

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

**Financial Statements
December 31, 2015**

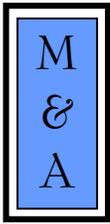


Eagle River Water & Sanitation District

**Eagle River Water and Sanitation District
Financial Statements
December 31, 2015**

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	A1 – A2
Management's Discussion and Analysis	B1 – B8
Basic Financial Statements:	
Statement of Net Position	C1 - C2
Statement of Revenues, Expenses and Changes in Fund Net Position	C3
Statement of Cash Flows	C4 – C5
Notes to the Financial Statements	D1 – D28
Supplementary Information:	
Schedule of Revenues, Expenditures and Funds Available – Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis	E1 – E3
Schedules of Debt Service Requirements to Maturity	E4 – E11
Statistical Section:	
Single Family Equivalent (SFEs) in Service – Ten Year Comparison	F1
Water Demand Compared to Capacity – Five Year Comparison	F2
Wastewater Loadings Compared to Facility Capacity – Five Year Comparison	F3 – F4
Top 10 Customers Schedule	F5
Rate Maintenance Covenant – Five Year Comparison	F6 – F7
Assessed Valuation, Property Taxes Levied and Collected – Five Year Comparison	F8 – F9
Schedule of Water and Storage Rights	F10 – F13



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Eagle River Water and Sanitation District

We have audited the accompanying financial statements of the Eagle River Water and Sanitation District (the "District"), as of and for the year ended December 31, 2015, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Eagle River Water and Sanitation District as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

Other Matters

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

The budgetary comparison and debt service schedules in Section E are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison and debt service schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

**McMahan and Associates, L.L.C.
July 22, 2016**

MANAGEMENT'S DISCUSSION AND ANALYSIS



Eagle River Water & Sanitation District

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2015**

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 2015, overall net position increased by approximately \$3.0 million. As part of the long term capital improvement program, the District spent cash on capital assets of \$18.8 million (capital outlay). This construction was partially funded by the 2012 bond proceeds. The remaining proceeds from the 2012 bonds were held as restricted cash and investments at December 31, 2015. In addition, the District's capital assets were depreciated \$8.2 million.

The District's 2015 financial activity generated an \$11.2 million increase in net position prior to the depreciation on capital assets. In accordance with Generally Accepted Accounting Principles (GAAP), \$8.2 million of capital asset depreciation was expensed, which does not represent cash funding for capital assets in the current period. The net result was an increase in net position of \$3.0 million for 2015, compared to a \$0.7 million increase in 2014.

In 2015, total revenues were \$30.6 million, which was an increase of \$2.8 million over 2014 levels. Service fees revenue increased \$2.0 million. This was a direct result of a planned increase in the service rates. Tap fees and other developer contributions increased \$0.1 million.

In 2015, total expenses increased \$0.5 million. The increase was largely attributable to the higher expenses associated with Water Operations and Wastewater Treatment.

The water service rate structure is designed to encourage wise use of water and is based upon the customer's Single Family Equivalent (SFE) usage. Water service rates in 2015 were not increased from 2014 rates. The water service base rate is \$14.98 per SFE. The usage rates for tier one (0 to 10,999 gallons) is \$2.58 per 1,000 gallons. The usage rates for tier two (11,000 to 40,999 gallons) and tier three (41,000 and over) are \$4.38 and \$6.57 per 1,000 gallons, respectively. The Debt Service base rate is established to provide a reliable revenue source for repayment of the 2009 Water bonds. For 2015 this rate was established at \$7.24, increased from the 2014 rate of \$7.22 per month per SFE.

Wastewater service rates for 2015 remained flat at \$5.06 per 1,000 gallons of treatment in the winter months. A 5,000 gallon per month minimum, per SFE, applies to all customers. A Debt Service base rate has been established to provide a reliable revenue source for repayment of the 2009 Wastewater bonds. For 2015 this rate was established at \$3.14 per month per SFE, up 2.3% from the 2014 rate of \$3.07. Additionally, a new debt service fee for the 2012 Wastewater bonds of \$6.03 was established.

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.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2015
(continued)**

Overview of the Financial Statements (continued)

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.

	NET POSITION					
	2015			2014		
	Water	Sanitation	Total	Water	Sanitation	Total
Assets:						
Current and other assets	13,207,074	33,560,045	46,767,119	14,838,689	42,123,194	56,961,883
Capital assets, net	36,196,957	113,350,925	149,547,882	35,092,803	103,840,995	138,933,798
Total Assets	49,404,031	146,910,970	196,315,001	49,931,492	145,964,189	195,895,681
Deferred Outflow of Resources:						
Deferred charge on refunding	514,168	-	514,168	557,173	-	557,173
Total Deferred Outflow of Resources	514,168	-	514,168	557,173	-	557,173
Liabilities:						
Other liabilities	479,745	5,390,872	5,870,617	718,893	4,095,574	4,814,467
Long-term liabilities	23,583,085	48,068,729	71,651,814	24,600,395	50,807,498	75,407,893
Total Liabilities	24,062,830	53,459,601	77,522,431	25,319,288	54,903,072	80,222,350
Deferred Inflow of Resources:						
Unavailable property tax revenue	1,390,212	1,887,046	3,277,258	1,374,819	1,863,339	3,238,158
Total Deferred Inflow of Resources	1,390,212	1,887,046	3,277,258	1,374,819	1,863,339	3,238,158
Net Position:						
Net investment in capital assets	14,433,066	65,612,327	80,045,393	12,415,045	65,578,530	77,993,575
Restricted:						
Debt	831,238	5,284,663	6,115,901	831,105	5,323,049	6,154,154
Unrestricted	9,200,853	20,667,333	29,868,186	10,548,408	18,296,199	28,844,607
Total Net Position	24,465,157	91,564,323	116,029,480	23,794,558	89,197,778	112,992,335

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 \$24.5 million and \$91.5 million for water and sanitation, respectively, as of December 31, 2015 and \$23.8 million and \$89.2 million for water and sanitation, respectively, as of December 31, 2014.

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

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2015
(continued)**

NET POSITION (continued)

During 2015, overall net position increased \$3.0 million. Current and other assets decreased \$10.2 million. The major reason for this decrease is the \$18.8 million cash (capital outlay) spent on capital assets.

As of yearend 2015, total net capital assets are \$149.5 million, increased by \$10.6 million from the 2014 amount of \$138.9 million. Net capital assets increased \$10.6 million which consisted of an increase of \$18.2 million from additions, net of disposals, offset by a decrease in book value of \$7.6 million resulting from depreciation expense, net of retirements of capital equipment.

In 2015, total liabilities decreased \$2.7 million. Long-term liabilities decreased \$3.8 million as a result of the regularly scheduled debt service payments.

During 2014, overall net position decreased \$0.7 million.

In 2014, current and other assets decreased \$2.0 million. The major reason for this decrease is the expenditure of cash generated from issuance of 2012 bonds on capital assets. The bond proceeds from the 2012 issuance were held as cash at December 31, 2012 for capital construction projects in future years.

Net capital asset additions and deletions in 2014 of \$0.4 million were part of the District's long term capital improvement program. These additions were offset by normal depreciation expense of approximately \$7.4 million.

Total liabilities decreased \$2.3 million in 2014. Long-term liabilities decreased \$3.2 million as a result of the regular scheduled debt service payments.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2015
(continued)**

REVIEW OF REVENUES

	2015			2014		
	Water	Sanitation	Total	Water	Sanitation	Total
Revenues:						
Operating revenues:						
Service fees	4,809,424	13,434,169	18,243,593	4,797,695	11,472,437	16,270,132
Contract services	-	4,079,655	4,079,655	-	3,960,964	3,960,964
Meter sales and rentals	-	750,114	750,114	-	785,238	785,238
Other	74,786	1,618,264	1,693,050	76,930	595,573	672,503
Non-operating revenues:						
Property taxes	1,374,141	1,862,004	3,236,145	1,316,106	1,841,352	3,157,458
Specific ownership taxes	75,997	99,489	175,486	72,594	97,898	170,492
Investment income	18,706	71,504	90,210	21,261	91,645	112,906
Interest credit - Build America Bonds	-	322,813	322,813	-	322,119	322,119
Other	47,119	(303,381)	(256,262)	39,632	143,211	182,843
Capital contributions:						
Tap fees	485,228	1,097,118	1,582,346	761,113	1,040,252	1,801,365
Contributed assets	148,753	122,969	271,722	35,238	75,701	110,939
Other	431,750	4,886	436,636	59,650	171,039	230,689
Total Revenues	7,465,904	23,159,604	30,625,508	7,180,219	20,597,429	27,777,648

In 2015, total revenues were \$30.6 million, which is an increase of \$2.8 million over 2014 levels.

