

**SNOWMASS WATER
& SANITATION DISTRICT**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2023



SNOWMASS
Water & Sanitation
D I S T R I C T

DWC
CPAS | ADVISORS

SNOWMASS WATER & SANITATION DISTRICT

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Independent Auditor's Report



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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the business-type activities of Snowmass Water & Sanitation District (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercises professional judgment and maintain professional skepticism through 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 on pages 3 through 8, and budgetary comparison information on pages 21 and 22, 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 inquires 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.

DWC

Grand Junction, Colorado

July 19, 2024

Management's Discussion and Analysis

SNOWMASS WATER & SANITATION DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2023

As management of the Snowmass Water & Sanitation District (the District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023, with comparative information presented for the year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

Financial Highlights

- The District’s assets exceeded its liabilities and deferred inflows by \$71,558,042 at December 31, 2023, an increase of \$2,158,149 from the net position at December 31, 2022. This is discussed on page 5.
- Due to high costs of living in the area and the need for employee retention, the District began an employee housing project in 2022. During the year ended December 31, 2023, total capital expenditures for the employee housing project were approximately \$2.8 million and to date total capital expenditures for the employee housing as of December 31, 2023 were \$5.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL SUMMARY AND ANALYSIS

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

NET POSITION

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets	\$ 14,077,013	\$ 15,856,309
Capital assets	80,959,454	77,132,553
<i>Total assets</i>	<u>95,036,467</u>	<u>93,018,862</u>
LIABILITIES		
Current liabilities	2,812,408	1,978,560
Long-term liabilities	17,660,480	18,782,405
<i>Total liabilities</i>	<u>20,472,888</u>	<u>20,760,965</u>
DEFERRED INFLOWS OF RESOURCES		
Property tax revenue	3,005,537	2,858,004
<i>Total deferred inflows of resources</i>	<u>3,005,537</u>	<u>2,858,004</u>
NET POSITION		
Net investment in capital assets	62,871,071	58,026,125
Restricted for:		
Emergency reserves	21,500	21,500
Waste water treatment plant upgrade	2,195,056	1,864,611
Unrestricted	6,470,415	9,487,657
<i>Total net position</i>	<u>\$ 71,558,042</u>	<u>\$ 69,399,893</u>

Assets

The District had an overall increase in total assets from the prior year of \$2,017,605 which attributed to the increase in capital assets noted below.

Capital assets in total increased by \$3,826,901 during 2023. The District expended \$6,022,237 on capital projects during the year. Amounts reducing capital assets included \$2,225,336 of depreciation expense incurred during the year.

Liabilities

Total liabilities decreased by \$288,077 during 2023. This is primarily due to the decrease in long-term liabilities related to the scheduled debt and bond payments during the current year.

Net Position

The largest portion of the District's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Overall, the District's total net position increased by \$2,158,149 during 2023.

CHANGES IN NET POSITION

	2023	2022
Revenues		
Operating Revenues		
Water sales	\$ 3,729,531	\$ 3,257,233
Sewer sales	<u>2,827,861</u>	<u>2,725,272</u>
<i>Total Operating Revenues</i>	<u>6,557,392</u>	<u>5,982,505</u>
Non-operating Revenues		
Taxes	2,974,090	2,986,432
Interest	<u>656,910</u>	<u>214,849</u>
<i>Total Non-Operating Revenues</i>	<u>3,631,000</u>	<u>3,201,281</u>
<i>Total Revenue</i>	<u>10,188,392</u>	<u>9,183,786</u>
Expenses		
Operating Expenses		
Water	3,110,319	2,668,330
Sewer	<u>2,821,126</u>	<u>2,794,005</u>
<i>Total Operating Expenses</i>	<u>5,931,445</u>	<u>5,462,335</u>
Non-operating Expenses		
Interest	613,964	635,944
Other, net	<u>143,912</u>	<u>101,731</u>
<i>Total Non-Operating Expenses</i>	<u>757,876</u>	<u>737,675</u>
General and Administrative Expenses	<u>1,708,039</u>	<u>1,782,943</u>
<i>Total Expenses</i>	<u>8,397,360</u>	<u>7,982,953</u>
<i>Income Before Capital Contributions</i>	<u>1,791,032</u>	<u>1,200,833</u>
Capital Contributions	<u>367,117</u>	<u>2,069,495</u>
<i>Changes in Net Position</i>	<u>2,158,149</u>	<u>3,270,328</u>
Net Position – beginning of the year	<u>69,399,893</u>	<u>66,129,565</u>
Net Position – end of the year	<u>\$ 71,558,042</u>	<u>\$ 69,399,893</u>

Revenues

Water and sewer service fee revenue increased by approximately 10% compared with 2022. Tax revenues were comparable to 2022. Interest earnings increased by \$442,061 due to increases in interest rates in the current year.

