102,304</u>	<u>(20,105)</u>	-	<u>3,268,255</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>66,039,707</u>	<u>2,993,816</u>	<u>(203,188)</u>	<u>2,675,419</u>	<u>71,505,754</u>
Less accumulated depreciation for:					
Water system – plant and lines	(13,718,060)	(749,749)	94,694	-	(14,373,115)
Sanitation system – plant and lines	(12,797,427)	(504,224)	-	-	(13,301,651)
Equipment	<u>(2,304,316)</u>	<u>(212,541)</u>	-	-	<u>(2,516,857)</u>
<i>Total Accumulated Depreciation</i>	<u>(28,819,803)</u>	<u>(1,466,514)</u>	<u>94,694</u>	-	<u>(30,191,623)</u>
Total Capital Assets, Being Depreciated, Net	<u>37,219,904</u>	<u>1,527,302</u>	<u>(108,494)</u>	<u>2,675,419</u>	<u>41,314,131</u>
<i>Capital Assets, Net</i>	<u>\$ 69,136,258</u>	<u>\$ 5,916,391</u>	<u>\$ (108,494)</u>	<u>\$ -</u>	<u>\$ 74,944,156</u>

Depreciation expense for the year ended December 31, 2020 is allocated to operations as follows:

Water operations	\$ 749,749
Sanitation operations	504,224
Administration	212,541
	<u>\$ 1,466,514</u>

## NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2020 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Warranty deposits	\$ 205,322	\$ -	\$ (8,782)	\$ 196,540	\$ 196,540
CWCB note payable	1,444,295	-	(85,507)	1,358,788	89,141
Series 2016 general obligation bonds	8,050,000	-	-	8,050,000	-
Premium on 2016 bond sale	1,607,050	-	(97,075)	1,509,975	-
Series 2017 general obligation bonds	9,940,000	-	(675,000)	9,265,000	700,000
Premium on 2017 bond sale	1,066,159	-	(104,091)	962,068	-
<i>Long-term Liabilities</i>	<u>\$ 22,312,826</u>	<u>\$ -</u>	<u>\$ (970,455)</u>	<u>\$ 21,342,371</u>	<u>\$ 985,681</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, 2020, this amount was made up of only final inspection deposits which totaled \$196,540, all payable in 2021.

### 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 note payable and two bonds payables are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	865,997	787,593	1,653,590
2025 – 2029	5,548,136	3,285,064	8,833,200
2030 – 2034	6,755,705	1,788,962	8,544,667
2035 – 2038	3,050,000	230,500	3,280,500
<i>Total</i>	<u>\$ 18,673,788</u>	<u>\$ 8,610,937</u>	<u>\$ 27,284,725</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 2020 related to this contract. The District currently has, as of December 31, 2020, \$657,143 in unearned revenues that will be recognized equally at \$54,762 per year over the remaining 12 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, 2020 were \$110,340.

## **NOTE 9 - COMMITMENTS AND CONTINGENCIES**

### **Prepaid System Development Fees**

As of December 31, 2020, 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 2020.

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 – RISKS AND UNCERTANTIES**

In March of 2020, the World Health Organization 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 changes, businesses, and communities. Specific to the District, COVID-19

may impact various parts of its operations and financial results if a COVID-19 outbreak were to occur. Management of the District is taking appropriate actions to mitigate this. The full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 7, 2021, the date at which the financial statements were available to be issued, and determined no events have occurred that would require disclosure.