Service fees revenue increased \$2.0 million. This was a direct result of a planned increase in the debt service rates. Tap fees and other developer contributions increased \$0.1 million.

In 2014, total revenues were \$27.8 million, which is an increase of \$1.3 million over 2013 levels.

Service fees revenue in 2014 increased \$0.3 million. This was a direct result of a planned increase in the service rates. Contract services, meter sales and other operations service programs were flat compared to 2013 as the demanded service levels to contracting parties held steady. Tap fees and other developer contributions were \$0.9 million above the 2013 levels, mostly due to the timing of larger projects in the service area.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2015
(continued)**

REVIEW OF EXPENSES

	2015			2014		
	Water	Sanitation	Total	Water	Sanitation	Total
Expenses:						
Operating Expenses:						
Maintenance	787,386	2,257,793	3,045,179	716,425	1,922,504	2,638,929
Water operations	2,844,903	1,351,272	4,196,175	2,959,048	1,461,239	4,420,287
Wastewater treatment	-	8,819,362	8,819,362	-	8,612,396	8,612,396
Engineering	180,962	542,886	723,848	203,024	609,072	812,096
Laboratory	107,158	321,473	428,631	111,346	334,037	445,383
General and administrative	1,855,571	5,572,111	7,427,682	1,840,001	5,083,530	6,923,531
Non-operating expenses:						
Interest expense	978,037	1,872,207	2,850,244	1,007,672	2,166,414	3,174,086
Treasurer's fees	41,288	55,955	97,243	39,541	55,341	94,882
Total Expenses	<u>6,795,305</u>	<u>20,793,059</u>	<u>27,588,364</u>	<u>6,877,057</u>	<u>20,244,533</u>	<u>27,121,590</u>
Change in Net Position	670,599	2,366,545	3,037,144	303,162	352,896	656,058
Net Position - Beginning of Year	<u>23,794,558</u>	<u>89,197,778</u>	<u>112,992,336</u>	<u>23,491,396</u>	<u>88,844,882</u>	<u>112,336,278</u>
Net Position - End of Year	<u>24,465,157</u>	<u>91,564,323</u>	<u>116,029,480</u>	<u>23,794,558</u>	<u>89,197,778</u>	<u>112,992,336</u>

In 2015, total expenses increased \$0.5 million. The increase was largely attributable to the higher expenses associated with Water Operations and Wastewater Treatment.

In 2014, total expenses increased \$0.5 million. The increase was related mostly to water operations.

For 2015, the District's combined operating activities, prior to depreciation expense, provided an \$11.2 million increase in net position. This was decreased by \$8.2 million in depreciation expense which led to a net position increase from all activities of \$3.0 million.

For 2014, the District's combined operating activities, prior to depreciation expense, provided a \$8.1 million increase in net position. This was decreased by \$7.4 million in depreciation expense which led to a net position increase from all activities of \$0.7 million.

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2015
(continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's investment in capital assets at December 31, 2015, 2014, and 2013 amounted to \$149.5 million, \$138.9 million and \$138.5 million (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 \$1.5 million. 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 \$3.5 million. 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, 2015. See the Schedule of Water and Storage Rights in the Statistical Section (page F10-13) for additional information.

The change in capital assets in 2015 is as follows:

	Water				Sanitation			
	1/1/15 Beginning Balance	Additions	Retirements	12/31/15 Ending Balance	1/1/15 Beginning Balance	Additions	Retirements	12/31/15 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	436,280	2,664,772	(2,620,425)	480,627	7,081,531	16,471,052	(2,821,805)	20,730,778
Total capital assets, not being depreciated	1,932,696	2,664,772	(2,620,425)	1,977,043	10,635,211	16,471,052	(2,821,805)	24,284,458
Capital assets, being depreciated:								
Treatment plants	4,673,506	78,648	-	4,752,154	107,040,625	1,428,641	-	108,469,266
Distribution systems	44,016,461	2,415,613	-	46,432,074	50,818,714	590,881	-	51,409,595
Computers, equipment and vehicles	1,897,591	274,918	(159,984)	2,012,525	5,692,774	824,752	(479,952)	6,037,574
Employee housing	-	-	-	-	7,773,833	71,579	(521,338)	7,324,074
Total capital assets being depreciated	50,587,558	2,769,179	(159,984)	53,196,753	171,325,946	2,915,853	(1,001,290)	173,240,509
Less accumulated depreciation for:								
Treatment plants	(1,542,645)	(199,710)	-	(1,742,355)	(52,153,444)	(4,404,582)	-	(56,558,026)
Distribution systems	(14,626,327)	(1,290,900)	-	(15,917,227)	(21,100,262)	(1,356,278)	-	(22,456,540)
Computers, equipment and vehicles	(1,258,479)	(183,674)	124,896	(1,317,257)	(3,775,438)	(551,019)	374,687	(3,951,770)
Employee housing	-	-	-	-	(1,091,018)	(193,287)	76,599	(1,207,706)
Total accumulated depreciation	(17,427,451)	(1,674,284)	124,896	(18,976,839)	(78,120,162)	(6,505,166)	451,286	(84,174,042)
Total capital assets, being depreciated, net	33,160,107	1,094,895	(35,088)	34,219,914	93,205,784	(3,589,313)	(550,004)	89,066,467
Total capital assets, net	35,092,803	3,759,667	(2,655,513)	36,196,957	103,840,995	12,881,739	(3,371,809)	113,350,925

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2015
(continued)**

Analysis of changes in capital assets is as follows:

In 2015, total net capital assets were \$149.5 million, increased by \$10.6 million from the 2014 amount of \$138.9 million. Net capital assets increased \$10.6 million which consisted of an increase of \$18.2 million from additions, net of disposals, offset by a decrease in book value of \$7.6 million resulting from depreciation expense, net of retirements of capital equipment.

In 2014, total net capital assets were \$138.9 million, increased by \$0.4 million from the 2013 amount of \$138.5 million. Net capital assets increased \$0.4 million which consisted of an increase from net additions and disposals of \$7.8 million, offset by an additional \$7.4 million in depreciation expense.

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

Long-term Debt

At December 31, 2015, the District had loans payable to the Colorado Water Resources and Power Development Authority (Authority) of \$1.3 million for sanitation facilities. The water loan for Eagle Park Reservoir shares from the Colorado Water Conservation Board (CWCB) had \$1.2 million outstanding. Also, the Water General Obligation Bonds issued in 2011 and 2012 for water system improvements had an outstanding balance at December 31, 2015 of \$9.2 million. The 2009 Water District Revenue Bonds had principal outstanding of \$12.1 million. The 2009 and 2012 Sanitation District Revenue Bonds had principal outstanding of \$42.9 million. Other changes in debt in the current year are representative of scheduled reductions on long term obligations.

At December 31, 2014, the District had loans payable to the Colorado Water Resources and Power Development Authority (Authority) of \$3.0 million for sanitation facilities. The water loan for Eagle Park Reservoir shares from the Colorado Water Conservation Board (CWCB) had \$1.3 million outstanding. Also, the Water General Obligation Bonds issued in 2004, 2011 and 2012 for water system improvements had an outstanding balance at December 31, 2014 of \$9.7 million. The 2009 Water District Revenue Bonds had principal outstanding of \$12.4 million. The 2009 and 2012 Sanitation District Revenue Bonds had principal outstanding of \$43.9 million. Other changes in debt in the current year are representative of scheduled reductions on long term obligations.

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

**Eagle River Water and Sanitation District
Management's Discussion and Analysis
December 31, 2015
(continued)**

BUDGET VARIANCES AND FUTURE CONSIDERATIONS

Budget Variances

In 2015, Budgeted Revenues were \$52.2 million, including an assumed Wastewater bond issue of \$22.5 million which did not occur. Revenues came in under budget expectations by \$21.6 million. The variance is mostly due to the delay of the bond issue; excluding the bond issue revenues exceeded budget by \$0.9 million. The expenditure budget was \$43.6 million, including \$17.1 million of capital additions. Actual Expenditures of \$42.2 million were \$1.4 million less than the budget, mainly due to multi-year capital project spending projected in 2015 moving into subsequent years.