Expenses

Water operating expenses increased by approximately 17% in 2023. Sanitation expenses increased by 1%. General and administrative expenses decreased by 4%.

Capital Contributions

Capital contributions consist of system development fees and contributions of capital assets by developers (usually water and sewer lines in new developments). System development fees represent the cost to a builder to add a project on to the District's water and sanitation systems. It is a uniform charge, based on the size of the project. As such, system development fee revenues increase and decrease along with building activity in the District. In 2023 the District received \$367,117 in system development fee and contributed capital revenue compared to \$2,069,495 in 2022.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	December 31, 2023	Net Changes	December 31, 2022	Net Changes	December 31, 2021
Capital assets					
Land and land rights	\$ 4,317,421	\$ -	\$ 4,317,421	\$ -	\$ 4,317,421
Water rights	773,024	-	773,024	-	773,024
Construction in progress	8,258,529	5,588,830	2,669,699	2,207,403	462,296
Administrative	106,524	37,963	68,561	68,561	-
Water system	45,912,853	141,454	45,771,399	1,359,701	44,411,698
Sanitation system	54,283,718	241,254	54,042,464	21,298	54,021,166
Fencing Project	88,248	-	88,248	-	88,248
Equipment	3,423,699	12,736	3,410,963	170,664	3,240,299
Total capital assets	<u>117,164,016</u>	<u>6,022,237</u>	<u>111,141,779</u>	<u>3,827,627</u>	<u>107,314,152</u>
Accumulated depreciation	<u>36,204,562</u>	<u>2,225,336</u>	<u>33,979,226</u>	<u>2,252,452</u>	<u>31,726,774</u>
Total capital assets - net	<u>\$ 80,959,454</u>	<u>\$ 3,796,901</u>	<u>\$ 77,162,553</u>	<u>\$ 1,575,175</u>	<u>\$ 75,587,378</u>

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

Debt Administration

In January 2017, the District issued General Obligation Bonds with face value totaling \$11,800,000. The bonds carry interest rates of 3% to 5% and are due for repayment between 2017 and 2031. Because market rates were below District bond interest rates at the time of sale, they were sold at a premium of \$1,544,020. Interest is paid semi-annually in June and December. The premium is amortized against interest expense. Scheduled debt repayments reduced these bonds by \$750,000 during 2023.

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

During 2011, the District borrowed \$1,952,805 from the Colorado Water Conservancy Board (CWCB), to assist in financing the completion of the Ziegler Reservoir project. This note is payable in equal annual installments of \$146,890 including interest at 4.25%, over 20 years beginning September 1, 2013. Scheduled debt repayments reduced this note by \$96,879 during 2023.

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

BUDGETARY HIGHLIGHTS

The District prepares its budget on the modified accrual basis of accounting to focus on the effective control of its resources. Depreciation, amortization and infrastructure contributions are not reflected because they do not use or provide available funds. Expenditures include capital outlay and debt repayment, as they require the use of available resources. Total expenditures came in under the revised budget by \$798,601 during 2023. Overall revenues exceeded budget by \$848,344, mostly due to investment income, leaving the District \$1,646,945 favorable of the revised budget for the year.

The Colorado Department of Public Health and Environment (CDPHE) has adopted a new stream water quality standard for ammonia, selenium, total nitrogen and total phosphorus. These District's limits will become effective in 2027 and will be enforced at the first Waste Water Treatment Plant (WWTP) permit renewal. The District's current effluent discharge of nitrogen from the new WWTP averages 7 mg/l. The new 2027 standard will be 2 mg/l for cold water streams. To meet this new requirement, the District will need to construct additional basins attached to the east and southeast side of the new WWTP. In anticipation of this future WWTP expansion, and in conjunction with the Adaptive Reuse Employee Housing project, the District has taken on additional work that is adjacent to but is not directly related to the Adaptive Reuse Employee Housing project. This work includes:

- Remove two large underground concrete vaults (includes concrete cutting);
- Deconstruct MSE wall connected to new WWTP;
- Construct new MSE wall on east corner of new WWTP;
- Remove approximately 1,000 cubic yards of backfill soil from new WWTP;
- Construct new 80' long concrete planter attached to new WWTP;
- Remove and relocate a section of storm sewer on east side of new WWTP;
- Install an insertion valve on the Snowmass Club reuse irrigation line and abandon the remainder of line adjacent to new WWTP;
- Grade, prepare subgrade and pave new parking area adjacent to new WWTP;
- Construct boulder retaining walls and backfill;
- Relocate irrigation service to new WWTP;
- Install new steel fencing around site;
- Landscape and plant in disturbed areas around new WWTP

ECONOMIC FACTORS AND RATES

- The District's Board of Directors approved a 5.7% increase in water and sewer service fees for 2024.
- The District's Board of Directors increased water and sewer system development fee rates by 5.4% for 2024.
- The District's Board of Directors approved a 2024 operating budget based on projected revenues of \$10,913,435 with net operating gain of \$3,557,053, a \$2,593,147 decrease in cash reserves and \$6,490,200 of total capital expenditure.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

SNOWMASS WATER & SANITATION DISTRICT

STATEMENT OF NET POSITION

December 31, 2023

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 431,855
Restricted cash	14,335
Investments	7,810,022
Restricted investments	2,180,721
Accounts receivable	63,834
Property tax receivable	3,005,537
Inventory	305,784
Prepaid expenses	264,925
	<u>14,077,013</u>
	<i>Total Current Assets</i>
Capital Assets	
Capital assets not being depreciated	13,348,975
Capital assets being depreciated, net	67,610,480
	<u>80,959,455</u>
	<i>Total Capital Assets, Net</i>
	<u>95,036,468</u>
	<i>Total Assets</i>
LIABILITIES	
Current Liabilities	
Accounts payable	956,762
Accrued liabilities	377,495
Warranty deposits	225,270
Current portion of CWCB note payable	100,997
Current portion of general obligation bonds payable	765,000
Current portion of unearned revenues - Aspen Skiing Company	54,762
Customer fee unearned revenues	332,102
	<u>2,812,388</u>
	<i>Total Current Liabilities</i>
Long-Term Liabilities	
CWCB note payable	978,841
General obligation bonds payable	16,243,545
Unearned revenues - Aspen Skiing Company	438,094
	<u>17,660,480</u>
	<i>Total Long-Term Liabilities</i>
	<u>20,472,868</u>
	<i>Total Liabilities</i>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	3,005,537
	<u>3,005,537</u>
	<i>Total Deferred Inflows of Resources</i>
NET POSITION	
Net investment in capital assets	62,871,072
Restricted for:	
Emergency reserves	21,500
Waste water treatment plant upgrade	2,195,056
Unrestricted	6,470,435
	<u>71,558,063</u>
	<i>Total Net Position</i>
	<u>\$ 71,558,063</u>

See accompanying notes.

SNOWMASS WATER & SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended December 31, 2023

Water Operations		
Revenues		
Service fees	\$ 3,609,297	
Other	145,372	
		3,754,669
Direct expenses		
Salaries and benefits	1,091,369	
Depreciation	906,080	
Repairs and maintenance	501,610	
Chemicals and supplies	413,666	
Utilities and telemetering	138,082	
Other direct expenses	46,426	
		3,097,233
	<i>Operating Income From Water Operations</i>	657,436
Sanitation Operations		
Revenues		
Service fees	2,826,886	
Other	975	
		2,827,861
Direct expenses		
Depreciation	1,142,402	
Salaries and benefits	713,125	
Chemicals and supplies	446,320	
Utilities and telemetering	332,915	
Repairs and maintenance	186,867	
Other direct expenses	4,662	
		2,826,291
	<i>Operating Income From Sanitation Operations</i>	1,570
General and Administrative Expenses		1,715,939
	<i>Loss From Operations</i>	(1,056,933)
Non-Operating Revenues and (Expenses)		
Tax revenue	2,974,090	
Interest expense	(613,964)	
Interest income	656,910	
Other expenses, net of other revenue	(169,050)	
		2,847,986
	<i>Total Non-Operating Revenues and (Expenses)</i>	2,847,986
	<i>Income Before Capital Contributions</i>	1,791,053
Capital Contributions		
System development fees		367,117
	<i>Total Capital Contributions</i>	367,117
	<i>Increase in Net Position</i>	2,158,170
Net Position - beginning of the year		69,399,893
Net Position - end of the year		\$ 71,558,063

See accompanying notes.

