

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

**Financial Statements
December 31, 2021**

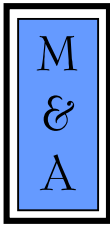


**EAGLE RIVER
WATER & SANITATION
DISTRICT**

**Eagle River Water and Sanitation District
Financial Statements
December 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Eagle River Water and Sanitation District**

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Eagle River Water and Sanitation District (the "District"), as of and for the year ended December 31, 2021, which collectively comprise the District's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Eagle River Water and Sanitation District, as of December 31, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Eagle River Water and Sanitation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Eagle River Water and Sanitation District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle River Water and Sanitation District's basic financial statements. The budgetary comparisons and debt service schedules in Section E are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparisons and debt services schedules are 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 U.S. GAAS. In our opinion, the information in Section E is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
June 28, 2022**

MANAGEMENT'S DISCUSSION AND ANALYSIS



**EAGLE RIVER
WATER & SANITATION
DISTRICT**

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2021**

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

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

Financial Highlights

In 2021, overall net position decreased by \$1,514,527. As part of the long term capital improvement program, the District spent cash on capital assets of \$29,338,455 (capital outlay). This construction was partially funded by the 2019 and 2020 bond proceeds. The remaining proceeds from the 2019 and 2020 bonds were held as restricted cash and investments at December 31, 2021. In addition, the District's capital assets were depreciated \$9,096,295.

The District's 2021 financial activity generated a decrease of \$21,942,887 in net position on a budgetary basis. In accordance with Generally Accepted Accounting Principles (GAAP), \$9,096,295 of capital asset depreciation was expensed, which does not represent cash funding for capital assets in the current period. The District reconciliation from budgetary basis to GAAP basis, which includes depreciation expense, can be found on page E3 of the financial statements. The net result was a decrease in net position of \$1,514,527 for 2021, compared to a \$938,734 decrease in 2020.

In 2021, total revenues were \$34,683,220, which was an increase of \$553,966 over 2020 levels. Service fees revenue increased \$1,974,935. This was a result of a increases in water usage and service rates. Operating revenue increased \$3,512,427. This was a result of an increase in contract services provided. Additional details can be found on page E1 – E3 of the financial statements.

In 2021, total expenses were \$36,197,747, which was an increase of \$1,129,759 over 2020 levels. The increase was largely attributable to the higher expenses associated with utility services and engineering costs. Additional details can be found on page E1 – E3 of the financial statements.

The water service rate structure is designed to encourage wise use of water and is based upon the customer's Single-Family Equivalents (SFE) usage. Water service rates in 2021 were increased from 2020 rates. The water service base rate is \$18.26 per SFE. The usage rates for tier one (0 to 7,999 gallons) is \$3.08 per 1,000 gallons. The usage rates for tier two (8,000 to 15,999 gallons), tier three (16,000 to 23,999 gallons), tier four (24,000 to 31,999 gallons) and tier five (32,000 and over) are \$5.39, \$9.77, \$14.68 and \$22.02 per 1,000 gallons, respectively. The Capital Replacement Program fee was \$5.93 per month per SFE for Water and \$1.00 per month per SFE for Wastewater. The Debt Service base rate is established to provide a reliable revenue source for repayment of the 2017 Wastewater bonds, 2017 Water bonds, 2019 Water bonds and 2020 Wastewater bonds. For 2021 the bond rates were established at \$6.44, \$2.77, \$2.28 and \$7.89 per month per SFE, respectively.

Water service rates in 2020 were increased from 2019 rates. The water service base rate is \$16.60 per SFE. The usage rates for tier one (0 to 9,999 gallons) is \$2.80 per 1,000 gallons. The usage rates for tier two (10,000 to 19,999 gallons), tier three (20,000 to 29,999 gallons), tier four (30,000 to 39,999 gallons), and tier five (40,000 and over) are \$4.90 and \$8.58, \$12.87 and \$19.31 per 1,000 gallons, respectively. The Capital Replacement Program fee was \$5.76 per month per SFE. The Debt Service base rate is established to provide a reliable revenue source for repayment of the 2012 Wastewater bonds, the 2017 Water bonds, and the 2019 Water bonds. For 2020 the bond rates were established at \$5.82, \$3.05, \$6.45 and \$2.55 per month per SFE, respectively.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2021
(continued)**

Overview of the Financial Statements

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

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

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

The *Statements of Cash Flows* report the District's cash flows from operating, capital and related financing, and investing activities.

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

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2021
(continued)**

NET POSITION

	2021			2020		
	Water	Sanitation	Total	Water	Sanitation	Total
Assets:						
Current and other assets	13,064,104	52,590,052	65,654,156	12,843,444	69,311,205	82,154,649
Capital assets, net	36,503,206	148,169,560	184,672,766	37,015,600	131,055,863	168,071,463
Total Assets	49,567,310	200,759,612	250,326,922	49,859,044	200,367,068	250,226,112
Deferred Outflow of Resources:						
Deferred charge on refunding	1,009,457	-	1,009,457	1,093,203	-	1,093,203
Total Deferred Outflow of Resources	1,009,457	-	1,009,457	1,093,203	-	1,093,203
Liabilities:						
Other liabilities	659,900	11,826,836	12,486,736	408,130	6,573,927	6,982,057
Long-term liabilities	21,489,333	100,357,362	121,846,695	22,932,949	102,922,729	125,855,678
Total Liabilities	22,149,233	112,184,198	134,333,431	23,341,079	109,496,656	132,837,735
Deferred Inflow of Resources:						
Unavailable property tax revenue	1,518,392	1,971,705	3,490,097	1,490,300	1,963,902	3,454,202
Total Deferred Inflow of Resources	1,518,392	1,971,705	3,490,097	1,490,300	1,963,902	3,454,202
Net Position:						
Net investment in capital assets	18,938,612	68,758,105	87,696,717	18,595,051	68,378,627	86,973,678
Restricted:						
Debt	1,836,096	5,851,312	7,687,408	1,836,096	5,919,812	7,755,908
Unrestricted	6,134,434	11,994,292	18,128,726	5,689,721	14,608,071	20,297,792
Total Net Position	26,909,142	86,603,709	113,512,851	26,120,868	88,906,510	115,027,378

As noted earlier, net position may serve, over time, as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$26,909,142 and \$86,603,709 for water and sanitation, respectively, as of December 31, 2021 and \$26,120,868 and \$88,906,510 for water and sanitation, respectively, as of December 31, 2020.

The largest portion of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding, excluding unspent bond proceeds. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2021
(continued)**

NET POSITION (continued)

During 2021, overall net position decreased \$1,514,527. Overall assets increased \$100,810.

As of December 31, 2021, total net capital assets are \$184,672,766, which is an increase of \$16,601,303 from the 2020 amount of \$168,071,463. The change in net capital assets of \$16,601,303 is net of the current year additions, deletions, and depreciation. Capital asset details can be found on pages D13 – D14.

During 2021, total liabilities increased \$1,495,696. The increase in total liabilities is related to ongoing construction activity at year end.

During 2020, overall net position decreased \$938,734. In 2020, current and other assets increased \$36,721,343. The major reason for this was due to the issuance of the 2020A and 2020B bonds.

Capital asset additions net of deletions in 2020 of \$6,774,890 and depreciation were part of the District's long term capital improvement program.

During 2020, total liabilities increased \$37,552,588. The increase in liabilities is related to 2020 debt issuances.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2021
(continued)**

REVIEW OF REVENUES

	2021			2020		
	Water	Sanitation	Total	Water	Sanitation	Total
Revenues:						
Operating revenues:						
Service fees	6,921,232	16,268,599	23,189,831	6,443,826	14,771,070	21,214,896
Contract services	-	7,559,245	7,559,245	-	6,215,092	6,215,092
Meter sales and rentals	-	1,243,544	1,243,544	-	849,794	849,794
Other	117,008	399,283	516,291	145,189	571,513	716,702
Non-operating revenues:						
Property taxes	1,486,928	1,961,888	3,448,816	1,453,305	1,950,056	3,403,361
Specific ownership taxes	89,479	113,017	202,496	79,756	102,498	182,254
Investment income	(991)	(18,024)	(19,015)	66,067	334,133	400,200
Gain (loss) on investments	3,110	31,558	34,668	16,576	84,240	100,816
Other	29,817	(3,608,418)	(3,578,601)	18,930	50,838	69,768
Capital contributions:						
Tap fees	677,841	1,155,945	1,833,786	307,504	668,867	976,371
Contributed assets	-	56,837	56,837	-	-	-
Other	53,715	141,607	195,322	-	-	-
Total Revenues	9,378,139	25,305,081	34,683,220	8,531,153	25,598,101	34,129,254

In 2021, total revenues were \$34,683,220, which is an increase of \$553,966 over 2020 revenues of \$34,129,254.

Service fee revenue increased \$1,974,935 in 2021. This resulted from increasing water usage and increased fees. Overall operating revenue increased \$3,512,427 in 2020. This was a result of an increase in contract services provided and increased service fees.

In 2020, total revenues were \$34,129,254, which is an increase of \$240,964 over 2019 levels.

Service fee revenue in 2020 increased \$1,866,631. This was a result of increased water usage and increased fees. Overall operating revenue increased \$2,810,100. This was a result of an increase in contract services provided.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2021
(continued)**

REVIEW OF EXPENSES

	2021			2020		
	Water	Sanitation	Total	Water	Sanitation	Total
Expenses:						
Operating Expenses:						
Maintenance	1,013,883	2,640,401	3,654,284	865,909	2,477,546	3,343,455
Water operations	2,985,905	1,364,787	4,350,692	3,422,880	2,066,857	5,489,737
Utility services	415,164	1,618,230	2,033,394	-	-	-
Wastewater treatment	-	8,799,198	8,799,198	-	9,212,030	9,212,030
Engineering	403,448	1,210,343	1,613,791	398,279	1,194,837	1,593,116
Laboratory	164,713	494,140	658,853	145,563	436,690	582,253
Employee housing	-	260,697	260,697	-	265,372	265,372
General and administrative	2,797,222	8,313,982	11,111,204	2,560,348	8,578,661	11,139,009
Non-operating expenses:						
Interest expense	764,891	2,847,190	3,612,081	808,026	2,532,808	3,340,834
Treasurer's fees	44,639	58,914	103,553	43,633	58,549	102,182
Total Expenses	8,589,865	27,607,882	36,197,747	8,244,638	26,823,350	35,067,988
Change in Net Position	788,274	(2,302,801)	(1,514,527)	286,515	(1,225,249)	(938,734)
Net Position - Beginning of Year	26,120,868	88,906,510	115,027,378	25,834,353	90,131,759	115,966,112
Net Position - End of Year	26,909,142	86,603,709	113,512,851	26,120,868	88,906,510	115,027,378

In 2021, total expenses were \$36,197,747, which was an increase of \$1,129,759 over 2020 expenses of \$35,067,988.

Operating expenses increased \$857,141 in 2021. The increase was largely attributable to the higher expenses associated with utility services and engineering costs.

In 2020, total expenses were \$35,067,988, which was an increase of \$640,675 over 2019 levels.

Operating expenses increased \$1,222,526 in 2020. The increase largely related to 2020 debt issuance costs.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2021
(continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's investment in capital assets at December 31, 2021 and 2020 amounted to \$184,672,766 and \$168,071,463 (net of accumulated depreciation), respectively. This investment in capital assets includes land and easements, water rights, treatment plants, distribution systems, employee housing, computers, equipment and vehicles. Capital assets are shown on the Statement of Net Position at the cost on the day of acquisition.

Most of the water and storage rights currently used by the District were provided by previous government water providers at no cost to the District. In accordance with Governmental Accounting Standards Board (GASB), only owned water and storage rights are shown on the District's Statement of Net Position at historic cost, totaling \$1,496,416. This cost represents mostly legal expenditures to establish the District's ability to use these rights to provide water to its customers and some additional acquisitions of new rights. Also in accordance with GASB, the investment in Eagle Park Reservoir Company Stock, which provides a valuable source of raw water supply, is not reflected in capital assets, but is shown in Other Assets at the historic cost of \$3,453,442. Management of the District believes the actual value of these water and storage rights used by the District to be much greater than historical cost at December 31, 2021. See the Schedule of Water and Storage Rights in the Statistical Section (pages F10-13) for additional information. The change in capital assets in 2021 is as follows:

	Water			Sanitation				
	1/1/21 Beginning Balance	Additions	Retirements	12/31/21 Ending Balance	1/1/21 Beginning Balance	Additions	Retirements	12/31/21 Ending Balance
Capital assets, not being depreciated:								
Water rights	1,496,416	-	-	1,496,416	-	-	-	-
Land and easements	-	-	-	-	3,553,680	-	-	3,553,680
Construction in progress	4,000,604	1,468,149	(4,887,120)	581,633	20,133,534	27,870,306	(2,695,474)	45,308,366
Total capital assets, not being depreciated	5,497,020	1,468,149	(4,887,120)	2,078,049	23,687,214	27,870,306	(2,695,474)	48,862,046
Capital assets, being depreciated:								
Treatment plants	4,902,660	41,145	(259,190)	4,684,615	140,770,363	224,217	(19,137,838)	121,856,742
Distribution systems	51,233,365	4,484,045	(162,495)	55,554,915	56,367,564	647,643	-	57,015,207
Computers, equipment and vehicles	3,399,787	361,930	-	3,761,717	10,199,361	1,085,789	-	11,285,150
Employee housing	-	-	-	-	19,562,343	794,837	-	20,357,180
Total capital assets being depreciated	59,535,812	4,887,120	(421,685)	64,001,247	226,899,631	2,752,486	(19,137,838)	210,514,279
Less accumulated depreciation for:								
Treatment plants	(2,704,362)	(171,719)	259,190	(2,616,891)	(80,639,807)	(4,274,817)	15,439,969	(69,474,655)
Distribution systems	(22,923,022)	(1,526,360)	162,495	(24,286,887)	(29,487,726)	(1,440,176)	-	(30,927,902)
Computers, equipment and vehicles	(2,389,848)	(282,464)	-	(2,672,312)	(7,169,544)	(847,392)	-	(8,016,936)
Employee housing	-	-	-	-	(2,233,905)	(553,367)	-	(2,787,272)
Total accumulated depreciation	(28,017,232)	(1,980,543)	421,685	(29,576,090)	(119,530,982)	(7,115,752)	15,439,969	(111,206,765)
Total capital assets, being depreciated, net	31,518,580	2,906,577	-	34,425,157	107,368,649	(4,363,266)	(3,697,869)	99,307,514
Total capital assets, net	37,015,600	4,374,726	(4,887,120)	36,503,206	131,055,863	23,507,040	(6,393,343)	148,169,560

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

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2021
(continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-term Debt

At December 31, 2021, the District loans payable to the water loan for Eagle Park Reservoir shares from the Colorado Water Conservation Board (CWCB) had \$744,000 outstanding. Also, the Water General Obligation Bonds issued in 2011 and 2012 for water system improvements had an outstanding balance at December 31, 2021 of \$5,205,000. The 2017 Water Revenue Refunding Bonds had outstanding principal of \$10,630,000. The 2019 Water Revenue bonds had outstanding principal of \$3,565,000. The 2012, 2017 and 2020 Sanitation District Revenue Bonds had principal outstanding of \$72,420,000. The 2016 Sanitation District General Obligation Bonds had principal outstanding of \$20,465,000. The 2020 Wastewater Revenue and Refunding bonds had outstanding principal of \$59,440,000. Other changes in debt in the current year are representative of scheduled reductions on long term obligations.