2015 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 2016, the approved expenditure budget is \$33.2 million, including \$7.3 million of capital additions.

The 2016 Water Service rates did increase from 2015 rates. The 2015 Water Service rates are \$14.98 service base rate per SFE (same as 2015), plus \$7.27 debt service base rate per SFE (\$7.24 in 2015) and tiered usage rates of \$2.58 per 1,000 gallons for tier one, \$4.38 per 1,000 gallons for tier two, and \$6.57 per 1,000 gallons for tier three (same as 2015). A new Capital Replacement Program monthly fee of \$5.25 per SFE was added in 2016, as well. The Series 2009 Bonds Debt Service Base Rate is determined on an annual basis by dividing the net annual debt service requirements on the Series 2009 water bonds by the actual number of SFE's receiving service as of January 1 of the year the Series 2009 Bonds debt service is scheduled.

The 2016 Wastewater Service rates changed slightly from 2015 rates. The Series 2009 Bonds Debt Service Base Rate increased \$0.15 per SFE from \$3.14 to \$3.29 per month, and the Series 2012 Bonds Debt Service Base Rate decreased \$0.06 per SFE from \$6.03 to \$5.97 per month. The Series 2009 Bonds Debt Service Base Rate and Series 2012 Bonds Debt Service Base Rate are determined on an annual basis by dividing the net annual debt service requirements on the Series 2009 and 2012 wastewater bonds by the actual number of SFE's receiving service as of January 1 of the year the Series 2009 and 2012 Bonds debt service is scheduled. The 2016 Wastewater rates are \$5.06 per 1,000 gallons of winter water usage, with a 5,000 gallon allowance per SFE, plus the debt service base rate of \$9.26 per SFE per month, with a monthly minimum of \$34.56 per SFE.

2016 Water and Wastewater tap fee rates will increase 3%.

Property taxes were budgeted in the amount of \$1.0 million for water and \$2.0 million for sanitation.

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: James Wilkins, Director of Finance, 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, 2015
(With Comparative Totals for 2014)

	2015			2014
	Water	Sanitation	Total	Total
Assets:				
Current Assets:				
Cash and cash equivalents - Unrestricted	3,844,022	6,143,803	9,987,825	6,982,050
Cash and cash equivalents - Restricted	293,793	1,867,810	2,161,603	4,769,658
Investments - Unrestricted	2,531,630	15,739,464	18,271,094	19,915,047
Investments - Restricted	537,445	3,416,853	3,954,298	13,604,595
Receivables, net of allowance for uncollectibles:				
Service	396,890	2,123,046	2,519,936	2,127,103
Property taxes	1,390,212	1,887,046	3,277,258	3,238,158
Current portion of notes receivable	-	32,978	32,978	32,357
Interest	8,956	62,633	71,589	85,751
Other	132,287	818,041	950,328	715,143
Inventory	226,317	207,610	433,927	470,017
Prepaid expenses	89,258	267,773	357,031	257,819
Total Current Assets	9,450,810	32,567,057	42,017,867	52,197,698
Non-current Assets:				
Other Assets:				
Notes receivable - Due in more than one year	-	603,362	603,362	607,374
Patronage dividend receivable	139,669	389,626	529,295	545,048
Other receivables	149,839	-	149,839	145,007
Investment in Eagle Park Reservoir Company	3,466,756	-	3,466,756	3,466,756
Total Other Assets	3,756,264	992,988	4,749,252	4,764,185
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	480,627	20,730,778	21,211,405	7,517,811
Treatment plants	4,752,154	108,469,266	113,221,420	111,714,131
Distribution systems	46,432,074	51,409,595	97,841,669	94,835,175
Computers, equipment, and vehicles	2,012,525	6,037,574	8,050,099	7,590,365
Employee housing	-	7,324,074	7,324,074	7,773,833
Less: Accumulated depreciation	(18,976,839)	(84,174,042)	(103,150,881)	(95,547,613)
Total Capital Assets	36,196,957	113,350,925	149,547,882	138,933,798
Total Non-current Assets	39,953,221	114,343,913	154,297,134	143,697,983
Total Assets	49,404,031	146,910,970	196,315,001	195,895,681
Deferred Outflows of Resources:				
Deferred charge on refunding	514,168	-	514,168	557,173
Total Deferred Outflows of Resources	514,168	-	514,168	557,173
Total Assets and Deferred Outflows of Resources	49,918,199	146,910,970	196,829,169	196,452,854

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

Eagle River Water and Sanitation District
Statement of Net Position
December 31, 2015
(With Comparative Totals for 2014)
(Continued)

	2015			2014
	Water	Sanitation	Total	Total
Liabilities:				
Current Liabilities:				
Accounts payable	300,534	3,464,819	3,765,353	2,665,558
Service fees payable	-	1,433,694	1,433,694	1,388,540
Accrued payroll and related liabilities	83,794	251,382	335,176	370,025
Interest payable	95,417	204,121	299,538	351,688
Loans and bonds payable - Due within one year	965,555	2,298,124	3,263,679	3,555,797
Deposits	-	36,856	36,856	38,656
Total Current Liabilities	1,445,300	7,688,996	9,134,296	8,370,264
Non-current Liabilities:				
Compensated absences - Due in more than one year	110,044	330,131	440,175	433,247
Loans and bonds payable - Due in more than one year	22,507,486	45,440,474	67,947,960	71,418,849
Total Non-current Liabilities	22,617,530	45,770,605	68,388,135	71,852,096
Total Liabilities	24,062,830	53,459,601	77,522,431	80,222,360
Deferred Inflows of Resources:				
Unavailable property tax revenue	1,390,212	1,887,046	3,277,258	3,238,158
Total Deferred Inflows of Resources	1,390,212	1,887,046	3,277,258	3,238,158
Net Position:				
Net investment in capital assets	14,433,066	65,612,327	80,045,393	77,993,575
Restricted for:				
Debt	831,238	5,284,663	6,115,901	6,154,154
Unrestricted	9,200,853	20,667,333	29,868,186	28,844,607
Total Net Position	24,465,157	91,564,323	116,029,480	112,992,336

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, 2015
(With Comparative Totals for 2014)

	2015			2014
	Water	Sanitation	Total	Total
Operating Revenues:				
Service fees	4,809,424	13,434,169	18,243,593	16,270,132
Contract services	-	4,079,655	4,079,655	3,960,964
Meter sales and rental income	-	750,114	750,114	785,238
Other charges for services	74,786	1,618,264	1,693,050	672,503
Total Operating Revenues	4,884,210	19,882,202	24,766,412	21,688,837
Operating Expenses:				
Maintenance	787,386	2,257,793	3,045,179	2,638,929
Water operations	2,844,903	1,351,272	4,196,175	4,420,287
Wastewater treatment	-	8,819,362	8,819,362	8,612,396
Engineering	180,962	542,886	723,848	812,096
Laboratory	107,158	321,473	428,631	445,383
General and administrative	1,855,571	5,572,111	7,427,682	6,923,531
Total Operating Expenses	5,775,980	18,864,897	24,640,877	23,852,622
Operating Income (Loss)	(891,770)	1,017,305	125,535	(2,163,785)
Non-operating Revenues (Expenses):				
Property taxes	1,374,141	1,862,004	3,236,145	3,157,458
Specific ownership taxes	75,997	99,489	175,486	170,492
Investment income	18,706	71,504	90,210	112,906
Interest credit - Build America Bonds	-	322,813	322,813	322,119
Gain (loss) on disposal of capital assets	28,468	(359,334)	(330,866)	78,548
Other non-operating revenues	18,651	55,953	74,604	104,295
Interest expense, net of amortization expense	(978,037)	(1,872,207)	(2,850,244)	(3,174,086)
Treasurer's fees	(41,288)	(55,955)	(97,243)	(94,882)
Total Non-operating Revenues (Expenses)	496,638	124,267	620,905	676,850
Income (Loss) Before Capital Contributions	(395,132)	1,141,572	746,440	(1,486,935)
Capital Contributions:				
Tap fees	485,228	1,097,118	1,582,346	1,801,365
Contributed assets - physical assets	148,753	122,969	271,722	110,939
Fees in lieu of water and sewer lines	381,750	-	381,750	14,700
Contributed assets - cash	50,000	4,886	54,886	215,989
Total Capital Contributions	1,065,731	1,224,973	2,290,704	2,142,993
Change in Net Position	670,599	2,366,545	3,037,144	656,058
Net Position - Beginning of Year	23,794,558	89,197,778	112,992,336	112,336,278
Net Position - End of Year	24,465,157	91,564,323	116,029,480	112,992,336