SNOWMASS WATER & SANITATION DISTRICT

STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

Cash Flows From Operating Activities		
Cash received from customers		\$ 6,569,615
Cash payments to suppliers for goods and services		(2,116,557)
Cash payments to employees for services		<u>(2,633,716)</u>
	<i>Net Cash Provided by Operating Activities</i>	<u>1,819,342</u>
Cash Flows From Noncapital Financing Activities		
Property and specific ownership taxes received		1,109,197
Miscellaneous non-operating revenue		602
Miscellaneous non-operating expenses		<u>(169,652)</u>
	<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>940,147</u>
Cash Flows From Capital and Related Financing Activities		
Property and specific ownership taxes received specific to capital projects		1,864,893
System development fees		367,117
Warranty deposits received		199,218
Warranty deposits paid		(188,452)
Principal paid on note and bonds payable		(846,879)
Interest paid on note and bonds payable		(814,208)
Acquisition of capital assets		<u>(6,022,237)</u>
	<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(5,440,548)</u>
Cash Flows From Investing Activities		
Purchase of investments		(1,712,950)
Net investment income received		656,910
Sale of investments		<u>3,636,236</u>
	<i>Net Cash Provided by Investing Activities</i>	<u>2,580,196</u>
Net Decrease in Cash and Cash Equivalents		(100,863)
Cash, Cash Equivalents, and Restricted Cash - beginning of the year		<u>547,054</u>
Cash, Cash Equivalents, and Restricted Cash - end of the year		<u>\$ 446,191</u>
Cash , Cash Equivalents and Restricted Cash Reconciliation		
Cash and cash equivalents		\$ 431,855
Restricted cash		<u>14,335</u>
	<i>Total</i>	<u>\$ 446,190</u>
Reconciliation of Loss from Operations to Net Cash Provided by Operating Activities:		
Loss from operations		\$ (1,056,933)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation		2,225,336
Changes in operating assets and liabilities:		
Accounts receivable		1,049
Inventory		(65,890)
Prepaid expenses		(32,481)
Accounts payable		740,420
Accrued liabilities		21,805
Customer fee unearned revenues		<u>(13,964)</u>
	<i>Net Cash Provided by Operating Activities</i>	<u>\$ 1,819,342</u>

See accompanying notes.

Notes to Financial Statements

SNOWMASS WATER & SANITATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

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

Property Taxes

Property taxes for the current year are levied in December of the previous year and attached as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due March 1 and June 15. Property taxes for 2023 are reported as a receivable and as a deferred inflow of resources at December 31. The deferred taxes are reported as revenue in the year in which the lien attaches and they are available and collected.

Inventory

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

Capital Assets

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

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

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

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

Compensated Absences

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

Developer Contributions

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

Net Position

The District's net position is classified as follows:

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

Net investment in capital assets	
Capital assets – net of accumulated depreciation	\$ 80,959,454
Current portion of CWCB note payable	(100,997)
Long-term portion of CWCB note payable	(978,841)
Current portion of bond funds expended on capital assets	(765,000)
Long-term portion of bond funds expended on capital assets	<u>(16,243,545)</u>
	<u>\$ 62,871,071</u>

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

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

Use of Estimates

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

NOTE 2 - BUDGETS

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

- A. Budgets are required by state law.
- B. The budget officer is required to submit a proposed budget to the Board of Directors (the Board) annually.
- C. Public hearings are conducted by the Board to obtain taxpayer comments.
- D. Certification of the mill levies to the Board of County Commissioners and adoption of the budget and appropriations are required by December 15.
- E. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget.
- F. Budget appropriations lapse at the end of each year.
- G. The District adopts budgets on a modified accrual basis that is consistent with GAAP.