At December 31, 2020, the District loans payable to the Colorado Water Resources and Power Development Authority (Authority) for sanitation facilities were paid in full. The water loan for Eagle Park Reservoir shares from the Colorado Water Conservation Board (CWCB) had \$829,476 outstanding. Also, the Water General Obligation Bonds issued in 2011 and 2012 for water system improvements had an outstanding balance at December 31, 2020 of \$5,920,000. The 2017 Water Revenue Refunding Bonds had outstanding principal of \$11,040,000. The 2019 Water Revenue bonds had outstanding principal of \$3,700,000. The 2012, 2017 and 2020 Sanitation District Revenue Bonds had principal outstanding of \$74,080,000. The 2016 Sanitation District General Obligation Bonds had principal outstanding of \$20,995,000. Other changes in debt in the current year are representative of scheduled reductions on long term obligations.

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

BUDGET VARIANCES AND FUTURE CONSIDERATIONS

Budget Variances

In 2021, budgeted revenues were \$41,735,087. Revenues came in under budget expectations by \$3,312,655. The variance is mostly due to the budgeted proceeds on bond issuances which were not issued. The expenditure original budget was \$76,276,555, which was amended to \$79,114,040 for capital projects and bond refunding payments carried forward from previous years. Actual expenditures of \$60,365,319 were \$18,748,721 under budget, mainly due to multi-year capital project spending projects being carried forward.

2022 Budget Considerations

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

In 2022, the approved revenue budget is \$41,717,681 and the approved expenditure budget is \$76,259,149, including \$45,255,227 of new capital additions.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



**EAGLE RIVER
WATER & SANITATION
DISTRICT**

Eagle River Water and Sanitation District
Statement of Net Position
December 31, 2021
(With Comparative Totals for 2020)

	2021			2020
	Water	Sanitation	Total	Total
Assets:				
Current Assets:				
Cash and cash equivalents - Unrestricted	1,807,051	20,235,652	22,042,703	13,864,353
Cash and cash equivalents - Restricted	3,335,294	17,761,708	21,097,002	41,169,128
Investments - Unrestricted	96,915	3,242,673	3,339,588	2,815,939
Investments - Restricted	501,856	2,672,572	3,174,428	8,361,710
Receivables, net of allowance for uncollectibles:				
Service	605,743	2,662,835	3,268,578	3,348,604
Property taxes	1,518,392	1,971,705	3,490,097	3,454,202
Current portion of notes receivable	-	4,413	4,413	4,413
Interest	3,705	19,234	22,939	38,988
Other	813,610	2,584,029	3,397,639	3,200,049
Inventory	601,384	359,424	960,808	880,937
Deposits	-	-	-	120,153
Prepaid expenses	173,513	543,239	716,752	658,784
Total Current Assets	9,457,463	52,057,484	61,514,947	77,917,260
Non-current Assets:				
Other Assets:				
Notes receivable - Due in more than one year	-	131,148	131,148	233,355
Patronage dividend receivable	135,740	401,420	537,160	530,886
Other receivables	17,459	-	17,459	19,706
Investment in Eagle Park Reservoir Company	3,453,442	-	3,453,442	3,453,442
Total Other Assets	3,606,641	532,568	4,139,209	4,237,389
Capital Assets:				
Land and easements	-	3,553,680	3,553,680	3,553,680
Water rights	1,496,416	-	1,496,416	1,496,416
Construction in progress	581,633	45,308,366	45,889,999	24,134,138
Treatment plants	4,684,615	121,856,742	126,541,357	145,673,023
Distribution systems	55,554,915	57,015,207	112,570,122	107,600,929
Computers, equipment, and vehicles	3,761,717	11,285,150	15,046,867	13,599,148
Employee housing	-	20,357,180	20,357,180	19,562,343
Less: Accumulated depreciation	(29,576,090)	(111,206,765)	(140,782,855)	(147,548,214)
Total Capital Assets	36,503,206	148,169,560	184,672,766	168,071,463
Total Non-current Assets	40,109,847	148,702,128	188,811,975	172,308,852
Total Assets	49,567,310	200,759,612	250,326,922	250,226,112
Deferred Outflows of Resources:				
Deferred charge on refunding	1,009,457	-	1,009,457	1,093,203
Total Deferred Outflows of Resources	1,009,457	-	1,009,457	1,093,203
Total Assets and Deferred Outflows of Resources	50,576,767	200,759,612	251,336,379	251,319,315

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

Eagle River Water and Sanitation District
Statement of Net Position
December 31, 2021
(With Comparative Totals for 2020)
(Continued)

	<u>2021</u>			<u>2020</u>
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	<u>Total</u>
Liabilities:				
Current Liabilities:				
Accounts payable	566,922	9,220,038	9,786,960	4,624,095
Service fees payable	-	2,184,787	2,184,787	1,851,475
Accrued payroll and related liabilities	23,433	70,298	93,731	109,203
Interest payable	69,545	268,057	337,602	347,189
Loans and bonds payable - Due within one year	1,390,135	2,250,000	3,640,135	3,535,476
Deposits	-	83,656	83,656	50,095
Total Current Liabilities	<u>2,050,035</u>	<u>14,076,836</u>	<u>16,126,871</u>	<u>10,517,533</u>
Non-current Liabilities:				
Compensated absences - Due in more than one year	170,542	511,626	682,168	615,216
Loans and bonds payable - Due in more than one year	19,928,656	97,595,736	117,524,392	121,704,986
Total Non-current Liabilities	<u>20,099,198</u>	<u>98,107,362</u>	<u>118,206,560</u>	<u>122,320,202</u>
Total Liabilities	<u>22,149,233</u>	<u>112,184,198</u>	<u>134,333,431</u>	<u>132,837,735</u>
Deferred Inflows of Resources:				
Unavailable property tax revenue	1,518,392	1,971,705	3,490,097	3,454,202
Total Deferred Inflows of Resources	<u>1,518,392</u>	<u>1,971,705</u>	<u>3,490,097</u>	<u>3,454,202</u>
Net Position:				
Net investment in capital assets	18,938,612	68,758,105	87,696,717	86,973,678
Restricted for:				
Debt	1,836,096	5,851,312	7,687,408	7,755,908
Unrestricted	6,134,434	11,994,292	18,128,726	20,297,792
Total Net Position	<u>26,909,142</u>	<u>86,603,709</u>	<u>113,512,851</u>	<u>115,027,378</u>

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

Eagle River Water and Sanitation District
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	<u>2021</u>			<u>2020</u>
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>	<u>Total</u>
Operating Revenues:				
Service fees	6,921,232	16,268,599	23,189,831	21,214,896
Contract services	-	7,559,245	7,559,245	6,215,092
Meter sales and rental income	-	1,243,544	1,243,544	849,794
Other charges for services	117,008	399,283	516,291	716,702
Total Operating Revenues	<u>7,038,240</u>	<u>25,470,671</u>	<u>32,508,911</u>	<u>28,996,484</u>
Operating Expenses:				
Maintenance	1,013,883	2,640,401	3,654,284	3,343,455
Water operations	2,985,905	1,364,787	4,350,692	5,489,737
Utility services	415,164	1,618,230	2,033,394	-
Wastewater treatment	-	8,799,198	8,799,198	9,212,030
Engineering	403,448	1,210,343	1,613,791	1,593,116
Laboratory	164,713	494,140	658,853	582,253
Employee housing	-	260,697	260,697	265,372
General and administrative	2,797,222	8,313,982	11,111,204	10,478,675
Total Operating Expenses	<u>7,780,335</u>	<u>24,701,778</u>	<u>32,482,113</u>	<u>30,964,638</u>
Operating Income (Loss)	<u>(742,095)</u>	<u>768,893</u>	<u>26,798</u>	<u>(1,968,154)</u>
Non-operating Revenues (Expenses):				
Property taxes	1,486,928	1,961,888	3,448,816	3,403,361
Specific ownership taxes	89,479	113,017	202,496	182,254
Investment income	(991)	(18,024)	(19,015)	400,200
Gain (loss) on investments	3,110	31,558	34,668	100,816
Gain (loss) on disposal of capital assets	-	(3,697,869)	(3,697,869)	(3,216)
Other non-operating revenues	29,817	89,451	119,268	72,984
Interest expense, net of amortization expense	(764,891)	(2,847,190)	(3,612,081)	(3,340,834)
Treasurer's fees	(44,639)	(58,914)	(103,553)	(102,182)
Bond issuance costs	-	-	-	(660,334)
Total Non-operating Revenues (Expenses)	<u>798,813</u>	<u>(4,426,083)</u>	<u>(3,627,270)</u>	<u>53,049</u>
Income (Loss) Before Capital Contributions	<u>56,718</u>	<u>(3,657,190)</u>	<u>(3,600,472)</u>	<u>(1,915,105)</u>
Capital Contributions:				
Tap fees	677,841	1,155,945	1,833,786	976,371
Contributed assets - physical assets	-	56,837	56,837	-
Contributed assets - cash	53,715	141,607	195,322	-
Total Capital Contributions	<u>731,556</u>	<u>1,354,389</u>	<u>2,085,945</u>	<u>976,371</u>
Change in Net Position	<u>788,274</u>	<u>(2,302,801)</u>	<u>(1,514,527)</u>	<u>(938,734)</u>
Net Position - Beginning of Year	<u>26,120,868</u>	<u>88,906,510</u>	<u>115,027,378</u>	<u>115,966,112</u>
Net Position - End of Year	<u>26,909,142</u>	<u>86,603,709</u>	<u>113,512,851</u>	<u>115,027,378</u>

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

Eagle River Water and Sanitation District
Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended 2020)

	2021			2020
	Water	Sanitation	Total	Total
Cash Flows From Operating Activities:				
Cash received from customers and others	6,796,933	25,596,667	32,393,600	27,466,230
Cash payments for goods and services	(2,693,534)	(974,226)	(3,667,760)	(9,986,703)
Cash payments to employees and for benefits	(2,932,796)	(10,403,500)	(13,336,296)	(12,775,225)
Net Cash Provided (Used) by Operating Activities	<u>1,170,603</u>	<u>14,218,942</u>	<u>15,389,545</u>	<u>4,704,302</u>
Cash Flows From Non-capital Financing Activities:				
Property taxes levied for operations, net	487,782	538,732	1,026,514	1,012,235
Specific ownership taxes received	30,262	31,995	62,257	55,991
Patronage dividend received	10,260	28,854	39,114	59,653
Other cash receipts	18,470	55,410	73,880	29,147
Net Cash Provided (Used) by Non-capital Financing Activities	<u>546,774</u>	<u>654,991</u>	<u>1,201,765</u>	<u>1,157,026</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds from bond issuance, including premium	-	-	-	65,308,347
Property taxes levied for debt service, net	954,507	1,364,242	2,318,749	2,288,942
Specific ownership taxes received	59,217	81,022	140,239	126,264
Cash received from tap fees	677,841	1,155,945	1,833,786	976,371
Cash received (paid) related to capital asset deposit	-	33,561	33,561	2,002
Fees in lieu of water and sewer lines	53,721	141,584	195,305	-
Cash paid for principal on debt	(1,345,476)	(2,190,000)	(3,535,476)	(3,106,059)
Cash paid for interest on debt	(800,635)	(3,277,744)	(4,078,379)	(3,657,114)
Cash paid for debt issuance costs	-	-	-	(660,334)
Cash paid for capital acquisitions	(1,519,857)	(28,670,555)	(30,190,412)	(39,929,212)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,920,682)</u>	<u>(31,361,945)</u>	<u>(33,282,627)</u>	<u>21,349,207</u>
Cash Flows From Investing Activities:				
Interest income received	20,063	179,277	199,340	410,990
Proceeds from sales and maturities of investments	505,015	5,044,602	5,549,617	7,072,968
Principal received on notes receivable	-	102,207	102,207	194,125
Purchase of investments	(95,880)	(957,743)	(1,053,623)	(1,129,281)
Net Cash Provided (Used) by Investing Activities	<u>429,198</u>	<u>4,368,343</u>	<u>4,797,541</u>	<u>6,548,802</u>
Net Increase (Decrease) in Cash and Cash Equivalents	225,893	(12,119,669)	(11,893,776)	33,759,337
Cash and Cash Equivalents - Beginning of Year	<u>4,916,452</u>	<u>50,117,029</u>	<u>55,033,481</u>	<u>21,274,144</u>
Cash and Cash Equivalents - End of Year	<u>5,142,345</u>	<u>37,997,360</u>	<u>43,139,705</u>	<u>55,033,481</u>
Represented by Balance Sheet captions:				
Cash and cash equivalents - Unrestricted	1,807,051	20,235,652	22,042,703	13,864,353
Cash and cash equivalents - Restricted	3,335,294	17,761,708	21,097,002	41,169,128
Cash and Cash Equivalents - End of Year	<u>5,142,345</u>	<u>37,997,360</u>	<u>43,139,705</u>	<u>55,033,481</u>