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, 2015
(With Comparative Totals for the Year Ended 2014)

	2015			2014
	Water	Sanitation	Total	Total
Cash Flows From Operating Activities:				
Cash received from customers and others	4,845,713	19,287,849	24,133,562	21,960,474
Cash payments for goods and services	(2,940,182)	(4,315,714)	(7,255,896)	(6,689,188)
Cash payments to employees and for benefits	(2,016,073)	(7,403,928)	(9,420,001)	(8,878,879)
Net Cash Provided (Used) by Operating Activities	<u>(110,542)</u>	<u>7,568,207</u>	<u>7,457,665</u>	<u>6,392,407</u>
Cash Flows From Non-capital Financing Activities:				
Property taxes levied for operations, net	410,520	467,553	878,073	877,123
Specific ownership taxes received	23,407	25,758	49,165	48,922
Patronage dividend received	17,189	43,447	60,636	60,815
Other cash receipts	7,430	22,292	29,722	37,400
Net Cash Provided (Used) by Non-capital Financing Activities	<u>458,546</u>	<u>559,050</u>	<u>1,017,596</u>	<u>1,024,260</u>
Cash Flows From Capital and Related Financing Activities:				
Property taxes levied for debt service, net	922,334	1,338,491	2,260,825	2,185,450
Specific ownership taxes received	52,590	73,732	126,322	121,570
Cash received from tap fees	485,228	1,097,118	1,582,346	1,801,365
Proceeds from sale of capital assets	63,556	190,670	254,226	405,398
Interest subsidy payment received - Build America Bonds	-	293,872	293,872	293,178
Cash received (paid) related to capital asset deposit	-	(1,800)	(1,800)	6,224
Fees in lieu of water and sewer lines	431,750	4,886	436,636	230,689
Cash paid for principal on debt	(942,168)	(2,613,630)	(3,555,798)	(2,955,351)
Cash paid for interest on debt	(1,015,303)	(2,378,263)	(3,393,566)	(3,550,386)
Cash paid for capital acquisitions	(2,060,607)	(15,450,951)	(17,511,558)	(8,104,793)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,062,619)</u>	<u>(17,445,875)</u>	<u>(19,508,495)</u>	<u>(9,566,656)</u>
Cash Flows From Investing Activities:				
Interest income received	45,675	161,553	207,228	325,681
Proceeds from sales and maturities of investments	23,885,412	46,365,800	70,251,212	45,725,113
Principal received on notes receivable	-	103,391	103,391	73,740
Purchase of investments	(21,586,718)	(37,444,159)	(59,030,877)	(43,705,357)
Issuance of notes receivable	-	(100,000)	(100,000)	(78,915)
Net Cash Provided (Used) by Investing Activities	<u>2,344,369</u>	<u>9,086,585</u>	<u>11,430,954</u>	<u>2,340,262</u>
Net Increase (Decrease) in Cash and Cash Equivalents	629,753	(232,033)	397,720	190,273
Cash and Cash Equivalents - Beginning of Year	<u>3,508,062</u>	<u>8,243,646</u>	<u>11,751,708</u>	<u>11,561,435</u>
Cash and Cash Equivalents - End of Year	<u>4,137,815</u>	<u>8,011,613</u>	<u>12,149,428</u>	<u>11,751,708</u>
Represented by Balance Sheet captions:				
Cash and cash equivalents - Unrestricted	3,844,022	6,143,803	9,987,825	6,982,050
Cash and cash equivalents - Restricted	293,793	1,867,810	2,161,603	4,769,658
Cash and Cash Equivalents - End of Year	<u>4,137,815</u>	<u>8,011,613</u>	<u>12,149,428</u>	<u>11,751,708</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, 2015
(With Comparative Totals for the Year Ended 2014)
(Continued)

	2015			2014
	Water	Sanitation	Total	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	(891,770)	1,017,305	125,535	(2,163,785)
Adjustments:				
Depreciation	1,674,283	6,505,167	8,179,450	7,883,050
(Increase) decrease in accounts receivable	(38,497)	(594,353)	(632,850)	271,637
(Increase) decrease in inventory	8,430	27,660	36,090	(50,495)
(Increase) decrease in prepaid expenses	(24,803)	(74,409)	(99,212)	(169,916)
Increase (decrease) in accounts payable	(831,205)	662,624	(168,581)	372,006
Increase (decrease) in service fees payable	-	45,154	45,154	180,579
Increase (decrease) in payroll liabilities	(8,712)	(26,137)	(34,849)	84,997
Increase (decrease) in accrued compensated absences	1,732	5,196	6,928	(15,666)
Total Adjustments	<u>781,228</u>	<u>6,550,902</u>	<u>7,332,130</u>	<u>8,556,192</u>
Net Cash Provided (Used) by Operating Activities	<u>(110,542)</u>	<u>7,568,207</u>	<u>7,457,665</u>	<u>6,392,407</u>
Non-cash Investing, Capital, and Financing Activities:				
Contribution of capital assets from developers	<u>148,753</u>	<u>122,969</u>	<u>271,722</u>	<u>110,939</u>
Unrealized gain (loss) on investments	<u>(25,131)</u>	<u>(48,784)</u>	<u>(73,915)</u>	<u>(144,495)</u>

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

NOTES TO THE FINANCIAL STATEMENTS



**Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015**

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 one blended component unit and while it is a legally separate entity it is 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 and 2012 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, 2015
(Continued)

I. Summary of Significant Accounting Policies (continued)

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, 2015
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies

1. Cash and Cash Equivalents

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.

2. Investments

The investments for the District are reported at fair value.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. An allowance for doubtful accounts in the amount of \$82,229 and \$134,465 had been established at December 31, 2015 and 2014, respectively, to estimate uncollectible accounts.

4. Property Taxes

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

5. Inventory

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

6. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed, net of investment earnings on loan proceeds during the same period. During 2015 and 2014, the District capitalized interest of \$326,967 and \$164,041 as part of capital assets, respectively.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

6. Capital Assets (continued)

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

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

7. Net Position

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

8. Compensated Absences

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

9. Long-term Obligations

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

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

10. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Use of Estimates

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

12. Restricted and Unrestricted Resources

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

13. Comparative Data

The financial statements include certain prior year comparative information in total, but not by segment. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2014, from which comparative totals were derived.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(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 2015.

1. For the 2015 budget year, prior to August 25, 2014, 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, 2014, 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, 2014, 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 2014 were collected in 2015 and taxes certified in 2015 will be collected in 2016. 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, 2015
(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.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

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 \$34,374,820 and \$45,271,350 as of December 31, 2015 and 2014, respectively.

At December 31, 2015, the District had the following cash and investments with the following maturities:

	Standard & Poors Rating	Carrying Amounts	Maturities	
			Less than one year	1 - 5 years
<i>Petty cash</i>	Not rated	1,220	1,220	-
<i>Deposits:</i>				
Checking	Not rated	2,556,918	2,556,918	-
Money market	Not rated	2,602,764	2,602,764	-
<i>Investment pool</i>	AAAm	6,988,526	6,988,526	-
<i>Investments:</i>				
United States Corporate	AA+	1,221,742	312,077	909,665
United States Treasury notes	AA+	4,145,542	1,805,025	2,340,517
Federal agency securities	AA+	16,858,108	12,792,016	4,066,092
Total		<u>34,374,820</u>	<u>27,058,546</u>	<u>7,316,274</u>

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.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Credit Risk. Colorado statutes 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 bankers acceptances, written repurchase agreements collateralized by certain authorized securities, local government investment pools, time certificates of deposit, and certain money market funds.