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

	Revenues	Expenditures	Other Financing Sources	Other Financing Uses
Budgetary basis	\$ 10,501,349	\$ (13,242,908)	\$ -	\$ -
Capital outlay	-	6,022,237	-	-
Debt principal reduction	-	846,879	-	-
Depreciation	-	(2,225,336)	-	-
Amortization bond premium	-	201,166	-	-
Change in unearned revenues – Aspen Skiing Company	54,762	-	-	-
<i>Accrual basis</i>	<u>\$ 10,556,111</u>	<u>\$ (8,397,962)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 - TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

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

NOTE 4 - CASH DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

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

Custodial Credit Risk - Investments

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

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

At December 31, 2023, the District had funds in a local government investment pool (ColoTrust). The pool operates similarly to a money market fund and each share is equal in value to \$1.00. Pool investments include U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and Agency securities. The pool is rated AAAM by Standard and Poor’s. Financial statements for ColoTrust may be obtained on their website at www.colotruster.com.

The composition of all cash and investments held by the District at December 31, 2023 is as follows:

Cash on hand		\$ 200
Deposits:		
Cash in checking account(s)		445,990
	<i>Total Deposits</i>	<u>446,190</u>
Investment pools		<u>9,990,743</u>
	<i>Total Cash, Deposits and Investments</i>	<u>\$ 10,436,933</u>

Interest Rate Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer or institution. The District places no limit on the amount the District may invest in any one issuer. The District’s investments are held by one issuer.

NOTE 5 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land and land rights	\$ 4,317,421	\$ -	\$ -	\$ -	\$ 4,317,421
Water rights	773,024	-	-	-	773,024
Construction in progress	2,669,699	5,768,849	-	(180,019)	8,258,529
<i>Total Capital Assets, Not Being Depreciated</i>	<u>7,760,144</u>	<u>5,768,849</u>	<u>-</u>	<u>(180,019)</u>	<u>13,348,974</u>
Capital assets being depreciated:					
Water system – plant and lines	45,771,399	131,928	-	9,526	45,912,853
Sanitation system – plant and lines	54,042,464	70,761	-	170,493	54,283,718
Administrative	68,561	37,963	-	-	106,524
Fencing Project	88,248	-	-	-	88,248
Equipment	3,410,963	12,736	-	-	3,423,699
<i>Total Capital Assets, Being Depreciated</i>	<u>103,381,635</u>	<u>253,388</u>	<u>-</u>	<u>180,019</u>	<u>103,815,042</u>
Less accumulated depreciation for:					
Water system – plant and lines	(16,079,447)	(906,080)	-	-	(16,985,527)
Sanitation system – plant and lines	(14,955,817)	(1,142,402)	-	-	(16,098,219)
Equipment	(2,943,962)	(176,854)	-	-	(3,120,816)
<i>Total Accumulated Depreciation</i>	<u>(33,979,226)</u>	<u>(2,225,336)</u>	<u>-</u>	<u>-</u>	<u>(36,204,562)</u>
Total Capital Assets, Being Depreciated, Net	<u>69,402,409</u>	<u>(1,971,948)</u>	<u>-</u>	<u>180,019</u>	<u>67,610,480</u>
<i>Capital Assets, Net</i>	<u>\$ 77,162,553</u>	<u>\$ 3,796,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,959,454</u>

Depreciation expense for the year ended December 31, 2023 is allocated to operations as follows:

Water operations	\$ 906,080
Sanitation operations	1,142,402
Administration	176,854
	<u>\$ 2,225,336</u>

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended December 31, 2023 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Warranty deposits	\$ 214,504	\$ 10,766	\$ -	\$ 225,270	\$ 225,270
CWCB note payable	1,176,717	-	(96,879)	1,079,838	100,997
Series 2016 general obligation bonds	8,050,000	-	-	8,050,000	-
Premium on 2016 bond sale	1,315,825	-	(97,075)	1,218,750	-
Series 2017 general obligation bonds	7,840,000	-	(750,000)	7,090,000	765,000
Premium on 2017 bond sale	753,886	-	(104,091)	649,795	-
<i>Long-term Liabilities</i>	<u>\$ 19,350,932</u>	<u>\$ 10,766</u>	<u>\$ (1,048,045)</u>	<u>\$ 18,313,653</u>	<u>\$ 1,091,267</u>

Warranty Deposits

The District may require a developer who contributes infrastructure to the District, to deposit 5% or more of the value of that infrastructure as a warranty deposit with the District. These funds may be used by the District to make necessary repairs or alterations to the infrastructure during the warranty period. At the end of the warranty period, any unused funds are returned to the developer. No interest is paid on the warranty deposits payable. The District also collects final inspection deposits along with its system development fees when new construction is undertaken. At December 31, 2023, this amount was made up of only final inspection deposits which totaled \$225,270, all payable in 2024.