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**Other Supplemental Information**

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

For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>Revenues and Other Financing Sources</b>				
Water service fees	\$ 2,942,305	\$ 2,942,305	\$ 3,178,373	\$ 236,068
Sanitation service fees	2,623,640	2,623,640	2,522,976	(100,664)
Water system development fees	156,000	156,000	186,196	30,196
Sanitation system development fees	169,000	169,000	194,919	25,919
Property taxes	2,820,736	2,820,736	2,825,000	4,264
Specific ownership taxes	70,400	70,400	91,233	20,833
Investment income	262,000	262,000	82,181	(179,819)
Other revenue	80,000	80,000	120,136	40,136
<i><b>Total Revenue and Other Financing Sources</b></i>	<u>9,124,081</u>	<u>9,124,081</u>	<u>9,201,014</u>	<u>76,933</u>
<b>Operating Expenditures</b>				
<b>Water</b>				
Salaries	642,083	642,083	588,249	53,834
Employee benefits	228,730	228,730	264,525	(35,795)
Supplies and other	165,000	165,000	112,488	52,512
Utilities	148,000	148,000	128,878	19,122
Repairs and maintenance	300,000	300,000	411,092	(111,092)
Telemetry	17,000	17,000	13,330	3,670
Chemicals	42,000	42,000	35,997	6,003
Engineering	32,000	32,000	32,152	(152)
Miscellaneous	8,000	8,000	-	8,000
	<u>1,582,813</u>	<u>1,582,813</u>	<u>1,586,711</u>	<u>(3,898)</u>
<b>Sanitation</b>				
Salaries and employee benefits	548,505	548,505	434,789	113,716
Employee benefits	252,170	252,170	86,847	165,323
Supplies and other	290,700	110,700	231,616	(120,916)
Utilities	413,800	413,800	234,445	179,355
Repairs and maintenance	270,000	130,000	313,340	(183,340)
Telemetry	8,000	8,000	3,453	4,547
Chemicals	106,000	106,000	38,845	67,155
Engineering	55,000	35,527	21,007	14,520
Miscellaneous	2,000	2,000	-	2,000
	<u>1,946,175</u>	<u>1,606,702</u>	<u>1,364,342</u>	<u>242,360</u>
<b>General Expenditures</b>				
Salaries	393,326	393,326	443,273	(49,947)
Employee benefits	163,865	163,865	164,739	(874)
Contract labor	21,000	21,000	-	21,000
Supplies and other	120,000	120,000	114,350	5,650
Repairs and maintenance	9,000	9,000	4,818	4,182
Insurance	185,000	185,000	199,736	(14,736)
Audit	33,500	33,500	30,640	2,860
Legal	72,000	72,000	68,967	3,033
Engineering	80,000	80,000	73,502	6,498
Telephone	7,100	7,100	9,487	(2,387)
County treasurer's fees	160,000	160,000	223,454	(63,454)
Miscellaneous	50,000	50,000	1,516	48,484
	<u>1,294,791</u>	<u>1,294,791</u>	<u>1,334,482</u>	<u>(39,691)</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, 2020

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>Debt Service</b>				
Principal	760,507	760,507	760,507	-
Interest	888,583	919,842	880,863	38,979
	1,649,090	1,680,349	1,641,370	38,979
<b>Capital Outlay</b>				
Water capital expenditures	2,269,000	2,718,200	2,196,390	521,810
Sanitation capital expenditures	4,525,000	4,525,000	610,124	3,914,876
Equipment	98,000	98,000	102,304	(4,304)
Construction in progress	-	-	4,389,089	(4,389,089)
	6,892,000	7,341,200	7,297,907	43,293
<b>Total Expenditures</b>	13,364,869	13,505,855	13,224,812	281,043
<b>Excess of Revenue Over Expenditures</b>	(4,240,788)	(4,381,774)	(4,023,798)	357,976
<b>Change in Net Position (Budgetary Basis)</b>	\$ (4,240,788)	\$ (4,381,774)	\$ (4,023,798)	\$ 357,976
<b>Available Resources - January 1</b>			11,943,755	
<b>Available Resources - December 31</b>			\$ 7,919,957	
Available Resources at December 31, 2020 is computed as follows:				
Current assets			\$ 11,349,457	
Current liabilities			(1,462,157)	
Current portion of long-term liabilities			843,903	
Deferred inflows of resources			(2,811,246)	
			\$ 7,919,957	

(Concluded)