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

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

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(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, 2015 were as follows:

<u>Issuer</u>	<u>Reported Amount</u>	<u>Percentage of Investment Portfolio</u>
United States Government	4,145,542	14%
Federal Home Loan Mortgage Corp	4,707,205	16%
Federal National Mortgage Assoc	4,298,053	15%
Federal Farm Credit Bank	2,988,718	10%
Federal Home Loan Bank	2,564,847	9%

B. Restricted Cash and Cash Equivalents

At December 31, 2015, cash has been restricted for the following purposes:

	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>
Debt service reserves	231,238	4,684,663	4,915,901
Rate stabilization funds	600,000	600,000	1,200,000
Total	<u>831,238</u>	<u>5,284,663</u>	<u>6,115,901</u>

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	3,844,022	6,143,803	9,987,825
Cash and cash equivalents - Restricted	293,793	1,867,810	2,161,603
Investments - Unrestricted	2,531,630	15,739,464	18,271,094
Investments - Restricted	537,445	3,416,853	3,954,298
Total	<u>7,206,890</u>	<u>27,167,930</u>	<u>34,374,820</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

D. Notes Receivable

The following is an analysis of changes in notes receivable for the year ended December 31, 2015:

	<u>1/1/15 Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/15 Ending Balance</u>
Red Cliff	186,881	-	(20,547)	166,33
Employees	402,038	100,000	(74,732)	427,30
Sewer tap purchases	50,812	-	(8,112)	42,70
	<u>639,731</u>	<u>100,000</u>	<u>(103,391)</u>	<u>636,34</u>
Less: Current portion	<u>(32,357)</u>	<u>(621)</u>	<u>-</u>	<u>(32,97)</u>
Long-term portion	<u>607,374</u>	<u>99,379</u>	<u>(103,391)</u>	<u>603,36</u>

The following notes receivable were outstanding as of December 31, 2015:

1. Red Cliff

During 2012, the District received a promissory note for \$225,000 from the Town of Red Cliff for operation and maintenance services provided over a number of years. The note bears interest at 3.0% annually and is amortized over a ten year period.

2. Employees

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

3. Sewer tap purchases

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

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, 2015, the District received a refund of \$60,641 from Holy Cross. The balance due to the District at December 31, 2015 and 2014 was \$529,295 and \$545,048, respectively.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(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, 2014, 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 2015, the District's investment in the Reservoir Company was unchanged.

As of December 31, 2015, the District held 4,345 Class A Shares (approximately 16.8%), 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. See the Schedule of Water and Storage Rights in the Statistical Section (pages F10-F13) for additional information.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

G. Capital Assets

Capital asset activity related to water services for 2015 was as follows:

	<u>1/1/15 Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>12/31/15 Ending Balance</u>
Water				
Capital assets, not being depreciated:				
Water rights	1,496,416	-	-	1,496,416
Construction in progress	436,280	2,664,772	(2,620,425)	480,627
Total capital assets, not being depreciated	<u>1,932,696</u>	<u>2,664,772</u>	<u>(2,620,425)</u>	<u>1,977,043</u>
Capital assets, being depreciated:				
Treatment plants	4,673,506	78,648	-	4,752,154
Distribution systems	44,016,461	2,415,613	-	46,432,074
Computers, equipment and vehicles	1,897,591	274,918	(159,984)	2,012,525
Total capital assets being depreciated	<u>50,587,558</u>	<u>2,769,179</u>	<u>(159,984)</u>	<u>53,196,753</u>
Less accumulated depreciation for:				
Treatment plants	(1,542,645)	(199,710)	-	(1,742,355)
Distribution systems	(14,626,327)	(1,290,900)	-	(15,917,227)
Computers, equipment and vehicles	(1,258,479)	(183,674)	124,896	(1,317,257)
Total accumulated depreciation	<u>(17,427,451)</u>	<u>(1,674,284)</u>	<u>124,896</u>	<u>(18,976,839)</u>
Total capital assets, being depreciated, net	<u>33,160,107</u>	<u>1,094,895</u>	<u>(35,088)</u>	<u>34,219,914</u>
Total capital assets, net - Water	<u>35,092,803</u>	<u>3,759,667</u>	<u>(2,655,513)</u>	<u>36,196,957</u>

Fully depreciated assets totaled \$2,933,328 for the year ended December 31, 2015.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

G. Capital Assets (continued)

Capital asset activity related to sanitation services for 2015 was as follows:

	<u>1/1/15 Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>12/31/15 Ending Balance</u>
Sanitation				
Capital assets, not being depreciated:				
Land and easements	3,553,680	-	-	3,553,680
Construction in progress	7,081,531	16,471,052	(2,821,805)	20,730,778
Total capital assets, not being depreciated	<u>10,635,211</u>	<u>16,471,052</u>	<u>(2,821,805)</u>	<u>24,284,458</u>
Capital assets, being depreciated:				
Treatment plants	107,040,625	1,428,641	-	108,469,266
Distribution systems	50,818,714	590,881	-	51,409,595
Computers, equipment and vehicles	5,692,774	824,752	(479,952)	6,037,574
Employee housing	7,773,833	71,579	(521,338)	7,324,074
Total capital assets being depreciated	<u>171,325,946</u>	<u>2,915,853</u>	<u>(1,001,290)</u>	<u>173,240,509</u>
Less accumulated depreciation for:				
Treatment plants	(52,153,444)	(4,404,582)	-	(56,558,026)
Distribution systems	(21,100,262)	(1,356,278)	-	(22,456,540)
Computers, equipment and vehicles	(3,775,438)	(551,019)	374,687	(3,951,770)
Employee housing	(1,091,018)	(193,287)	76,599	(1,207,706)
Total accumulated depreciation	<u>(78,120,162)</u>	<u>(6,505,166)</u>	<u>451,286</u>	<u>(84,174,042)</u>
Total capital assets, being depreciated, net	<u>93,205,784</u>	<u>(3,589,313)</u>	<u>(550,004)</u>	<u>89,066,467</u>
Total capital assets, net - Sanitation	<u>103,840,995</u>	<u>12,881,739</u>	<u>(3,371,809)</u>	<u>113,350,925</u>

Fully depreciated assets totaled \$21,485,528 for the year ended December 31, 2015.

Depreciation expense for the year ended December 31, 2015 was charged to the following departments:

	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>
Maintenance	75,009	225,026	300,035
Water operations	1,490,610	-	1,490,610
Wastewater treatment	-	5,760,860	5,760,860
General and administrative	108,665	519,280	627,945
Total	<u>1,674,284</u>	<u>6,505,166</u>	<u>8,179,450</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(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 Bonds, Series 2004

The District, through the Water Subdistrict, issued \$9,335,000 of general obligation water bonds in July 2004, the proceeds of which were used to finance improvements to the District's water system and to purchase water rights. The interest rates on the bonds range from 3.25% to 5.00%. 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.

These bonds consist of serial bonds issued in the amount of \$6,590,000 due annually through 2024, and term bonds issued in the amount of \$2,745,000 due December 1, 2029.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

2. General Obligation Water Bonds, Series 2004 (continued)

Only bonds maturing on and after December 1, 2015, are subject to redemption prior to maturity; these bonds are subject to redemption prior to maturity at the option of the District at par.

The term bonds maturing on December 1, 2029 are subject to mandatory sinking fund redemption at par, plus accrued interest to the redemption date.

A bond insurance policy, which guarantees the scheduled payment of principal and interest on the bonds, was issued by Financial Security Assurance, Inc. concurrently with the issuance of these bonds.

During 2012, proceeds from the General Obligation Water Refunding Bonds, Series 2012B, were used to partially refund the 2004 Water Bonds maturing after December 1, 2015 as mentioned in Note III.H.6. During 2014, the bonds were repaid in full.

3. Water Enterprise Revenue Bonds, Series 2009

The District, through the Water Subdistrict, issued \$13,225,000 of water enterprise revenue bonds in May 2009, with annual interest rates ranging from 3.00% to 5.13%. 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 of these bonds were used for the construction of new water mains, the enhancement of wells, the enlargement of a dam, and other water system improvements.

Principal on the serial bonds is due beginning in 2012 through 2019 in amounts ranging from \$260,000 to \$325,000; the term bonds maturing on December 1, 2024, December 1, 2029, December 1, 2034, and December 1, 2039 are subject to annual, mandatory sinking fund redemptions ranging from \$340,000 beginning in 2020 to \$835,000 due December 1, 2039.

Only bonds maturing on and after December 1, 2019, are subject to redemption prior to maturity; these bonds are subject to redemption prior to maturity at the option of the District at par.

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 water system and other legally available revenue after the payment of operation and maintenance expenses of 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 115% of each fiscal year's debt service requirements of outstanding District bonds.

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.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

4. Water Enterprise Revenue Bonds, Series 2009

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 District is maintaining a reserve equal to interest accrued through December 31, 2015 plus one twelfth (1/12) of the first principal payment due in the subsequent year for this debt.