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

Eagle River Water and Sanitation District
Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended 2020)
(Continued)

	2021		2020	
	Water	Sanitation	Total	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	(742,095)	768,893	26,798	(1,968,154)
Adjustments:				
Depreciation	1,980,543	7,115,752	9,096,295	9,658,816
(Increase) decrease in accounts receivable	(241,307)	125,990	(115,317)	(1,530,253)
(Increase) decrease in inventory	(137,369)	57,498	(79,871)	(240,422)
(Increase) decrease in deposits	-	120,153	120,153	-
(Increase) decrease in prepaid expenses	(13,992)	(43,976)	(57,968)	(456,309)
Increase (decrease) in accounts payable	311,953	5,702,710	6,014,663	(794,853)
Increase (decrease) in service fees payable	-	333,312	333,312	209,317
Increase (decrease) in payroll liabilities	(3,868)	(11,604)	(15,472)	(329,821)
Increase (decrease) in accrued compensated absences	16,738	50,214	66,952	155,981
Total Adjustments	1,912,698	13,450,049	15,362,747	6,672,456
Net Cash Provided (Used) by Operating Activities	1,170,603	14,218,942	15,389,545	4,704,302
Non-cash Investing, Capital, and Financing Activities:				
Contribution of capital assets from developers	-	57,013	57,013	-
Unrealized gain (loss) on investments	(14,606)	(145,902)	(160,508)	257,992
Total non-cash Investing, Capital and Financing Activities:	(14,606)	(88,889)	(103,495)	257,992

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

NOTES TO THE FINANCIAL STATEMENTS



EAGLE RIVER
WATER & SANITATION
DISTRICT

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021

I. Summary of Significant Accounting Policies

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

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

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

A. Reporting Entity

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

Eagle River Water and Sanitation District Water Subdistrict - The Eagle River Water and Sanitation District Water Subdistrict (the “Water Subdistrict”) was incorporated in 2002 and formed for the purpose of creating a separate taxing district pursuant to the Special District Act. The boundaries of the Subdistrict are generally identical to the boundaries of the Town, but include some properties which are not within the Town. The Subdistrict issued bonds in 2002, 2004, 2009, 2011, 2012, 2017 and 2019 for the construction of various facilities. The financial data of the Subdistrict is reported as part of the primary government because it is fiscally dependent upon the District and provides financing solely to the District. Although the Subdistrict is a separate legal entity, for financial reporting purposes, it is part of the District and is included in the Water Fund.

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Bighorn Terrace Sewer Subdistrict – During 2018, the District incorporated the Bighorn Terrace Sewer Subdistrict (the “Bighorn Terrace Subdistrict”) for the purpose of creating a separate taxing district pursuant to the Special District Act. Although the Subdistrict is a separate legal entity, for financial reporting purposes, it is part of the District and is included in the Sanitation Fund.

B. Fund Accounting

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

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

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

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

1. Long-term Economic Focus and Accrual Basis

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

2. Financial Statement Presentation

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies

1. Cash, Cash Equivalents and Investments

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

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

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

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. An allowance for doubtful accounts in the amount of \$80,256 and \$80,256 had been established at December 31, 2021 and 2020, respectively, to estimate uncollectible accounts.

4. Property Taxes

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

5. Inventory

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

6. Capital Assets

Capital assets, which include land and easements, water rights, construction in progress, treatment plants, distribution systems, computers, equipment, vehicles, and employee housing, are reported in the financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of water rights includes acquisition cost, legal, and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not depreciated. All other costs, including costs incurred for the protection of those rights, are expensed. See the Schedule of Water and Storage Rights in the Statistical Section (pages F10-F13) for additional information.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is expensed as incurred.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

6. Capital Assets (continued)

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

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

7. Net Position

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

8. Compensated Absences

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

9. Long-term Obligations

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

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

10. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. It is unavailable revenue that is deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Use of Estimates

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

12. Restricted and Unrestricted Resources

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

13. Comparative Data

The financial statements include certain prior year comparative information in total, but not by segment. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2020, from which comparative totals were derived.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2021.

1. For the 2021 budget year, prior to August 25, 2020, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10 only once by a single notification to the District.
2. The District submitted, on or before October 15, 2020, a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
3. Prior to December 15, 2020, after a required publication of "Notice of Proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; b) approve emergency appropriations; and c) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2020 were collected in 2021 and taxes certified in 2021 will be collected in 2022. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (no later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

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

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

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

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

III. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by the Federal Deposit Insurance Corporation ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures depositors up to \$250,000 for all accounts. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amounts of the District's petty cash, demand deposits and investments were \$49,653,721 and \$66,211,130 as of December 31, 2021 and 2020, respectively.

Fair Value of Investments

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

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

At December 31, 2021, the District had the following recurring fair value measurements:

Investments Measured at Fair Value	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
United States Treasury notes	4,711,737	-	4,711,737	-
Federal agency securities	1,652,487	-	1,652,487	-
United States Corporate bonds	149,792	-	149,792	-

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investments Measured at Net Asset Value	Total
Money Market	33,288,831
Colotrust	6,699,249

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

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

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

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

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

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

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

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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

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

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

At December 31, 2021, unrealized losses were \$160,508, which reflects changes in the fair market value of investments. At December 31, 2021, the District had the following cash and investments with the following maturities:

	<u>Standard & Poors Rating</u>	<u>Carrying Amounts</u>	<u>Maturities</u>	
			<u>Less than one year</u>	<u>One to five years</u>
<i>Deposits:</i>				
Checking	Not rated	3,151,625	3,151,625	-
Money market	AAA	33,288,831	33,288,831	-
<i>Investment pools</i>	AAAm	6,699,249	6,699,249	-
<i>Investments:</i>				
United States Corporate bonds	AA+/AA-/AAA	149,792	149,792	-
United States Treasury notes	AA+	4,711,737	3,245,946	1,465,791
Federal agency securities	AA+	1,652,487	713,773	938,714
Total		<u>49,653,721</u>	<u>47,249,216</u>	<u>2,404,505</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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

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

Investments in any one issuer (other than U.S. Treasury obligations, mutual funds, and external investment pools) that represented 5% or more of the total District investments at December 31, 2021 were as follows:

<u>Issuer</u>	<u>Reported Amount</u>	<u>Percentage of Investment Portfolio</u>
U.S. Treasury obligations	4,688,798	10%
Wells Fargo Advantage Money Market	33,288,831	72%
Colotrust	6,699,249	14%

B. Restricted Cash, Cash Equivalents and Investments

At December 31, 2021, cash has been restricted for the following purposes:

	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>
Restricted for capital projects	2,001,054	14,582,968	16,584,022
Debt service reserves	1,236,096	5,251,312	6,487,408
Rate stabilization funds	600,000	600,000	1,200,000
Total	<u>3,837,150</u>	<u>20,434,280</u>	<u>24,271,430</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

C. Summary of Cash and Investments

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

	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>
Cash and cash equivalents - Unrestricted	1,807,051	20,235,652	22,042,703
Cash and cash equivalents - Restricted	3,335,294	17,761,708	21,097,002
Investments - Unrestricted	96,915	3,242,673	3,339,588
Investments - Restricted	501,856	2,672,572	3,174,428
Total	<u>5,741,116</u>	<u>43,912,605</u>	<u>49,653,721</u>

D. Notes Receivable

The following is an analysis of changes in notes receivable for the year ended December 31, 2021:

	<u>1/1/21 Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/21 Ending Balance</u>
Employees	226,735	-	(100,000)	126,735
Sewer tap purchases	11,033	-	(2,207)	8,826
	<u>237,768</u>	<u>-</u>	<u>(102,207)</u>	<u>135,561</u>
Less: Current portion	(4,413)	-	-	(4,413)
Long-term portion	<u>233,355</u>	<u>-</u>	<u>(102,207)</u>	<u>131,148</u>

The following notes receivable were outstanding as of December 31, 2021:

1. Employees

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

2. Sewer tap purchases

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

E. Patronage Dividend Receivable

The District has a dividend receivable from Holy Cross Electric Association ("Holy Cross") which represents allocated refundable operating profits. These amounts are held by Holy Cross as working capital until the financial condition of Holy Cross permits a refund. Refunds are normally received annually approximately ten years in arrears. During the year ended December 31, 2021, the District received a refund of \$45,388 from Holy Cross. The balance due to the District at December 31, 2021 and 2020 was \$537,160 and \$530,886, respectively.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

F. Investment in Eagle Park Reservoir Company

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

In 1998, the District acquired 3,300 Class A Shares (approximately 16.4%) and 125 Class B shares of the stock in the Reservoir Company for \$1,909,732 and the contribution/pledge of certain water rights. The \$1,909,732 was financed through an assessment obligation payable to the Reservoir Company, which is explained in Note III.H.1, and is recorded as an investment in Eagle Park Reservoir Company, along with \$130,000 of legal costs related to the issuance of the assessment payable. Since 1998, the District has acquired additional shares of the Reservoir Company through various transactions. As of December 31, 2020, the District held 4,345 Class A Shares, 125 Class B Series 1 and 125 Class B Series 2 shares of the stock in the Reservoir Company at a cost of \$3,466,756.

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

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

As of December 31, 2021, the District held 4,328.121 Class A Shares (approximately 16.7%), 125 Class B Series 1 and 125 Class B Series 2 shares of the stock in the Reservoir Company at a cost of \$3,453,442. See the Schedule of Water and Storage Rights in the Statistical Section (pages F10-F13) for additional information.

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Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

G. Capital Assets

Capital asset activity related to water services for 2021 was as follows:

	<u>1/1/21 Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>12/31/21 Ending Balance</u>
Water				
Capital assets, not being depreciated:				
Water rights	1,496,416	-	-	1,496,416
Construction in progress	4,000,604	1,468,149	(4,887,120)	581,633
Total capital assets, not being depreciated	<u>5,497,020</u>	<u>1,468,149</u>	<u>(4,887,120)</u>	<u>2,078,049</u>
Capital assets, being depreciated:				
Treatment plants	4,902,660	41,145	(259,190)	4,684,615
Distribution systems	51,233,365	4,484,045	(162,495)	55,554,915
Computers, equipment and vehicles	3,399,787	361,930	-	3,761,717
Total capital assets being depreciated	<u>59,535,812</u>	<u>4,887,120</u>	<u>(421,685)</u>	<u>64,001,247</u>
Less accumulated depreciation for:				
Treatment plants	(2,704,362)	(171,719)	259,190	(2,616,891)
Distribution systems	(22,923,022)	(1,526,360)	162,495	(24,286,887)
Computers, equipment and vehicles	(2,389,848)	(282,464)	-	(2,672,312)
Total accumulated depreciation	<u>(28,017,232)</u>	<u>(1,980,543)</u>	<u>421,685</u>	<u>(29,576,090)</u>
Total capital assets, being depreciated, net	<u>31,518,580</u>	<u>2,906,577</u>	<u>-</u>	<u>34,425,157</u>
Total capital assets, net - Water	<u><u>37,015,600</u></u>	<u><u>4,374,726</u></u>	<u><u>(4,887,120)</u></u>	<u><u>36,503,206</u></u>

Fully depreciated assets totaled \$5,375,410 for the year ended December 31, 2021.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

G. Capital Assets (continued)

Capital asset activity related to sanitation services for 2021 was as follows:

	<u>1/1/21 Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>12/31/21 Ending Balance</u>
Sanitation				
Capital assets, not being depreciated:				
Land and easements	3,553,680	-	-	3,553,680
Construction in progress	20,133,534	27,870,306	(2,695,474)	45,308,366
Total capital assets, not being depreciated	<u>23,687,214</u>	<u>27,870,306</u>	<u>(2,695,474)</u>	<u>48,862,046</u>
Capital assets, being depreciated:				
Treatment plants	140,770,363	224,217	(19,137,838)	121,856,742
Distribution systems	56,367,564	647,643	-	57,015,207
Computers, equipment and vehicles	10,199,361	1,085,789	-	11,285,150
Employee housing	19,562,343	794,837	-	20,357,180
Total capital assets being depreciated	<u>226,899,631</u>	<u>2,752,486</u>	<u>(19,137,838)</u>	<u>210,514,279</u>
Less accumulated depreciation for:				
Treatment plants	(80,639,807)	(4,274,817)	15,439,969	(69,474,655)
Distribution systems	(29,487,726)	(1,440,176)	-	(30,927,902)
Computers, equipment and vehicles	(7,169,544)	(847,392)	-	(8,016,936)
Employee housing	(2,233,905)	(553,367)	-	(2,787,272)
Total accumulated depreciation	<u>(119,530,982)</u>	<u>(7,115,752)</u>	<u>15,439,969</u>	<u>(111,206,765)</u>
Total capital assets, being depreciated, net	<u>107,368,649</u>	<u>(4,363,266)</u>	<u>(3,697,869)</u>	<u>99,307,514</u>
Total capital assets, net - Sanitation	<u>131,055,863</u>	<u>23,507,040</u>	<u>(6,393,343)</u>	<u>148,169,560</u>

Fully depreciated assets totaled \$33,087,669 for the year ended December 31, 2021.