CWCB Notes Payable

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

Bonds Payable

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

In January 2017, the District issued General Obligation Bonds with face value totaling \$11,800,000. The bonds carry interest rates of 3% to 5% and are due for repayment between 2017 and 2031. Because market rates were below District bond interest rates at the time of sale, they were sold at a premium of \$1,544,020. Interest is paid semi-annually in June and December. The premium is amortized against interest expense. Scheduled debt repayments reduced these bonds by \$750,000 during 2023.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 865,997	\$ 787,593	\$ 1,653,590
2025	980,289	760,351	1,740,640
2026	1,059,764	712,126	1,771,890
2027 – 2031	6,072,887	2,726,561	8,799,448
2032 – 2036	<u>7,240,901</u>	<u>1,105,488</u>	<u>8,346,389</u>
Total	<u>\$ 16,219,838</u>	<u>\$ 6,092,119</u>	<u>\$22,311,957</u>

NOTE 7 - RAW WATER CONTRACT

The District entered into an agreement on July 31, 2012 with the Aspen Skiing Company (ASC) to provide raw water from Ziegler Reservoir for snowmaking at its Snowmass Ski Area. Between October 15 and December 31, each year, ASC has the contractual right to remove snowmaking water from the Reservoir as long as minimum storage levels are maintained. In particularly dry years, additional water may be withdrawn after December 31, under certain circumstances and with District approval. The term of the contract is 99 years. District labor and electrical costs incurred in providing this water will be billed and reimbursed by ASC yearly. Routine minor maintenance costs associated with the necessary

infrastructure is to be paid by the District with major repair costs split evenly between the parties. ASC paid the District \$1,250,000 at execution of the agreement and further promises to pay \$100,000 each January 1 for 20 years (total \$3,250,000) beginning in 2013. The District recognized revenue of \$154,762 in 2023 related to this contract. The District currently has, as of December 31, 2023, \$492,856 in unearned revenues that will be recognized equally at \$54,762 per year over the remaining 10 year payment schedule and is reflected in the statement of net position as the current portion of deferred revenue from the ASC contract.

NOTE 8 - PENSION PLANS

Deferred Compensation Plan

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

Defined Contribution Plan

The employees of the District may participate in the District's 401(a) Retirement Savings Plan (the Plan), which is a defined contribution plan and is maintained and administered by Nationwide Retirement Services. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan is available to all employees of the District who participate in the 457 Plan. Under this Plan, the District matches the employees' contributions to the 457 Plan, up to 5%, and remits them to the Plan Administrator. The employees do not contribute to this Plan. The District's contributions, plus earnings, become vested at a rate of 20% each year of participation in the Plan. District contributions for Plan members who leave employment before they are fully vested are used to reduce the District's current period contribution requirements. Plan provisions and contribution requirements are established and may be amended by the Board. Contributions made by the District for the year ended December 31, 2023 were \$156,566.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Prepaid System Development Fees

As of December 31, 2023, the District has received prepaid system development fees for equivalent residential unit connections, which is recognized as revenue when paid by the customer. The District is not required to repay the fees, but is required to provide water and sanitation service upon request.

Legal Proceedings

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

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The District became a member of the Colorado Special Districts Property and Liability Pool (Pool) in 2004. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage during 2023.

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

Employee Health and Dental Insurance

The District participates in the CEBT Health Benefit Plan (the Plan) to provide employee health and dental insurance. CEBT is a self-funded, multiple employer trust that currently provides employee benefits for a number of public entities, with over 37,000 employees, in the State of Colorado. The Plan utilizes outside administrators to monitor and pay employee health care claims, negotiate excess coverage insurance and manage the Plan. The Plan may require additional contributions from the District and other members of the Plan to ensure the solvency and protect the financial condition of the Plan.