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.

5. 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 1st and December 1st, through 2022. The principal is payable on December 1st 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, 2015 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, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt – Water (continued)

6. 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 1st and December 1st, through 2029. The principal is payable on December 1st 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.

7. 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 1st and December 1st, through 2029. The principal is payable on December 1st 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.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation

1. 1995 CWRPDA Loan

In May 1995, the District entered into a \$6,099,183 loan agreement with CWRDPA, the proceeds of which were used to construct a liquid treatment and odor control facility. Principal and interest is payable February 1 and August 1, through 2015. The effective annual interest rate of the loan is 4.58%.

Upon written notice to CWRPDA, the District has the option to prepay the loan in whole or if in part, in a minimum of \$100,000 increments.

The District has pledged the revenue 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, for the repayment of the loan.

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.

The loan agreement also requires the District to maintain an operations and maintenance reserve in amount equal to 25% of the operations and maintenance expenditures budgeted for the current fiscal year or \$1,250,000, whichever is less. The loan was repaid in full in 2015.

2. 1998 CWRPDA Governmental Agency Bond – General Obligation

In April 1998, the District, acting through its Sanitation Enterprise, entered into a \$17,685,396 loan agreement with CWRDPA, the proceeds of which were used for the expansion of the Edwards wastewater treatment facility. Principal and interest is payable February 1 and August 1, through 2016. The effective annual interest rate of the loan is 3.94%.

Upon written notice to CWRPDA, the District has the option to prepay the loan in whole or if in part, in a minimum of \$100,000 increments.

In May 1998, the District's electorate approved the assumption from the Sanitation Enterprise of this long-term obligation as a general obligation bond in the May 1998 election. As a result, the obligation was no longer secured by the Sanitation Enterprise's assets. The bond is a direct obligation and pledges the full faith and credit of the District and is ultimately secured by the District's general ad valorem tax collections.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

3. Tax-Exempt Wastewater Revenue Bonds, Series 2009A

The District issued \$1,460,000 of tax-exempt wastewater revenue bonds in December 2009, with annual interest rates ranging from 3.00% to 4.00%. Interest is payable June 1 and December 1, through 2014. The principal is payable on December 1 and matures in various increments through 2014. 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.

These bonds and the Taxable Wastewater Revenue Bonds, Series 2009B (collectively referred to as the “2009 Bonds”), are secured by a common Reserve Fund equal to the minimum of: a) 10% of the principal amount of the bonds, b) the maximum annual debt service in any calendar year, or c) 125% of the average annual debt service of the bonds.

In conjunction with the issuance of the 2009 Bonds, and subsequently with the 2012 Bonds, the District is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

In accordance with bond indentures, the District is maintaining a reserve equal to interest accrued through December 31, 2015 plus one twelfth (1/12) of the first principal payment due in the subsequent year.

These bonds are not subject to redemption prior to their respective maturity dates.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

4. Taxable Wastewater Revenue Bonds, Series 2009B

The District issued \$15,785,000 of wastewater revenue bonds in December 2009, with annual interest rates ranging from 4.71% to 6.79%. Interest is payable June 1 and December 1, through 2039. The principal is payable on December 1 and matures in various increments through 2039. The proceeds of these bonds were used to finance improvements to the wastewater system. This bond issue consists of term bonds due on December 1, 2019, December 1, 2023, December 1, 2029, December 1, 2034, and December 1, 2039; these bonds are subject to mandatory sinking fund redemption at par, plus accrued interest to the redemption date.

These bonds are Qualified Build America Bonds, which indicates the bonds are not tax-exempt. Under the Build America Program, the District may apply for interest cost subsidies from the federal government. Such subsidies will be used by the District to pay debt service on these bonds. During the fiscal year ended December 31, 2015, the District recognized revenue of \$322,813 related to this subsidy.

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

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

As previously discussed, these bonds and the Tax-Exempt Wastewater Revenue Bonds, Series 2009A (collectively referred to as the “2009 Bonds”), are secured by a common Reserve Fund equal to the minimum of: a) 10% of the principal amount of the bonds, b) the maximum annual debt service in any calendar year, or c) 125% of the average annual debt service of the bonds.

In conjunction with the issuance of the 2009 Bonds, and subsequently with the 2012 Bonds, the District is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

I. Long-Term Debt – Sanitation (continued)

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

In accordance with bond indentures, the District is maintaining a reserve equal to interest accrued through December 31, 2015 plus one twelfth (1/12) of the first principal payment due in the subsequent year.

Bonds maturing on and before December 1, 2019, are not subject to optional prior redemption. Bonds maturing on or after December 1, 2020, are subject to redemption prior to maturity at the option of District at par plus accrued interest. In addition, upon the occurrence of an Extraordinary Event, as defined in the bond documents, these bonds are subject to extraordinary redemption prior to their respective dates, at the option of the District at the Make-Whole Redemption Price, as defined in the bond documents.

5. 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.

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

In conjunction with the issuance of the 2009 Bonds, and subsequently with the 2012 Bonds, the District is required to maintain a Rate Stabilization Fund of \$600,000; the Rate Stabilization Fund was created to help offset or reduce any increase in fees, rates, and other charges to the users of the water system which was created by the Rate Maintenance Covenant.

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

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

J. Long-term Liability Activity Schedule

Long-term liability activity for 2015 was as follows:

	<u>1/1/15</u> Beginning Balance	Additions	Reductions	<u>12/31/15</u> Ending Balance	Due Within One Year
Water					
1998 assessment obligation note	1,257,151	-	(62,168)	1,194,983	65,555
2009 water enterprise revenue bonds	12,425,000	-	(280,000)	12,145,000	290,000
2011 refunding general obligation bonds	2,240,000	-	(250,000)	1,990,000	260,000
2012A general obligation bonds	1,000,000	-	-	1,000,000	-
2012B general obligation refunding bonds	6,540,000	-	(350,000)	6,190,000	350,000
Unamortized bond premiums	1,029,932	-	(76,874)	953,058	-
Accrued compensated absences	108,312	1,732	-	110,044	-
Subtotal - Water	<u>24,600,395</u>	<u>1,732</u>	<u>(1,019,042)</u>	<u>23,583,085</u>	<u>965,555</u>
Sanitation					
1995 CWRPDA loan	426,889	-	(426,889)	-	-
1998 CWRPDA loan - general obligation	2,574,865	-	(1,241,741)	1,333,124	1,333,124
2009B wastewater revenue bonds	15,785,000	-	(360,000)	15,425,000	370,000
2012 wastewater revenue bonds	28,060,000	-	(585,000)	27,475,000	595,000
Unamortized bond premiums	3,635,809	-	(130,335)	3,505,474	-
Accrued compensated absences	324,935	5,196	-	330,131	-
Subtotal - Sanitation	<u>50,807,498</u>	<u>5,196</u>	<u>(2,743,965)</u>	<u>48,068,729</u>	<u>2,298,124</u>
Total	<u>75,407,893</u>	<u>6,928</u>	<u>(3,763,007)</u>	<u>71,651,814</u>	<u>3,263,679</u>

K. Debt Service Schedules

Debt service requirements at December 31, 2015, were as follows for water operations:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Water			
2016	965,555	982,190	1,947,745
2017	1,014,129	948,716	1,962,845
2018	1,032,896	913,550	1,946,446
2019	1,066,869	877,626	1,944,495
2020	1,121,059	837,687	1,958,746
2021 - 2025	5,636,574	3,528,453	9,165,027
2026 - 2030	5,472,901	2,267,636	7,740,537
2031 - 2035	3,105,000	1,281,187	4,386,187
2036 - 2040	3,105,000	407,694	3,512,694
Total water debt service	<u>22,519,983</u>	<u>12,044,739</u>	<u>34,564,722</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

III. Detailed Notes on All Funds (continued)

K. Debt Service Schedules (continued)

Debt service requirements at December 31, 2015, were as follows for sanitation operations:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Sanitation			
2016	2,298,124	2,237,229	4,535,353
2017	1,000,000	2,148,897	3,148,897
2018	1,030,000	2,112,313	3,142,313
2019	1,060,000	2,074,658	3,134,658
2020	1,085,000	2,042,483	3,127,483
2021 - 2025	6,030,000	9,475,839	15,505,839
2026 - 2030	7,425,000	7,801,000	15,226,000
2031 - 2035	9,100,000	5,774,327	14,874,327
2036 - 2040	11,845,000	2,895,211	14,740,211
2041 - 2042	3,360,000	254,000	3,614,000
Total sanitation debt service	<u>44,233,124</u>	<u>36,815,957</u>	<u>81,049,081</u>

Aggregate debt service requirements at December 31, 2015, were as follows for the District:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Combined			
2016	3,263,679	3,219,419	6,483,098
2017	2,014,129	3,097,613	5,111,742
2018	2,062,896	3,025,863	5,088,759
2019	2,126,869	2,952,284	5,079,153
2020	2,206,059	2,880,170	5,086,229
2021 - 2025	11,666,574	13,004,292	24,670,866
2026 - 2030	12,897,901	10,068,636	22,966,537
2031 - 2035	12,205,000	7,055,514	19,260,514
2036 - 2040	14,950,000	3,302,905	18,252,905
2041 - 2042	3,360,000	254,000	3,614,000
Total combined debt service	<u>66,753,107</u>	<u>48,860,696</u>	<u>115,613,803</u>

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(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 2015 covered payroll was \$6,821,839. Contributions actually made, which equaled the required contributions, were \$341,092 for plan members and \$749,009 for the District for the year ended December 31, 2015. Forfeitures totaled \$29,723 and for the year ended December 31, 2015.