Depreciation expense for the year ended December 31, 2021 was charged to the following departments:

	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>
Maintenance	94,769	284,306	379,075
Water operations	1,698,080	-	1,698,080
Wastewater treatment	-	5,714,993	5,714,993
General and administrative	187,694	1,116,453	1,304,147
Total	<u>1,980,543</u>	<u>7,115,752</u>	<u>9,096,295</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water

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

1. 1998 Assessment Obligation Note

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

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

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

2. General Obligation Water Refunding Bonds, Series 2011

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

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

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

The District is maintaining a reserve equal to interest accrued through December 31, 2021 plus one twelfth (1/12) of the first principal payment due in the subsequent year for this debt.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

3. General Obligation Water Bonds, Series 2012A

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

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

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

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

4. General Obligation Water Refunding Bonds, Series 2012B

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

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

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

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

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

5. Water Enterprise Revenue Refunding Bonds, Series 2017

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

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

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

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

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

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

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

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

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

6. Water Enterprise Revenue Bonds, Series 2019

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

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

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

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

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

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

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

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

I. Long-Term Debt – Sanitation

1. Enterprise Wastewater Revenue Bonds, Series 2012

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

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

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

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

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

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

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

2. General Obligation Wastewater Bonds, Series 2016

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

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

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

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

3. Enterprise Wastewater Revenue Crossover Refunding Bonds, Series 2017

The District issued \$12,430,000 of enterprise wastewater revenue crossover refunding bonds in December 2017, with annual interest rates ranging from 3.00% to 5.00%. Interest is payable June 1 and December 1, through 2039. The principal is payable on December 1 and matures in various increments through 2039. The proceeds were used to retire the 2009B wastewater enterprise revenue bonds on the crossover date December 1, 2019. The 2009B bonds are considered defeased and have been removed from long-term debt.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

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

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

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

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

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

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

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

4. Enterprise Wastewater Revenue Bonds, Series 2020A

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

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

4. Enterprise Wastewater Revenue Bonds, Series 2020A (continued)

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

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

In conjunction with the issuance of the 2012 Bonds, and subsequently with the 2020A Bonds, the District is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

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

5. Enterprise Wastewater Revenue Refunding Bonds, Series 2020B

The District issued \$24,930,000 of wastewater enterprise revenue bonds in June 2020, with annual interest rates ranging from 0.82% to 2.42%. Interest is payable June 1 and December, through 2039. The principal is payable on December 1 and matures in various increments through 2042. The proceeds were used to partially refund the 2012 wastewater enterprise revenue bonds. The 2012 bonds are considered partially defeased and have been partially removed from long-term debt.

Principal on the bonds is due through 2042 in amounts ranging from \$185,000 to \$1,575,000.

Only bonds maturing on and after December 1, 2030, are subject to redemption prior to maturity; these bonds are subject to redemption prior to maturity at the option of the District at par plus accrued interest.

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

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

5. Enterprise Wastewater Revenue Refunding Bonds, Series 2020B (continued)

In conjunction with the issuance of the 2012 Bonds, and subsequently with the 2020A and 2020B Bonds, the District is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

The District realized a present value savings on the refunding of \$3,147,296.

J. Long-term Liability Activity Schedule

Long-term liability activity for 2021 was as follows:

	1/1/21 Beginning Balance	Additions	Reductions	12/31/21 Ending Balance	Due Within One Year
Water					
1998 assessment obligation note	829,476	-	(85,476)	744,000	90,135
2011 refunding general obligation bonds	615,000	-	(300,000)	315,000	315,000
2012A general obligation bonds	1,000,000	-	-	1,000,000	-
2012B general obligation refunding bonds	4,305,000	-	(415,000)	3,890,000	420,000
2017 revenue refunding bonds	11,040,000	-	(410,000)	10,630,000	420,000
2019 revenue bonds	3,700,000	-	(135,000)	3,565,000	145,000
Unamortized bond premiums	1,289,669	-	(114,878)	1,174,791	-
Accrued compensated absences	153,804	16,738	-	170,542	-
Subtotal - Water	<u>22,932,949</u>	<u>16,738</u>	<u>(1,460,354)</u>	<u>21,489,333</u>	<u>1,390,135</u>
Sanitation					
2012 wastewater revenue bonds	2,125,000	-	(685,000)	1,440,000	705,000
2016 general obligation bonds	20,995,000	-	(530,000)	20,465,000	545,000
2017 wastewater revenue refunding bonds	11,990,000	-	(450,000)	11,540,000	465,000
2020A wastewater revenue bonds	35,220,000	-	(250,000)	34,970,000	255,000
2020B wastewater revenue refunding bonds	24,745,000	-	(275,000)	24,470,000	280,000
Unamortized bond premiums	7,386,317	-	(425,581)	6,960,736	-
Accrued compensated absences	461,412	50,214	-	511,626	-
Subtotal - Sanitation	<u>102,922,729</u>	<u>50,214</u>	<u>(2,615,581)</u>	<u>100,357,362</u>	<u>2,250,000</u>
Total	<u>125,855,678</u>	<u>66,952</u>	<u>(4,075,935)</u>	<u>121,846,695</u>	<u>3,640,135</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

K. Debt Service Schedules

Debt service requirements at December 31, 2021, were as follows for water operations:

Water	Principal	Interest	Total
2022	1,390,135	753,448	2,143,583
2023	1,245,047	704,936	1,949,983
2024	1,295,227	659,331	1,954,558
2025	1,350,689	601,819	1,952,508
2026	1,401,449	541,759	1,943,208
2027 - 2031	6,036,453	1,802,839	7,839,292
2032 - 2036	4,415,000	953,200	5,368,200
2037 - 2041	3,010,000	205,450	3,215,450
Total water debt service	20,144,000	6,222,782	26,366,782

Debt service requirements at December 31, 2021, were as follows for sanitation operations:

Sanitation	Principal	Interest	Total
2022	2,250,000	3,216,883	5,466,883
2023	2,310,000	3,153,264	5,463,264
2024	2,395,000	3,070,966	5,465,966
2025	2,440,000	3,021,224	5,461,224
2026	2,495,000	2,966,555	5,461,555
2027 - 2031	13,760,000	13,558,393	27,318,393
2032 - 2036	16,030,000	11,301,256	27,331,256
2037 - 2041	18,770,000	8,537,490	27,307,490
2042 - 2046	21,075,000	4,874,507	25,949,507
2047 - 2049	11,360,000	920,600	12,280,600
Total sanitation debt service	92,885,000	54,621,138	147,506,138

Aggregate debt service requirements at December 31, 2021, were as follows for the District:

Combined	Principal	Interest	Total
2022	3,640,135	3,970,331	7,610,466
2023	3,555,047	3,858,200	7,413,247
2024	3,690,227	3,730,297	7,420,524
2025	3,790,689	3,623,043	7,413,732
2026	3,896,449	3,508,314	7,404,763
2027 - 2031	19,796,453	15,361,232	35,157,685
2032 - 2036	20,445,000	12,254,456	32,699,456
2037 - 2041	21,780,000	8,742,940	30,522,940
2042 - 2046	21,075,000	4,874,507	25,949,507
2045 - 2049	11,360,000	920,600	12,280,600
Total combined debt service	113,029,000	60,843,920	173,872,920

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

IV. Other Information

A. Risk Management

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

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

B. Pension Plans

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

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

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

The District's 2021 covered payroll was \$9,693,340. Contributions actually made, which equaled the required contributions, were \$484,667 for plan members and \$446,135 for the District for the year ended December 31, 2021. Forfeitures totaled \$73,879 and for the year ended December 31, 2021.

As of December 31, 2021, there were no outstanding contribution liabilities.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

IV. Other Information (continued)

B. Pension Plans (continued)

2. Deferred Compensation Plan

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

C. Employee Housing Program

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

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

D. Intergovernmental Agreements

1. Interconnect

The District and Upper Eagle Regional Water Authority (the "Authority") entered into an intergovernmental agreement ("IGA") in 1994 to construct an interconnect between their two water systems to enable the transfer of water between the parties for the purposes of achieving operational flexibility. In accordance with the IGA, the deliveries between the two systems are to be measured daily (net distribution of water) with the net amount owed by either party to the other to be recorded by the owing party at a rate equal to 75 percent of the then current water rate charges by the owing party. The intent of the parties is to provide long-term service to each other through the availability of peak use season and emergency supplemental water supply. The agreement provides for a payment calculation year of May 1 to April 30. If at the end of the payment year there is a net distribution of water to one of the parties that party shall make payment to the other party. It should be noted that historically towards the end of each payment year (April 30) the system is run to create a zero balance outstanding, such that no payment is due to or from either party. For the payment years ended April 30, 2021 and 2020, the balance outstanding was \$0.

The value of water distributed by the District through the interconnect was \$17,459 and \$19,706 during the year ended December 31, 2021 and 2020, respectively. As the system is brought to a zero balance by the end of each payment year (April 30), the District has chosen to forgo immediate payment and carry this receivable forward. The District reserves the right to request payment from the Authority at any time in the future.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2021
(Continued)

IV. Other Information (continued)

D. Intergovernmental Agreements (continued)

2. Contract for Water Services

Through an agreement, the District provides administration, operations, customer billing, system maintenance and capital program management services to the Authority. The District bills customers for the water service provided and collects and remits the monies to the Authority. The water service monies are not recognized as revenue of the District. In addition to the contract fees, the District bills the Authority for maintenance and supplies which are recognized as revenue. The District earned \$7,559,245 and \$6,215,092 of contract fees from the Authority during 2021 and 2020, respectively. The District has outstanding management fees due from the Authority as of December 31, 2021 and 2020 totaling \$3,150,198 and \$2,654,878, respectively, included in other receivables. There were other outstanding receivables, for operations services, due from the Authority as of December 31, 2021 and 2020 totaling \$3,151,727 and \$2,654,848, respectively, included in other accounts receivables. As of December 31, 2021 and 2020 there was \$1,773,868 and \$1,631,277 for water service billed, due to the Authority included in accounts payable, respectively.

The District earned \$19,563 and \$19,348 of contract fees from other governments which it has similar agreements (i.e. Town of Minturn and Eagle Park Reservoir Company) during 2021 and 2020, respectively.

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

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

F. Construction Commitments

The District had the following significant contract commitments remaining at December 31, 2021:

Contract No.	Project	Vendor	Contract Commitment	Completed	Remaining
20.15.008	Avon WWTF Fire Flow	AE2S	122,557	29,083	93,474
20.15.009	Avon WWTF Nutrient Upgrade Sundial Sanitary Sewer	Moltz Construction 360 Civil, Inc.	49,627,823	28,094,882	21,532,941
21.15.016	Improvement Project		574,290	447,900	126,390
21.15.018	Bolts Lake Due Diligence	Shannon & Wilson	575,808	480,997	94,811
21.15.031	2021 Water Quality Matters Dowd Junction Collection	Pinyon Environmental, Inc. Murraysmith	161,490	161,490	-
21.15.036	System Improvements -		164,220	138,959	25,261
21.15.057	Job structure, Position	CPS HR Consulting	187,230	120,172	67,058

SUPPLEMENTARY INFORMATION



**EAGLE RIVER
WATER & SANITATION
DISTRICT**

Eagle River Water and Sanitation District
Schedule of Revenues, Expenditures, and Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended 2020)