Required Supplemental Information

SNOWMASS WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS
AVAILABLE - BUDGET AND ACTUAL (Budgetary Basis)
For the year ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues and Other Financing Sources				
Water service fees	\$ 3,447,000	\$ 3,447,000	\$ 3,554,535	\$ 107,535
Sanitation service fees	2,828,000	2,828,000	2,826,886	(1,114)
Water system development fees	165,000	165,000	176,579	11,579
Sanitation system development fees	175,000	175,000	190,538	15,538
Property taxes	2,858,005	2,858,005	2,872,735	14,730
Specific ownership taxes	96,000	96,000	101,355	5,355
Investment income	9,000	9,000	656,910	647,910
Other revenue	75,000	75,000	146,949	71,949
Total Revenue and Other Financing Sources	9,653,005	9,653,005	10,526,487	873,482
Operating Expenditures				
Water				
Salaries	724,523	724,523	776,178	(51,655)
Employee benefits	276,768	276,768	315,191	(38,423)
Supplies and other	145,000	145,000	377,899	(232,899)
Utilities	122,000	122,000	125,309	(3,309)
Repairs and maintenance	315,000	315,000	501,610	(186,610)
Telemetry	20,000	20,000	12,773	7,227
Chemicals	42,000	42,000	35,767	6,233
Engineering	38,000	38,000	46,340	(8,340)
Miscellaneous	8,000	8,000	-	8,000
	<u>1,691,291</u>	<u>1,691,291</u>	<u>2,191,067</u>	<u>(499,776)</u>
Sanitation				
Salaries	561,350	561,350	570,472	(9,122)
Employee benefits	176,140	176,140	142,653	33,487
Supplies and other	330,000	330,000	387,013	(57,013)
Utilities	360,000	360,000	329,346	30,654
Repairs and maintenance	285,000	285,000	186,867	98,133
Telemetry	8,000	8,000	3,569	4,431
Chemicals	95,000	95,000	59,307	35,693
Engineering	30,000	30,000	4,662	25,338
Miscellaneous	2,000	2,000	-	2,000
	<u>1,847,490</u>	<u>1,847,490</u>	<u>1,683,889</u>	<u>163,601</u>
General Expenditures				
Salaries	536,851	536,851	619,380	(82,529)
Employee benefits	219,437	219,437	231,647	(12,210)
Contract labor	16,000	16,000	-	16,000
Supplies and other	155,000	155,000	232,677	(77,677)
Repairs and maintenance	10,000	10,000	14,289	(4,289)
Insurance	168,000	168,000	243,373	(75,373)
Audit	33,500	33,500	49,664	(16,164)
Legal	70,000	70,000	47,332	22,668
Engineering	240,000	240,000	78,922	161,078
Telephone	10,100	10,100	10,360	(260)
County treasurer's fees	160,000	160,000	143,176	16,824
Miscellaneous	50,000	50,000	12,865	37,135
	<u>1,668,888</u>	<u>1,668,888</u>	<u>1,683,685</u>	<u>(14,797)</u>

(Continued)

SNOWMASS WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS
AVAILABLE - BUDGET AND ACTUAL (Budgetary Basis)
For the year ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Debt Service				
Principal	827,930	827,930	846,879	(18,949)
Interest	849,910	849,910	815,130	34,780
	<u>1,677,840</u>	<u>1,677,840</u>	<u>1,662,009</u>	<u>15,831</u>
Capital Outlay	5,730,000	7,156,000	6,022,237	1,133,763
Total Expenditures	<u>12,615,509</u>	<u>14,041,509</u>	<u>13,242,887</u>	<u>798,622</u>
Excess of Revenue Over Expenditures	<u>(2,962,504)</u>	<u>(4,388,504)</u>	<u>(2,716,400)</u>	<u>1,672,104</u>
Change in Net Position (Budgetary Basis)	<u><u>\$ (2,962,504)</u></u>	<u><u>\$ (4,388,504)</u></u>	<u><u>\$ (2,716,400)</u></u>	<u><u>\$ 1,672,104</u></u>

Available Resources - January 1	<u>\$ 11,921,386</u>
Available Resources - December 31	<u><u>\$ 9,204,986</u></u>

Available Resources at December 31, 2023 is computed as follows:

Current assets	\$ 14,077,013
Current liabilities	(2,812,388)
Current portion of long-term liabilities	920,759
Deferred inflows of resources	<u>(3,005,537)</u>
	<u><u>\$ 9,179,847</u></u>

(Concluded)