As of December 31, 2015, there were no outstanding contribution liabilities.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(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, 2015 and 2014, the balance outstanding was \$0.

The value of water distributed by the District through the interconnect was \$149,839 and \$145,007 during the year ended December 31, 2015 and 2014, 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, 2015
(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 \$4,060,710 and \$3,910,750 of contract fees from the Authority during 2015 and 2014, respectively. The District has outstanding management fees due from the Authority as of December 31, 2015 and 2014 totaling \$17,838 and \$342, respectively, included in other receivables. There were other outstanding receivables, for operations services, due from the Authority as of December 31, 2015 and 2014 totaling \$217,612 and \$388,154, respectively, included in other accounts receivables. As of December 31, 2015 and 2014 there was \$1,264,533 and \$1,207,374 for water service billed, due to the Authority included in accounts payable, respectively.

The District earned \$18,300 and \$18,300 of contract fees from other governments which it has similar agreements (i.e. Town of Minturn and Eagle Park Reservoir Company) during 2015 and 2014, respectively.

E. Capital Contributions - Cost Recovery Contracts

The District has Cost Recovery Contracts ("Contracts") with developers to refund the developers' cost of lines contributed to the District. The "cost recovery" amounts are generated from tap fees for taps made to the contributed lines.

The Contracts generally state that reimbursement of the amounts collected by the District for the developers will be made at such times and in such amounts as the District, in its sole discretion, shall determine. The District's current policy of reimbursement, as adopted in its rules and regulations, specifies that the maximum amount reimbursed to developers in any one year under the contract terms would be determined by the Board of Directors. The reimbursement to developers is reflected as a capital distribution when paid.

Per the Pre-Consolidation Agreement, effective July 1, 1996, all cash received from tap fees related to Contracts is to be restricted to reimburse developers pursuant to the Contracts. There were no collections subject to reimbursement for the year ended December 31, 2015. There were no reimbursements paid during the year ended December 31, 2015.

Capital contributions subject to cost recovery at December 31, 2015, including taps collected and not paid, amounted to \$0. All open contracts expired during 2015.

Certain District Board members are associated with developers that have Contracts with the District.

Eagle River Water and Sanitation District
Notes to the Financial Statements
December 31, 2015
(Continued)

IV. Other Information (continued)

F. 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.

G. Construction Commitments

The district had one outstanding contractual commitment at December 31, 2015 related to construction with MWH contractors. The approximate remaining amount of this contract at year end was \$6,407,527.

V. Subsequent Events

In March 2016, the District issued Series 2016 General Obligation Bonds totaling \$23,295,000. Proceeds from the new bonds will be used to finance capital improvements to the wastewater system.

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, 2015
(With Comparative Totals for the Year Ended 2014)

	2015			Final Budget Variance Positive (Negative)	2014
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Water:					
Service fees	4,693,600	4,693,600	4,809,424	115,824	4,797,695
Other charges for services	30,000	30,000	69,954	39,954	183,062
Property taxes	1,396,292	1,396,292	1,374,141	(22,151)	1,316,106
Specific ownership taxes	58,000	58,000	75,997	17,997	72,594
Investment income	-	-	18,706	18,706	21,261
Proceeds from sale of assets	-	-	63,557	63,557	41,704
Tap fees	785,664	785,664	485,228	(300,436)	761,113
Fees in lieu of water lines	-	-	381,750	381,750	14,700
Contributed assets - cash	-	-	50,000	50,000	44,950
Other	13,750	13,750	24,619	10,869	25,176
Total Water Revenues	<u>6,977,306</u>	<u>6,977,306</u>	<u>7,353,376</u>	<u>376,070</u>	<u>7,278,361</u>
Sanitation:					
Service fees	13,352,867	13,352,867	13,434,169	81,302	11,472,437
Contract services	4,120,000	4,120,000	4,079,655	(40,345)	3,960,964
Rental income	320,000	320,000	291,903	(28,097)	271,364
Meter sales	658,000	658,000	458,211	(199,789)	513,874
Other charges for services	1,033,000	1,033,000	1,618,264	585,264	595,573
Property taxes	1,878,252	1,878,252	1,862,004	(16,248)	1,841,352
Specific ownership taxes	71,857	71,857	99,489	27,632	97,898
Investment income	38,000	38,000	71,504	33,504	91,645
Interest credit - Build America Bonds	300,000	300,000	322,813	22,813	322,119
Proceeds from sale of assets	100,000	100,000	190,670	90,670	363,694
Tap fees	750,000	750,000	1,097,118	347,118	1,040,252
Contributed assets - cash	-	-	4,886	4,886	171,039
Proceeds from bond issue	22,500,000	22,500,000	-	(22,500,000)	-
Other	64,250	64,250	65,739	1,489	73,039
Total Sanitation Revenues	<u>45,186,226</u>	<u>45,186,226</u>	<u>23,596,425</u>	<u>(21,589,801)</u>	<u>20,815,250</u>
Total Revenues	<u>52,163,532</u>	<u>52,163,532</u>	<u>30,949,801</u>	<u>(21,213,731)</u>	<u>28,093,611</u>
Expenditures - Water:					
Water Operations:					
Salaries and benefits	2,091,411	2,091,411	2,007,103	84,308	1,892,922
Supplies and materials	333,394	333,394	296,825	36,569	307,839
Telephone and radio service	46,326	46,326	53,921	(7,595)	49,631
Insurance	53,250	53,250	52,368	882	51,013
Repairs and maintenance	151,988	151,988	183,577	(31,589)	116,071
Other	580,470	580,470	504,592	75,878	638,749
Utilities	240,000	240,000	253,774	(13,774)	257,003
Chemicals	86,500	86,500	58,598	27,902	62,106
Meter replacement	270,000	270,000	126,234	143,766	130,894
Outside services	6,000	6,000	3,802	2,198	9,604
Total Water Operations	<u>3,859,339</u>	<u>3,859,339</u>	<u>3,540,794</u>	<u>318,545</u>	<u>3,515,832</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, 2015
(With Comparative Totals for the Year Ended 2014)
(Continued)