	2021			Final Budget Variance Positive (Negative)	2020
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Water:					
Service fees	6,939,494	6,939,494	6,921,232	(18,262)	6,443,826
Other charges for services	48,750	49,625	119,255	69,630	193,535
Property taxes	1,498,069	1,498,069	1,486,928	(11,141)	1,453,305
Specific ownership taxes	83,779	83,779	89,479	5,700	79,756
Investment income	180,547	180,547	(991)	(181,538)	66,067
Gain (loss) on investment	70,000	70,000	3,110	(66,890)	16,576
Tap fees	238,075	238,075	677,841	439,766	307,504
Contributed assets	-	-	53,715	53,715	149,638
Proceeds from bond issue	7,300,000	7,300,000	-	(7,300,000)	-
Other	18,068	18,068	28,730	10,662	24,771
Total Water Revenues	<u>16,376,782</u>	<u>16,377,657</u>	<u>9,379,299</u>	<u>(6,998,358)</u>	<u>8,734,978</u>
Sanitation:					
Service fees	14,700,252	14,713,299	16,268,599	1,555,300	14,771,070
Contract services	5,395,312	5,395,312	7,559,245	2,163,933	6,215,092
Rental income	494,140	494,140	637,285	143,145	498,906
Meter sales	500,000	500,000	606,259	106,259	350,888
Other charges for services	1,166,250	1,168,876	399,283	(769,593)	521,157
Property taxes	1,973,053	1,973,053	1,961,888	(11,165)	1,950,056
Specific ownership taxes	123,653	123,653	113,017	(10,636)	102,498
Investment income	589,500	589,500	(18,024)	(607,524)	334,133
Gain (loss) on investment	-	-	31,558	31,558	84,240
Tap fees	363,645	363,645	1,155,945	792,300	668,867
Contributed assets	-	-	141,607	141,607	(149,638)
Proceeds from bond issue	-	-	-	-	60,150,000
Premium (discount) on debt issuance	-	-	-	-	5,158,347
Net loan (advances) repayments	-	-	102,207	102,207	169,372
Other	52,500	52,500	84,264	31,764	64,029
Total Sanitation Revenues	<u>25,358,305</u>	<u>25,373,978</u>	<u>29,043,133</u>	<u>3,669,155</u>	<u>90,889,017</u>
Total Revenues	<u>41,735,087</u>	<u>41,751,635</u>	<u>38,422,432</u>	<u>(3,329,203)</u>	<u>99,623,995</u>
Expenditures - Water:					
Water Operations:					
Salaries and benefits	3,110,616	2,971,926	2,934,756	37,170	2,747,712
Supplies and materials	495,580	617,237	607,640	9,597	519,517
Telephone and radio service	71,250	70,500	91,950	(21,450)	80,839
Insurance	72,000	80,198	79,593	605	71,976
Repairs and maintenance	259,825	487,450	313,853	173,597	208,591
Other	613,766	687,115	589,030	98,085	537,379
Utilities	285,000	285,000	278,756	6,244	275,314
Chemicals	75,000	75,000	86,931	(11,931)	80,612
Meter replacement	300,000	300,000	200,302	99,698	216,121
Outside services	11,250	11,250	9,944	1,306	10,757
Total Water Operations	<u>5,294,287</u>	<u>5,585,676</u>	<u>5,192,755</u>	<u>392,921</u>	<u>4,748,818</u>

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

Eagle River Water and Sanitation District
Schedule of Revenues, Expenditures, and Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended 2020)
(Continued)

	2021			Final Budget Variance Positive (Negative)	2020
	Original Budget	Final Budget	Actual		Actual
Expenditures - Water (continued):					
General and Administrative:					
Legal	32,500	107,500	125,810	(18,310)	69,740
Accounting and audit	21,000	20,113	32,623	(12,510)	33,149
Engineering	7,500	625	3,926	(3,301)	15,766
Management and consulting	286,450	160,950	167,987	(7,037)	240,369
Benefit administration	12,500	11,545	10,580	965	31,919
Community relations	28,103	19,111	18,210	901	25,414
Directors fees and expenses	3,800	3,800	4,889	(1,089)	3,248
Maintenance contracts	95,000	109,719	88,004	21,715	90,503
Water quality	129,750	129,750	138,223	(8,473)	115,302
Treasurer's fees	42,000	44,500	44,639	(139)	43,633
Total General and Administrative	658,603	607,613	634,891	(27,278)	669,043
Debt Service:					
Principal	1,345,476	1,345,476	1,345,476	-	1,301,059
Interest	814,825	814,825	796,070	18,755	839,205
Debt issuance costs	241,578	-	-	-	-
Subtotal - Debt Service	2,401,879	2,160,301	2,141,546	18,755	2,140,264
Capital Outlay	6,738,744	5,077,612	1,468,149	3,609,463	888,866
Total Water Expenditures	15,093,513	13,431,202	9,437,341	3,993,861	8,446,991
Expenditures - Sanitation:					
Sanitation Operations:					
Salaries and benefits	11,351,732	10,743,834	10,639,443	104,391	9,937,857
Supplies and materials	2,284,940	2,036,389	1,989,017	47,372	2,124,414
Telephone and radio service	213,750	211,500	275,850	(64,350)	242,517
Insurance	216,000	240,595	238,780	1,815	215,927
Repairs and maintenance	529,225	436,019	331,599	104,420	453,511
Other	1,046,459	1,246,445	1,121,651	124,794	864,447
Utilities	1,098,000	1,092,500	1,007,212	85,288	937,151
Meter replacement	-	600,000	973,722	(373,722)	-
Permits	43,500	43,500	42,999	501	43,002
Outside services	33,750	33,750	30,150	3,600	32,409
Total Sanitation Operations	16,817,356	16,684,532	16,650,423	34,109	14,851,235
General and Administrative:					
Legal	127,500	125,281	88,659	36,622	94,079
Accounting and audit	63,000	60,338	47,630	12,708	50,928
Engineering	22,500	1,875	11,779	(9,904)	7,110
Management and consulting	100,100	107,600	145,607	(38,007)	72,076
Benefit administration	37,500	34,634	31,739	2,895	95,756
Community relations	31,808	15,352	12,648	2,704	28,999
Directors fees and expenses	11,400	11,400	14,667	(3,267)	9,743
Maintenance contracts	325,000	357,156	276,608	80,548	293,570
Sanitation quality	341,250	261,250	256,230	5,020	272,072
Treasurer's fees	57,000	57,000	58,914	(1,914)	58,549
Debt issuance costs	-	-	-	-	660,334
Total General and Administrative	1,117,058	1,031,886	944,481	87,405	1,643,216

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

Eagle River Water and Sanitation District
Schedule of Revenues, Expenditures, and Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended 2020)
(Continued)

	2021			Final Budget Variance Positive (Negative)	2020
	Original Budget	Final Budget	Actual		Actual
Expenditures - Sanitation (continued):					
Debt Service:					
Principal	1,505,000	2,190,000	2,190,000	-	1,805,000
Interest	3,199,740	3,276,177	3,272,768	3,409	2,829,926
Refunding payments to escrow agent	-	-	-	-	24,681,314
Subtotal - Debt Service	<u>4,704,740</u>	<u>5,466,177</u>	<u>5,462,768</u>	<u>3,409</u>	<u>29,316,240</u>
Capital Outlay	<u>38,543,888</u>	<u>42,500,243</u>	<u>27,870,306</u>	<u>14,629,937</u>	<u>15,548,054</u>
Total Sanitation Expenditures	<u>61,183,042</u>	<u>65,682,838</u>	<u>50,927,978</u>	<u>14,754,860</u>	<u>61,358,745</u>
Total District Expenditures	<u>76,276,555</u>	<u>79,114,040</u>	<u>60,365,319</u>	<u>18,748,721</u>	<u>69,805,736</u>
Excess (Deficiency) of Revenues Over Expenditures	(34,541,468)	(37,362,405)	(21,942,887)	15,419,518	29,818,259
Funds Available - Beginning of Year	<u>49,909,053</u>	<u>49,909,053</u>	<u>67,481,001</u>	<u>17,571,948</u>	<u>37,662,742</u>
Funds Available - End of Year	<u>15,367,585</u>	<u>12,546,648</u>	<u>45,538,114</u>	<u>32,991,466</u>	<u>67,481,001</u>
Funds available at year-end is computed as follows:					
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>		<u>Total</u>
Current assets	9,457,463	52,057,484	61,514,947		77,917,260
Current liabilities and unavailable property tax revenue	(3,568,427)	(16,048,541)	(19,616,968)		(13,971,735)
Current portion of long-term obligations	1,390,135	2,250,000	3,640,135		3,535,476
	<u>7,279,171</u>	<u>38,258,943</u>	<u>45,538,114</u>		<u>67,481,001</u>
Reconciliation to GAAP Basis					
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>		<u>Total</u>
Excess (deficiency) of revenues over expenditures	(58,042)	(21,884,845)	(21,942,887)		29,818,259
Contributed assets	-	57,013	57,013		-
Proceeds from bond issue	-	-	-		(60,150,000)
(Premium) discount on debt issuance	-	-	-		(5,158,347)
Change in patronage dividends receivable	1,087	5,187	6,274		(15,816)
Change in other long-term receivables	(2,247)	-	(2,247)		(48,346)
Gain (loss) on disposition of property	-	(3,697,869)	(3,697,869)		(3,216)
Depreciation	(1,980,543)	(7,115,752)	(9,096,295)		(9,658,816)
Amortization of bond premiums, discounts, and refunding	31,132	425,580	456,712		378,608
Net loan advances (repayments)	-	(102,207)	(102,207)		(169,372)
Debt principal payments	1,345,476	2,190,000	3,535,476		3,106,059
Principal payment to refunded bond escrow agent	-	-	-		24,681,314
Capitalized assets	1,468,149	27,870,306	29,338,455		16,436,920
Change in compensated absences	(16,738)	(50,214)	(66,952)		(155,981)
Change in Net Position - GAAP Basis	<u>788,274</u>	<u>(2,302,801)</u>	<u>(1,514,527)</u>		<u>(938,734)</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2021

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

Year Ending December 31,	Principal Due September 16	Interest Due September 16	Total
2022	90,135	40,548	130,683
2023	95,047	35,636	130,683
2024	100,227	30,456	130,683
2025	105,689	24,994	130,683
2026	111,449	19,234	130,683
2027	117,524	13,159	130,683
2028	123,929	6,754	130,683
	<u>744,000</u>	<u>170,781</u>	<u>914,781</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2021

2011 Water Refunding General Obligation Bond
Original Principal - \$2,930,000
Interest Rate - 3.00% to 4.00%

Year Ending December 31,	Principal Due April 1 and October 1	Interest Due June 1 and December 1	Total
2022	315,000	12,600	327,600
	315,000	12,600	327,600

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2021

2012 Water General Obligation Bonds
Original Principal - \$1,000,000
Interest Rate - 2.30% to 2.50%

Year Ending December 31,	Principal Due December 1	Interest Due		Total
		June 1 and December 1		
2022	-	40,000		40,000
2023	130,000	40,000		170,000
2024	135,000	35,000		170,000
2025	140,000	29,800		169,800
2026	145,000	24,400		169,400
2027	145,000	18,600		163,600
2028	150,000	12,600		162,600
2029	155,000	6,400		161,400
	<u>1,000,000</u>	<u>206,800</u>		<u>1,206,800</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2021

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

Year Ending December 31,	Principal Due December 1	Interest Due		Total
		June 1 and December 1		
2022	420,000	151,400		571,400
2023	440,000	138,800		578,800
2024	460,000	121,200		581,200
2025	475,000	102,800		577,800
2026	490,000	83,800		573,800
2027	515,000	64,200		579,200
2028	535,000	43,600		578,600
2029	555,000	22,200		577,200
	<u>3,890,000</u>	<u>728,000</u>		<u>4,618,000</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2021

2017 Water Revenue Refunding Bonds

Original Principal - \$12,545,000

Interest Rate - 2.00% to 5.00%

Year Ending December 31,	Principal Due December 1	Interest Due	
		June 1 and December 1	Total
2022	420,000	388,750	808,750
2023	430,000	376,150	806,150
2024	445,000	364,325	809,325
2025	470,000	342,075	812,075
2026	490,000	318,575	808,575
2027	515,000	294,075	809,075
2028	540,000	268,325	808,325
2029	560,000	246,725	806,725
2030	585,000	224,325	809,325
2031	600,000	206,775	806,775
2032	620,000	188,775	808,775
2033	640,000	170,175	810,175
2034	660,000	149,375	809,375
2035	685,000	127,925	812,925
2036	705,000	103,950	808,950
2037	730,000	79,275	809,275
2038	755,000	53,725	808,725
2039	780,000	27,300	807,300
	<u>10,630,000</u>	<u>3,930,600</u>	<u>14,560,600</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2021

2019 Water Revenue Bonds			
Original Principal - \$3,825,000			
Interest Rate - 3.00% to 4.50%			
Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2022	145,000	120,150	265,150
2023	150,000	114,350	264,350
2024	155,000	108,350	263,350
2025	160,000	102,150	262,150
2026	165,000	95,750	260,750
2027	175,000	89,150	264,150
2028	180,000	82,150	262,150
2029	190,000	74,950	264,950
2030	195,000	67,350	262,350
2031	200,000	61,500	261,500
2032	210,000	55,500	265,500
2033	215,000	49,200	264,200
2034	220,000	42,750	262,750
2035	225,000	36,150	261,150
2036	235,000	29,400	264,400
2037	240,000	22,350	262,350
2038	250,000	15,150	265,150
2039	255,000	7,650	262,650
	3,565,000	1,174,000	4,739,000
	3,565,000	1,174,000	4,739,000

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Sanitation
December 31, 2021

2012 Wastewater Revenue Bonds

Principal - \$28,060,000

Interest Rate - 2.00% - 5.00%

Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2022	705,000	1,099,900	1,804,900
2023	735,000	1,071,700	1,806,700
	1,440,000	2,171,600	3,611,600

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Sanitation
December 31, 2021

2016 Wastewater General Obligation Bonds

Principal - \$23,295,000

Interest Rate - 2.00% - 5.00%

Year Ending December 31,	Principal Due December 1	Interest Due		Total
		June 1 and December 1		
2022	545,000	825,800		1,370,800
2023	555,000	814,900		1,369,900
2024	585,000	787,150		1,372,150
2025	595,000	772,525		1,367,525
2026	610,000	757,650		1,367,650
2027	630,000	740,875		1,370,875
2028	660,000	709,375		1,369,375
2029	695,000	676,375		1,371,375
2030	720,000	648,575		1,368,575
2031	750,000	619,775		1,369,775
2032	775,000	597,275		1,372,275
2033	795,000	574,025		1,369,025
2034	830,000	538,250		1,368,250
2035	870,000	500,900		1,370,900
2036	910,000	461,750		1,371,750
2037	950,000	420,800		1,370,800
2038	980,000	387,550		1,367,550
2039	1,015,000	353,250		1,368,250
2040	1,050,000	317,725		1,367,725
2041	1,085,000	280,975		1,365,975
2042	1,125,000	243,000		1,368,000
2043	1,185,000	186,750		1,371,750
2044	1,245,000	127,500		1,372,500
2045	1,305,000	65,250		1,370,250
	20,465,000	12,408,000		32,873,000

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Sanitation
December 31, 2021

2017 Wastewater Revenue Crossover Refunding Bonds
Original Principal - \$12,430,000
Interest Rate - 3.00% to 5.00%

Year Ending December 31,	Principal Due December 1	Interest Due	Total
		June 1 and December 1	
2022	465,000	402,119	867,119
2023	480,000	388,169	868,169
2024	495,000	373,769	868,769
2025	510,000	358,919	868,919
2026	525,000	343,619	868,619
2027	550,000	317,369	867,369
2028	580,000	289,869	869,869
2029	605,000	260,869	865,869
2030	635,000	230,619	865,619
2031	655,000	211,569	866,569
2032	675,000	191,919	866,919
2033	695,000	171,669	866,669
2034	720,000	149,950	869,950
2035	740,000	127,450	867,450
2036	765,000	104,325	869,325
2037	790,000	79,463	869,463
2038	815,000	53,788	868,788
2039	840,000	27,296	867,296
	<u>11,540,000</u>	<u>4,082,750</u>	<u>15,622,750</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Sanitation
December 31, 2021

2020A Wastewater Revenue Improvement Bonds
Original Principal - \$35,220,000
Interest Rate - 3.00% to 4.00%

Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2022	255,000	1,352,150	1,607,150
2023	260,000	1,344,500	1,604,500
2024	265,000	1,336,700	1,601,700
2025	275,000	1,328,750	1,603,750
2026	285,000	1,317,750	1,602,750
2027	300,000	1,306,350	1,606,350
2028	310,000	1,294,350	1,604,350
2029	325,000	1,281,950	1,606,950
2030	340,000	1,268,950	1,608,950
2031	350,000	1,255,350	1,605,350
2032	365,000	1,241,350	1,606,350
2033	380,000	1,226,750	1,606,750
2034	395,000	1,211,550	1,606,550
2035	410,000	1,199,700	1,609,700
2036	415,000	1,187,400	1,602,400
2037	425,000	1,174,950	1,599,950
2038	445,000	1,162,200	1,607,200
2039	455,000	1,148,850	1,603,850
2040	1,340,000	1,135,200	2,475,200
2041	1,375,000	1,095,000	2,470,000
2042	1,430,000	1,040,000	2,470,000
2043	3,110,000	982,800	4,092,800
2044	3,235,000	858,400	4,093,400
2045	3,365,000	729,000	4,094,000
2046	3,500,000	594,400	4,094,400
2047	3,640,000	454,400	4,094,400
2048	3,785,000	308,800	4,093,800
2049	3,935,000	157,400	4,092,400
	<u>34,970,000</u>	<u>29,994,950</u>	<u>64,964,950</u>

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

Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Sanitation
December 31, 2021

2020B Wastewater Revenue Refunding Bonds
Original Principal - \$24,930,000
Interest Rate - 0.82% to 2.42%

Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2022	280,000	579,014	859,014
2023	280,000	576,295	856,295
2024	1,050,000	573,347	1,623,347
2025	1,060,000	561,030	1,621,030
2026	1,075,000	547,536	1,622,536
2027	1,090,000	530,573	1,620,573
2028	1,110,000	511,738	1,621,738
2029	1,130,000	490,481	1,620,481
2030	1,150,000	468,277	1,618,277
2031	1,175,000	445,104	1,620,104
2032	1,200,000	420,018	1,620,018
2033	1,230,000	393,198	1,623,198
2034	1,255,000	364,724	1,619,724
2035	1,285,000	335,043	1,620,043
2036	1,320,000	304,010	1,624,010
2037	1,360,000	264,278	1,624,278
2038	1,395,000	223,342	1,618,342
2039	1,440,000	181,353	1,621,353
2040	1,480,000	138,009	1,618,009
2041	1,530,000	93,461	1,623,461
2042	1,575,000	47,407	1,622,407
	<u>24,470,000</u>	<u>8,048,238</u>	<u>32,518,238</u>

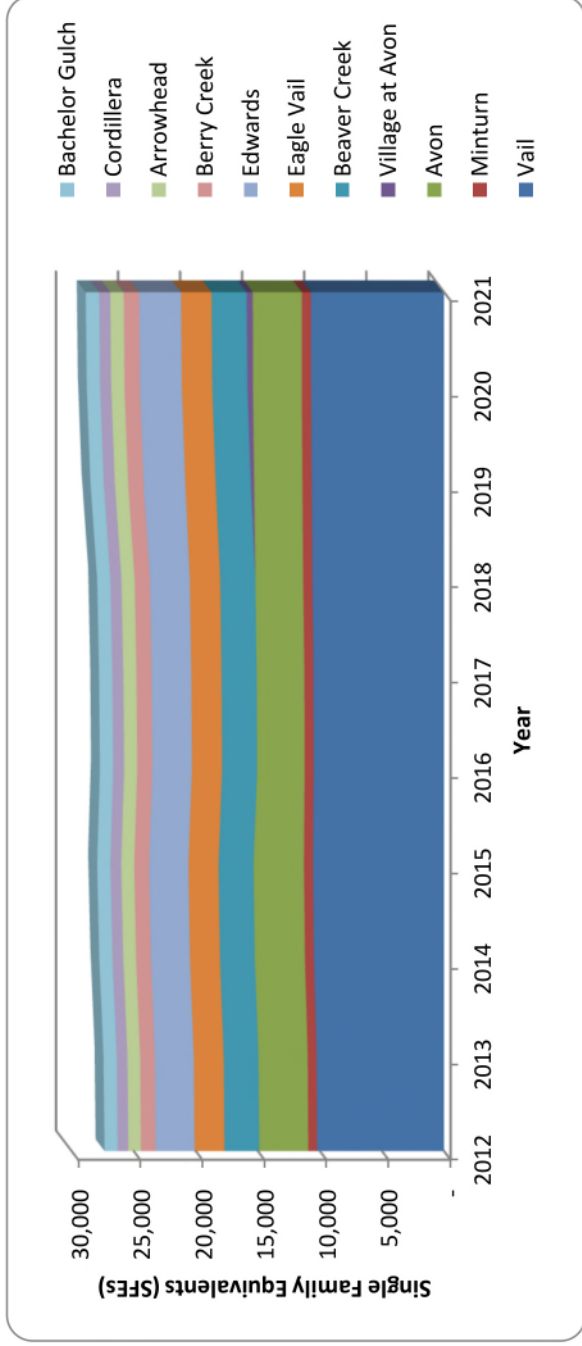
The accompanying notes are an integral part of these financial statements.

STATISTICAL SECTION



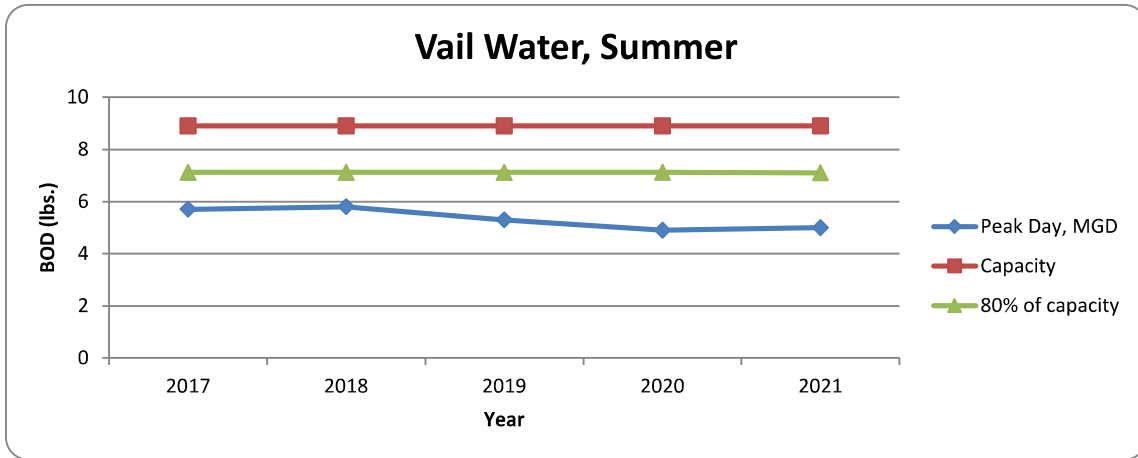
EAGLE RIVER
WATER & SANITATION
DISTRICT

**Eagle River Water and Sanitation District
Single Family Equivalents (SFEs) in Service
Ten Year Comparison
December 31, 2021
(Unaudited)**

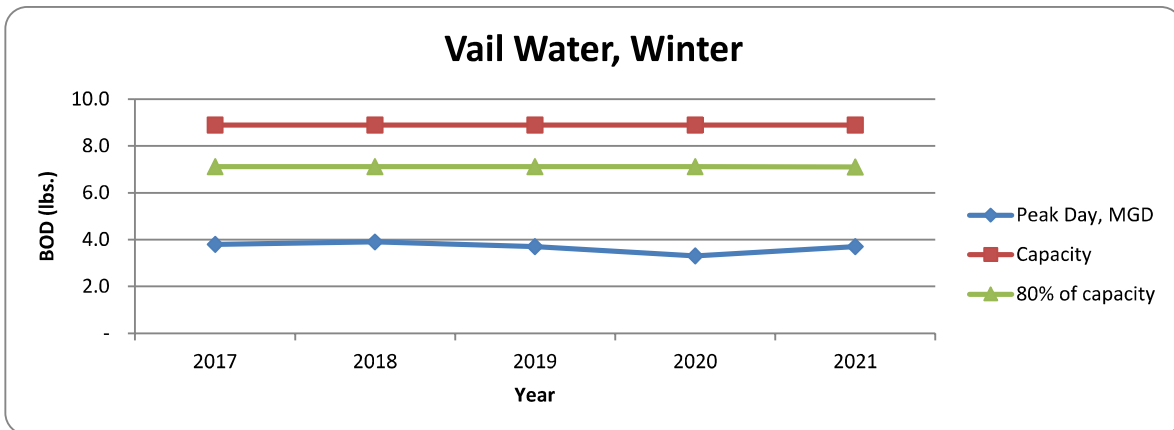


	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Vail	10,218	10,264	10,474	10,551	10,494	10,509	10,595	10,650	10,703	10,706
Minturn	709	711	724	726	732	733	748	752	751	741
Avon	3,953	3,969	4,038	4,062	3,823	3,847	3,855	3,890	3,934	3,955
Village at Avon	-	-	-	-	-	-	-	268	447	494
Beaver Creek	2,799	2,802	2,807	2,823	2,824	2,829	2,829	2,831	2,834	2,834
Eagle Vail	2,408	2,410	2,414	2,425	2,427	2,433	2,441	2,446	2,446	2,447
Edwards	3,147	3,140	3,150	3,174	3,197	3,202	3,220	3,366	3,375	3,382
Berry Creek	1,171	1,180	1,190	1,195	1,211	1,220	1,231	1,239	1,239	1,241
Arrowhead	1,026	1,031	1,040	1,050	1,062	1,063	1,071	1,079	1,082	1,088
Cordillera	852	858	862	868	880	877	882	884	886	888
Bachelor Gulch	1,065	1,071	1,069	1,076	1,072	1,076	1,075	1,079	1,083	1,090
Total SFEs	27,348	27,436	27,768	27,948	27,722	27,789	27,947	28,484	28,780	28,866
Percent increase	0.93%	0.32%	1.21%	0.65%	-0.81%	0.24%	0.57%	1.92%	1.04%	0.30%

Eagle River Water and Sanitation District
Water Demand Compared To Capacity
Five Year Comparison
December 31, 2021
(Unaudited)



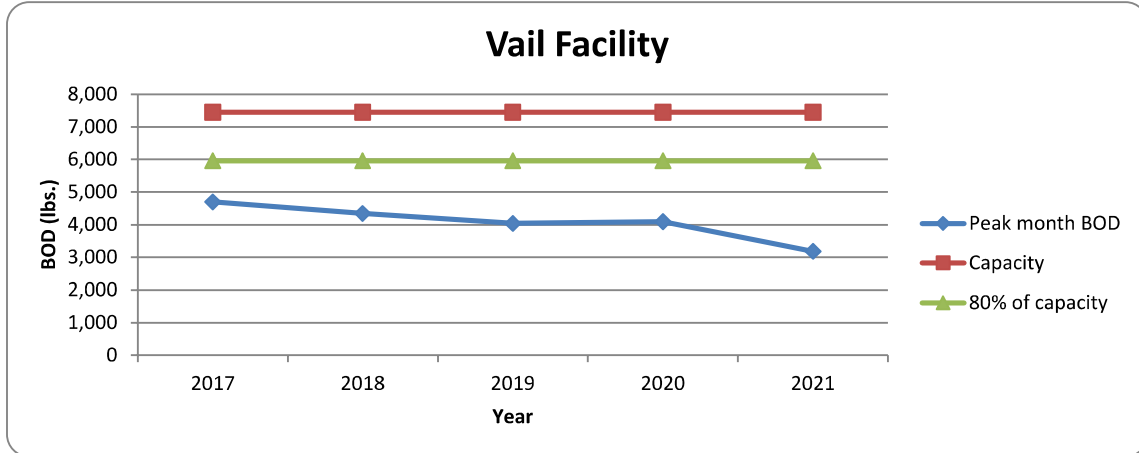
<u>Vail Water, Summer</u>		<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Peak Day, MGD		5.7	5.8	5.3	4.9	5.0
Capacity		8.9	8.9	8.9	8.9	8.9
80% of capacity		7.1	7.1	7.1	7.1	7.1
Flow, MGD as a % Capacity		64%	65%	60%	55%	56%



<u>Vail Water, Winter</u>		<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Peak Day, MGD		3.8	3.9	3.7	3.3	3.7
Capacity		8.9	8.9	8.9	8.9	8.9
80% of capacity		7.1	7.1	7.1	7.1	7.1
Flow, MGD as a % Capacity		43%	44%	42%	37%	42%

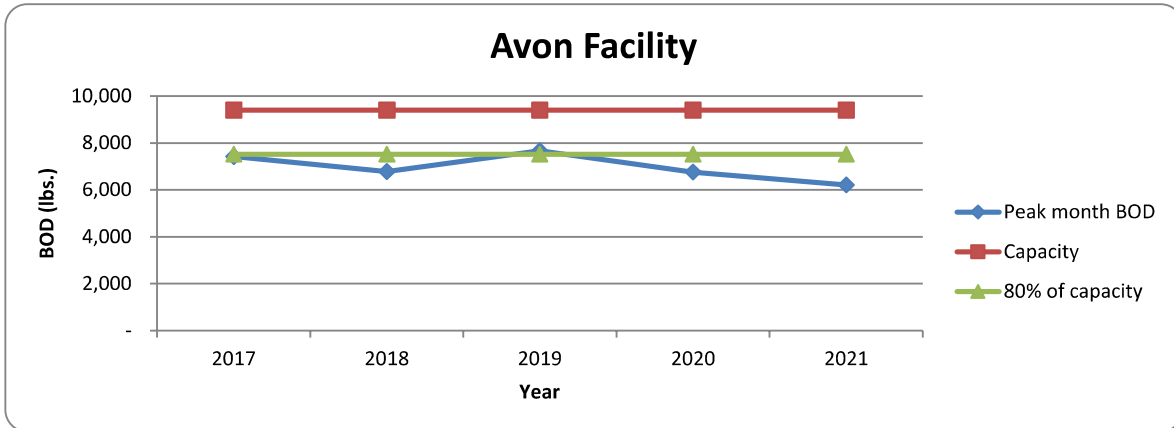
**Eagle River Water and Sanitation District
Wastewater Loadings Compared to Facility Capacity
Five Year Comparison
December 31, 2021
(Unaudited)**

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



Vail Facility

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Peak month BOD	4,700	4,345	4,039	4,094	3,180
Capacity	7,450	7,450	7,450	7,450	7,450
80% of capacity	5,960	5,960	5,960	5,960	5,960
Peak month BOD as % of capacity	63%	58%	54%	55%	43%

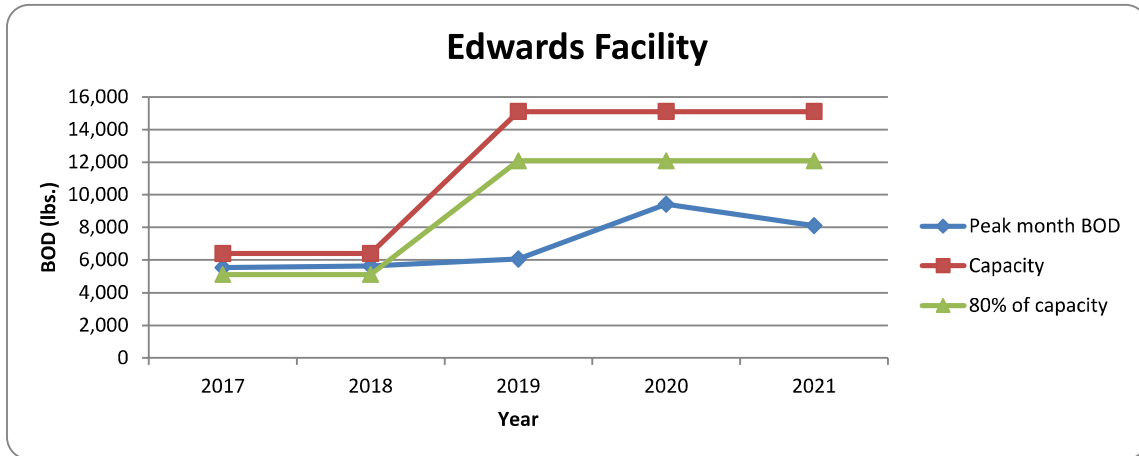


Avon Facility

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Peak month BOD	7,415	6,775	7,659	6,755	6,201
Capacity	9,400	9,400	9,400	9,400	9,400
80% of capacity	7,520	7,520	7,520	7,520	7,520
Peak month BOD as % of capacity	79%	72%	81%	72%	66%

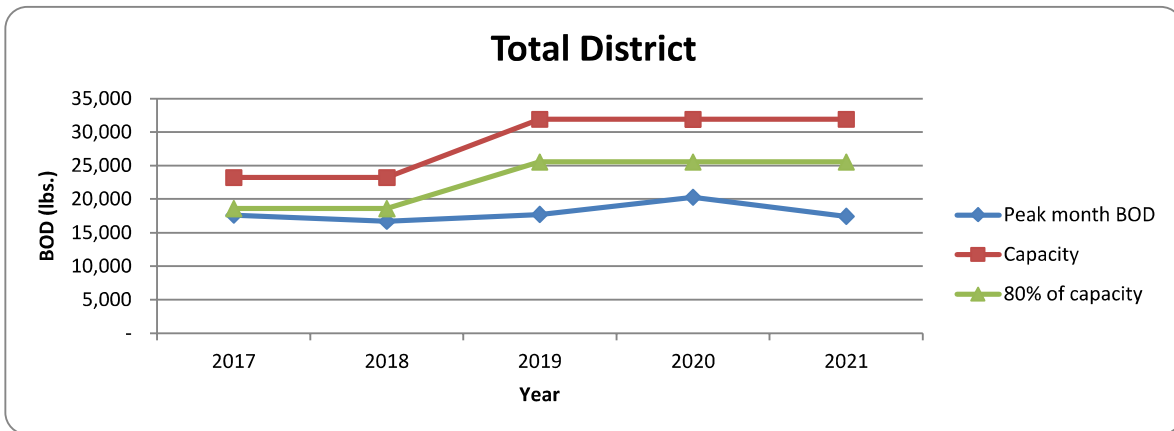
Eagle River Water and Sanitation District
Wastewater Loadings Compared to Facility Capacity
Five Year Comparison
December 31, 2021
(Continued)
(Unaudited)

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



Edwards Facility

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Peak month BOD	5,544	5,617	6,057	9,426	8,102
Capacity	6,400	6,400	15,100	15,100	15,100
80% of capacity	5,120	5,120	12,080	12,080	12,080
Peak month BOD as % of capacity	87%	88%	40%	62%	54%



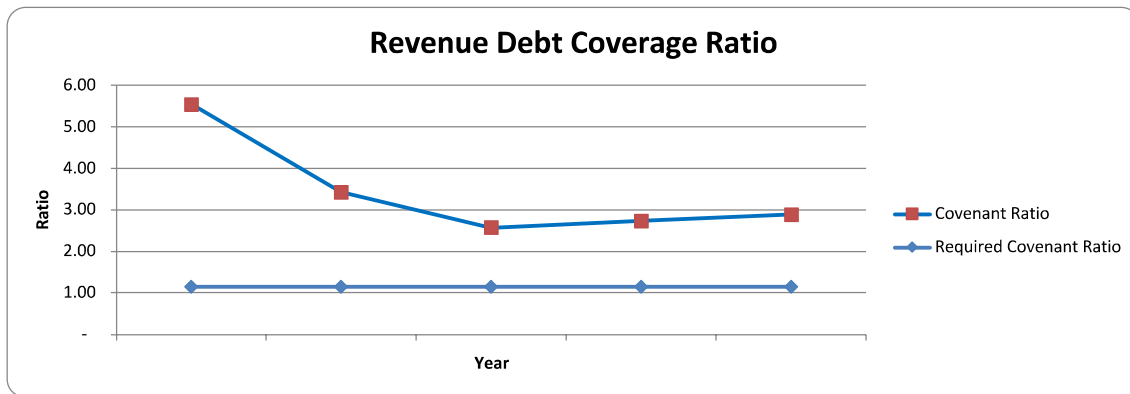
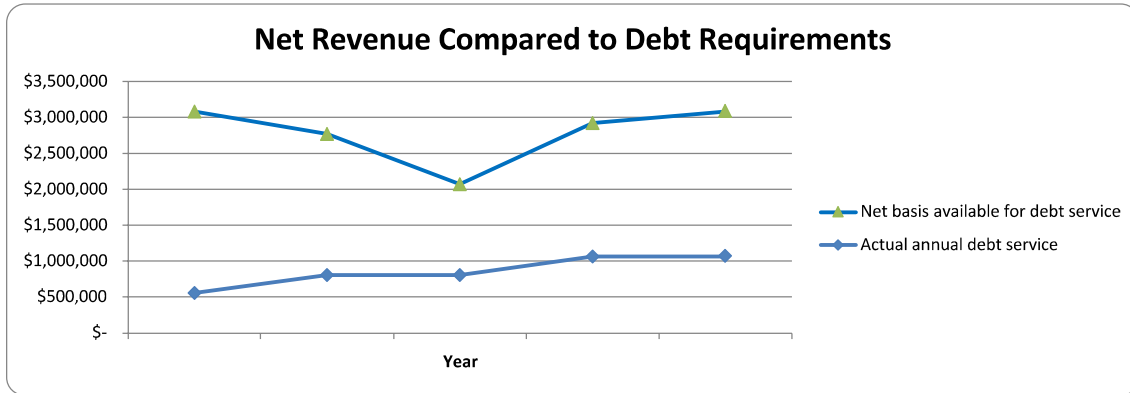
Total District

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Peak month BOD	17,659	16,737	17,755	20,275	17,483
Capacity	23,250	23,250	31,950	31,950	31,950
80% of capacity	18,600	18,600	25,560	25,560	25,560
Peak month BOD as % of capacity	76%	72%	56%	63%	55%

**Eagle River Water and Sanitation District
Top 10 Customers
Five Year Comparison
December 31, 2021
(Unaudited)**

<u>Customer Type</u>	<u>1,000 Gallons</u>	<u>Sales Dollar Amount</u>	<u>% of Total Sales Dollars</u>
<u>Vail Water Sales</u>			
Town of Vail	20,032	\$ 127,954	1.8%
Ski Company/Resort	45,867	125,385	1.8%
Hospital	24,931	111,925	1.6%
Hotel/Resort	14,752	106,012	1.5%
Condominiums/Resort	11,319	103,899	1.5%
Hotel/Resort	17,063	94,278	1.4%
Hotel/Resort	12,500	79,902	1.2%
Hotel/Resort	11,748	72,877	1.1%
Hotel/Resort	9,911	67,279	1.0%
Condominiums/Resort	9,425	57,192	0.8%
Total - Top 10 Customers	<u>177,548</u>	<u>\$ 946,702</u>	<u>13.7%</u>
Total - All Other Customers	<u>483,868</u>	<u>5,974,530</u>	<u>86.3%</u>
Total Service Fees	<u>661,416</u>	<u>\$ 6,921,232</u>	<u>100.0%</u>
<u>Wastewater Sales</u>			
Ski Company/Resort		\$ 225,375	1.4%
Mobile Home Park		204,822	1.3%
Hotel/Resort		158,682	1.0%
Apartment Complex		123,786	0.8%
Apartment Complex		122,484	0.8%
Hotel/Resort		120,876	0.7%
Condominiums/Resort		111,336	0.7%
Utility		110,976	0.7%
Condominiums/Resort		106,416	0.7%
Hotel / Resort		95,262	0.6%
Total - Top 10 Customers		<u>\$ 1,380,015</u>	<u>8.5%</u>
Total - All Other Customers		<u>14,888,584</u>	<u>91.5%</u>
Total Service Fees		<u>\$ 16,268,599</u>	<u>100.0%</u>

Eagle River Water and Sanitation District
Rate Maintenance Covenant - Water
Five Year Comparison
December 31, 2021
(Unaudited)



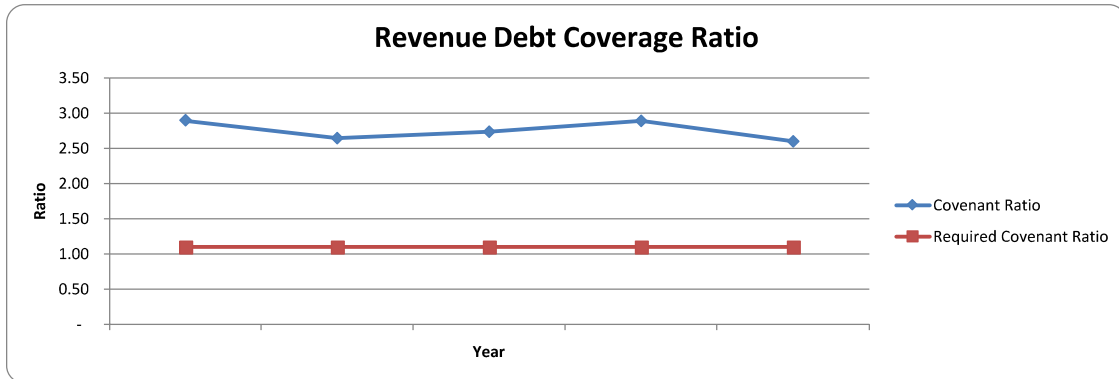
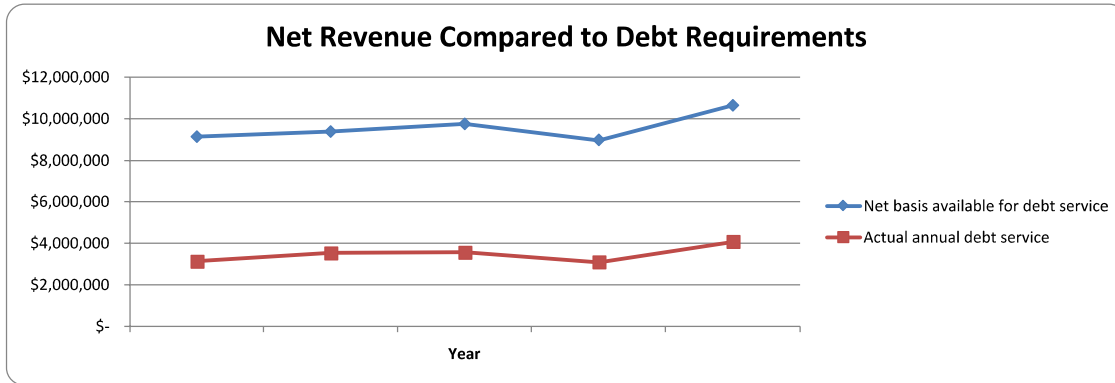
Per the bond covenants, the District is to assess a fee to cover operations and maintenance and 115% of water debt service.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Operating revenue	5,741,036	5,708,724	5,711,618	6,589,015	7,038,240
Plus:					
Tap fees and other contributed cash	442,780	650,154	143,987	307,504	677,841
Investment income	77,164	83,420	66,762	66,067	(991)
Property taxes for general operating	474,496	510,169	509,210	518,481	533,141
Other non-operating revenues	19,870	21,198	12,137	19,734	29,817
Rate stabilization funds	600,000	600,000	600,000	600,000	600,000
Total revenues available for debt service	<u>7,355,346</u>	<u>7,573,665</u>	<u>7,043,714</u>	<u>8,100,801</u>	<u>8,878,048</u>
Expenses	7,104,017	7,728,753	7,853,847	8,201,005	8,545,226
Less:					
Interest expense	(835,720)	(741,365)	(762,740)	(808,026)	(764,891)
Depreciation	(1,789,902)	(1,893,422)	(1,982,937)	(1,979,712)	(1,980,544)
Major capital additions	(206,249)	(289,187)	(136,937)	(228,434)	(6,999)
Total expenses available for debt service	<u>4,272,146</u>	<u>4,804,779</u>	<u>4,971,233</u>	<u>5,184,833</u>	<u>5,792,792</u>
Net basis available for debt service	<u>3,083,200</u>	<u>2,768,886</u>	<u>2,072,481</u>	<u>2,915,968</u>	<u>3,085,256</u>
Actual annual debt service (excluding general obligation debt)	<u>556,507</u>	<u>808,200</u>	<u>805,600</u>	<u>1,065,263</u>	<u>1,071,600</u>
Covenant Ratio	<u>5.54</u>	<u>3.43</u>	<u>2.57</u>	<u>2.74</u>	<u>2.88</u>
Required Covenant Ratio	<u>1.15</u>	<u>1.15</u>	<u>1.15</u>	<u>1.15</u>	<u>1.15</u>

Rate Maintenance Covenant: The District's Water Enterprise Series 2017 and 2019 bonds include a Rate Maintenance Covenant sufficient revenues to pay: (i) Operation and Maintenance Expenses, (ii) 115% of each Fiscal Year's Bond Requirements of the Bonds, (iii) any amounts required to pay all Policy Costs then due and owing and all sums, (iv) any amounts required to meet then existing deficiencies pertaining to any fund or account relating to the Gross Pledged Revenues or any securities payable there from.

The above Rate Maintenance Covenant is tested annually. It is the District's policy to use unrestricted cash and investments (\$1,903,966 at December 31, 2021) to meet the Rate Maintenance Covenant if necessary.

Eagle River Water and Sanitation District
Rate Maintenance Covenant - Sanitation
Five Year Comparison
December 31, 2021
(Unaudited)



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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Operating revenue	19,686,255	20,288,257	20,474,799	22,407,469	25,470,671
Plus:					
Tap fees and other contributed cash	1,144,761	1,499,025	2,147,390	668,867	1,297,552
Investment income	434,026	679,710	1,015,644	334,133	(18,024)
Interest credit - Build America Bonds	312,105	307,866	275,490	-	-
Property taxes for general operating	539,174	567,400	563,588	581,078	587,406
Other non-operating revenues	59,609	63,594	36,410	53,250	89,451
Rate stabilization funds	600,000	600,000	600,000	600,000	600,000
Total revenues available for debt service	<u>22,775,930</u>	<u>24,005,852</u>	<u>25,113,321</u>	<u>24,644,797</u>	<u>28,027,056</u>
Expenses	24,069,390	25,251,120	26,313,016	26,104,467	27,548,968
Less:					
Interest expense	(2,842,937)	(3,010,923)	(3,162,889)	(2,532,808)	(2,847,190)
Depreciation	(7,312,904)	(7,320,592)	(7,539,257)	(7,679,104)	(7,115,752)
Major capital additions	(263,659)	(285,234)	(211,190)	(211,190)	(207,358)
Total expenses available for debt service	<u>13,649,890</u>	<u>14,634,371</u>	<u>15,357,502</u>	<u>15,681,365</u>	<u>17,378,668</u>
Net basis available for debt service	<u>9,126,040</u>	<u>9,371,481</u>	<u>9,755,819</u>	<u>8,963,432</u>	<u>10,648,388</u>
Actual annual debt service (excluding general obligation debt)	<u>3,148,897</u>	<u>3,547,308</u>	<u>3,563,477</u>	<u>3,102,063</u>	<u>4,094,691</u>
Covenant Ratio	<u>2.90</u>	<u>2.64</u>	<u>2.74</u>	<u>2.89</u>	<u>2.60</u>
Required Covenant Ratio	<u>1.10</u>	<u>1.10</u>	<u>1.10</u>	<u>1.10</u>	<u>1.10</u>

Rate Maintenance Covenant: The District's Wastewater Revenue Bonds, Series 2009, 2012, 2017 and 2020 include a Rate Maintenance Covenant sufficient revenues to pay: (i) Operation and Maintenance Expenses, (ii) 110% of each Fiscal Year's Bond Requirements of the Bonds, (iii) any amounts required to pay all Policy Costs then due and owing and all sums, (iv) any amounts required to meet then existing deficiencies pertaining to any fund or account relating to the Gross Pledged Revenues or any securities payable there from.

The above Rate Maintenance Covenant is tested annually. It is the District's policy to use unrestricted cash and investments (\$23,478,325 at December 31, 2021) to meet the Rate Maintenance Covenant if necessary.

Eagle River Water and Sanitation District
Assessed Valuation, Property Taxes Levied and Collected - Water
Five Year Comparison
December 31, 2021
(Unaudited)

Calendar Year Ended December 31	Prior Year Assessed Valuation for Current Year Property Tax Levy	Total Mills Levied		Total Property Tax		% Collected to Levied
		Operating Mills Levied	Debt Service Mills Levied	Levied	Collected	
2017	1,012,817,770	0.444	0.941	1,402,752	1,417,667	101.1%
2018	1,095,184,950	0.444	0.859	1,427,026	1,421,534	99.6%
2019	1,227,930,380	0.418	0.775	1,464,920	1,453,306	99.2%
2020	1,232,671,960	0.444	0.765	1,490,300	1,486,928	99.8%
2021	1,229,467,670	0.471	0.764	1,518,392		

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

Eagle River Water and Sanitation District
Assessed Valuation, Property Taxes Levied and Collected - Sanitation
Five Year Comparison
December 31, 2021
(Unaudited)

Calendar Year Ended December 31	Prior Year Assessed Valuation for Current Year Property Tax Levy	Total Mills Levied		Total Property Tax		% Collected to Levied
		Operating Mills Levied	Debt Service Mills Levied	Levied	Collected	
2017	2,216,097,720	0.231	0.618	1,881,466	1,903,214	101.2%
2018	2,342,657,810	0.231	0.585	1,911,608	1,882,305	98.5%
2019	2,565,975,770	0.231	0.535	1,965,537	1,951,056	99.3%
2020	2,563,646,580	0.231	0.535	1,963,902	1,961,888	99.9%
2021	2,597,766,990	0.231	0.528	1,971,705		

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

**Eagle River Water and Sanitation District
Schedule of Water & Storage Rights
December 31, 2021
(Unaudited)**

Most of the water and storage rights currently used by the District were provided by the previous water utilities at no cost to the District. In accordance with Governmental Accounting Standards Board (GASB), only owned water and storage rights are shown on the District's Statement of Net Position at historic cost, totaling \$1,496,416. This cost represents mostly legal expenditures to establish the District's ability to use these rights to provide water directly to the customers and a small acquisition of new rights. Also in accordance with GASB, the investment in Eagle Park Reservoir Company Stock, which provides a valuable source of raw water supply, is not reflected in capital assets, but is shown in Other Assets at the historic cost of \$3,453,442. Management of the District believes the actual value of these water and storage rights used by the District to be greater than historical cost as of December 31, 2021.

The appraisal value as of January 10, 2021, performed by Porzak Browning & Bushong LLP (Special Water Rights Counsel for the District) is recited here solely for informational purposes.

Water Right	Quantity (a.f.)	Price per a.f.	Historical Cost	Appraisal Value
Eagle Park Reservoir Water	432.81211	\$41,000	\$3,453,442	\$17,745,296
Homestake Reservoir	250	41,000	0	10,250,000
Green Mtn. Res. contract	934	2,500	0	1,868,000
Wolford Mtn. Res. contract	500	3,805	0	1,902,500
Black Lakes storage	425	41,000	0	17,425,500
Conditional storage	584.45	100	0	58,445
In-basin consumptive use	902	10,000	1,496,416	9,020,000
Direct flow HUP water (winter)	89	41,000	0	3,649,000
TOTAL			\$4,949,858	\$61,918,241

Water Rights Owned

Eagle Park Reservoir Water

The District owns or has a perpetual contractual right to the water rights in connection with Eagle Park Reservoir (432.81211 a.f.). Refer to footnote III.F. for additional terms. The value of Eagle Park Reservoir is based on the District's dedication replacement cost of \$41,000 per acre-foot for non-irrigation season in-basin storage. That replacement cost is established by the District's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the District's service area.

Homestake Reservoir

The District owns or has a perpetual contractual right to the water rights in connection with Homestake Reservoir (250 a.f.). The value of Homestake Reservoir storage is based on the District's dedication replacement cost of \$41,000 per acre-foot for non-irrigation season in-basin storage. That replacement cost is established by the District's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the District's service area.

Eagle River Water and Sanitation District
Schedule of Water & Storage Rights
December 31, 2021
(Unaudited)
(Continued)

Green Mountain Reservoir

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

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

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

Wolford Mountain Reservoir

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

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

Wolford Mountain Reservoir contract water value is based on a ten (10) year cost at \$380.50 per acre-foot per year, or a total of \$3,805 per acre-foot. A ten year lease cost is an approximation of the purchase value of this water.

Black Lakes

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

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

Eagle River Water and Sanitation District
Schedule of Water & Storage Rights
December 31, 2021
(Unaudited)
(Continued)

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

The value of Black Lakes storage is based on the District's dedication replacement cost of \$41,000 per acre-foot for non-irrigation season in-basin storage. The value to the District of Black Lakes is that these reservoirs fill each year and the water is stored very high in the Gore Creek drainage. Therefore, the water is available for direct use and/or augmentation (i.e., replace out of priority depletions resulting from the diversion of other water rights) without causing any "gap" in the creek between the point of depletions and location of the replacement water. In other words, this water can be delivered directly to the location of the points of diversion and/or depletion.

Conditional Storage

The District's conditional storage (584.45 a.f.) are decreed, but not yet completed, water rights. These water rights of the District exist in several locations throughout the District's service area and given a nominal value of \$100 per acre-foot due to the high cost of developing these storage rights.

In-Basin Consumptive Use

The District's in-basin consumptive use water rights (902 a.f.) includes senior irrigation water rights that were changed, and their historical consumptive use was quantified in Case Nos. W-2256, W-2264, 79CW124, and 82CW328. In-basin consumptive use credits are valued at the District's dedication replacement cost of \$10,000 per acre-foot of irrigation season water. This replacement cost is established by the District's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the District's service area. These water rights are generally quite senior and are not subject to curtailment; hence, their higher value. Further, these water rights have been changed to be used for municipal uses, including augmentation, thus permitting the District to divert and use other water rights when they are out of priority. The value of these water rights to the District is derived from their seniority and that they have already been quantified and changed to municipal uses and augmentation, and included in the District's plan for augmentation. The only reason why these are not the most valuable of the District's water rights on a per-acre-foot basis is due to the fact that they can only be used during the irrigation season, not year-round, unless they are diverted and placed in storage.

Direct Flow Historical Users' Pool

The District's historical users' pool (HUP) beneficiary water rights (89 a.f.) are decreed for non-irrigation season use as HUP rights, and the fact that 4.35 cfs of the District's HUP rights are senior to the CWCB instream flow water right. As a result, 89 acre-feet of winter use is not subject to curtailment. This quality makes these rights as valuable as in-basin storage such as Eagle Park Reservoir water, so we assigned a value of \$41,000 to these rights, equivalent to the District's non-irrigation season dedication cost.

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

Eagle River Water and Sanitation District
Schedule of Water & Storage Rights
December 31, 2021
(Unaudited)
(Continued)

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