	2015			Final Budget Variance Positive (Negative)	2014
	Original Budget	Final Budget	Actual		Actual
Expenditures - Water (continued):					
General and Administrative:					
Legal	87,500	87,500	57,692	29,808	58,481
Accounting and audit	18,000	18,000	15,168	2,832	13,479
Engineering	25,000	25,000	12,252	12,748	60,092
Management and consulting	188,650	188,650	357,969	(169,319)	434,917
Benefit administration	18,500	18,500	14,173	4,327	13,532
Community relations	27,205	27,205	14,755	12,450	9,220
On-call housing	-	-	1,543	(1,543)	-
Directors fees and expenses	4,363	4,363	3,282	1,081	11,506
Maintenance contracts	15,000	15,000	13,583	1,417	16,338
Water quality	73,000	73,000	68,755	4,245	93,872
Treasurer's fees	12,350	12,350	41,288	(28,938)	39,541
Total General and Administrative	<u>469,568</u>	<u>469,568</u>	<u>600,460</u>	<u>(130,892)</u>	<u>750,978</u>
Debt Service:					
Principal	942,168	942,168	942,168	-	903,955
Interest	1,016,477	1,016,477	1,011,906	4,571	1,046,007
Subtotal - Debt Service	<u>1,958,645</u>	<u>1,958,645</u>	<u>1,954,074</u>	<u>4,571</u>	<u>1,949,962</u>
Capital Outlay	<u>3,245,455</u>	<u>3,245,455</u>	<u>2,664,772</u>	<u>580,683</u>	<u>1,179,365</u>
Total Water Expenditures	<u>9,533,007</u>	<u>9,533,007</u>	<u>8,760,100</u>	<u>772,907</u>	<u>7,396,137</u>
Expenditures - Sanitation:					
Sanitation Operations:					
Salaries and benefits	7,706,680	7,706,680	7,378,049	328,631	7,070,954
Supplies and materials	1,844,767	1,844,767	1,590,860	253,907	1,437,198
Telephone and radio service	138,979	138,979	161,762	(22,783)	148,893
Insurance	159,750	159,750	157,104	2,646	153,039
Repairs and maintenance	753,963	753,963	508,877	245,086	512,971
Other	876,160	876,160	731,225	144,935	591,044
Utilities	973,800	973,800	900,843	72,957	924,651
Permits	37,000	37,000	35,067	1,933	35,067
Outside services	23,000	23,000	16,493	6,507	22,391
Total Sanitation Operations	<u>12,514,099</u>	<u>12,514,099</u>	<u>11,480,280</u>	<u>1,033,819</u>	<u>10,896,208</u>
General and Administrative:					
Legal	137,500	137,500	87,054	50,446	75,605
Accounting and audit	13,000	13,000	15,025	(2,025)	12,100
Management and consulting	168,570	168,570	124,085	44,485	131,378
Benefit administration	48,750	48,750	36,738	12,012	40,579
Community relations	30,615	30,615	13,265	17,350	15,821
On-call housing	-	-	4,628	(4,628)	-
Directors fees and expenses	13,088	13,088	9,845	3,243	34,517
Maintenance contracts	45,000	45,000	40,750	4,250	49,013
Sanitation quality	560,000	560,000	523,972	36,028	502,746
Treasurer's fees	56,301	56,301	55,955	346	55,341
Debt issuance costs	225,000	225,000	-	225,000	-
Net loan advances (repayments)	(29,100)	(29,100)	(4,013)	25,087	(501)
Total General and Administrative	<u>1,268,724</u>	<u>1,268,724</u>	<u>907,304</u>	<u>411,594</u>	<u>916,599</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, 2015
(With Comparative Totals for the Year Ended 2014)
(Continued)

	2015			2014	
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Expenditures - Sanitation (continued):					
Debt Service:					
Principal	3,123,229	3,123,229	2,613,630	509,599	2,051,396
Interest	3,222,912	3,222,912	2,329,509	893,403	2,456,327
Subtotal - Debt Service	<u>6,346,141</u>	<u>6,346,141</u>	<u>4,943,139</u>	<u>1,403,002</u>	<u>4,507,723</u>
Capital Outlay	<u>13,889,090</u>	<u>13,889,090</u>	<u>16,134,060</u>	<u>(2,244,970)</u>	<u>7,171,197</u>
Total Sanitation Expenditures	<u>34,018,054</u>	<u>34,018,054</u>	<u>33,464,783</u>	<u>603,445</u>	<u>23,491,727</u>
Total District Expenditures	<u>43,551,061</u>	<u>43,551,061</u>	<u>42,224,883</u>	<u>1,376,352</u>	<u>30,887,864</u>
Excess (Deficiency) of Revenues Over Expenditures	8,612,471	8,612,471	(11,275,082)	(19,837,379)	(2,794,253)
Fund Available - Beginning of Year	<u>24,381,439</u>	<u>24,381,439</u>	<u>44,145,072</u>	<u>19,763,633</u>	<u>46,939,325</u>
Funds Available - End of Year	<u>32,993,910</u>	<u>32,993,910</u>	<u>32,869,990</u>	<u>(73,746)</u>	<u>44,145,072</u>
Funds available at year-end is computed as follows:					
	<u>Water</u>	<u>Sanitation</u>	<u>Total</u>		<u>Total</u>
Current assets	9,450,810	32,567,057	42,017,868		52,197,697
Current liabilities and unavailable property tax revenue	(2,835,512)	(9,576,042)	(12,411,556)		(11,608,425)
Current portion of long-term obligations	965,556	2,298,123	3,263,678		3,555,800
	<u>7,580,854</u>	<u>25,289,138</u>	<u>32,869,990</u>		<u>44,145,072</u>

Reconciliation to GAAP Basis

	Water	Sanitation	Total	Total
Excess (deficiency) of revenues over expenditures	(1,406,724)	(9,868,358)	(11,275,082)	(2,794,253)
Contributed assets from developers	148,753	122,969	271,722	110,939
Change in patronage dividends receivable	(5,966)	(9,784)	(15,750)	6,081
Change in other long-term receivables	4,832	-	4,832	(106,132)
Proceeds from disposition of capital assets	(63,557)	(190,670)	(254,227)	(405,398)
Gain (loss) on disposition of property	28,468	(359,334)	(330,866)	78,548
Depreciation	(1,674,284)	(6,505,166)	(8,179,450)	(7,883,050)
Amortization of bond premiums, discounts, and refunding costs	33,869	130,335	164,204	164,205
Net loan advances (repayments)	-	(4,013)	(4,013)	(501)
Debt principal payments	942,168	2,613,630	3,555,798	2,955,351
Capitalized assets	2,664,772	16,134,060	18,798,832	8,350,562
Prior year construction in progress expensed in the current year	-	(18,895)	(18,895)	-
Capitalized interest	-	326,967	326,967	164,040
Change in compensated absences	(1,732)	(5,196)	(6,928)	15,666
Change in Net Position - GAAP Basis	<u>670,599</u>	<u>2,366,545</u>	<u>3,037,144</u>	<u>656,058</u>

**Eagle River Water and Sanitation District
Schedule of Debt Service Requirements to Maturity - Water
December 31, 2015**

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

<u>Year Ending December 31,</u>	<u>Principal Due September 16</u>	<u>Interest Due September 16</u>	<u>Total</u>
2016	65,555	65,128	130,683
2017	69,129	61,554	130,683
2018	72,896	57,787	130,683
2019	76,869	53,814	130,683
2020	81,059	49,624	130,683
2021	85,476	45,207	130,683
2022	90,135	40,548	130,683
2023	95,047	35,636	130,683
2024	100,227	30,456	130,683
2025	105,689	24,994	130,683
2026	111,449	19,234	130,683
2027	117,524	13,159	130,683
2028	123,929	6,754	130,683
	<u>1,194,984</u>	<u>503,895</u>	<u>1,698,879</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, 2015

2009 Water Enterprise Revenue Bonds
Original Principal - \$13,225,000
Interest Rate - 3.00% to 5.13%

<u>Year Ending December 31,</u>	<u>Principal Due June 1 and December 1</u>	<u>Interest Due June 1 and December 1</u>	<u>Total</u>
2016	290,000	585,763	875,763
2017	305,000	574,162	879,162
2018	315,000	561,963	876,963
2019	325,000	549,362	874,362
2020	340,000	536,363	876,363
2021	355,000	521,912	876,912
2022	370,000	506,825	876,825
2023	385,000	491,100	876,100
2024	400,000	474,738	874,738
2025	420,000	457,737	877,737
2026	440,000	436,738	876,738
2027	460,000	414,737	874,737
2028	485,000	391,738	876,738
2029	510,000	367,487	877,487
2030	535,000	341,988	876,988
2031	560,000	315,237	875,237
2032	590,000	287,238	877,238
2033	620,000	257,737	877,737
2034	650,000	226,738	876,738
2035	685,000	194,237	879,237
2036	720,000	159,131	879,131
2037	755,000	122,231	877,231
2038	795,000	83,538	878,538
2039	835,000	42,794	877,794
	<u>12,145,000</u>	<u>8,901,494</u>	<u>21,046,494</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, 2015**

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
2016	260,000	70,900	330,900
2017	265,000	63,100	328,100
2018	270,000	55,150	325,150
2019	280,000	47,050	327,050
2020	300,000	35,850	335,850
2021	300,000	23,850	323,850
2022	315,000	12,600	327,600
	1,990,000	308,500	2,298,500

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, 2015

2012 Water General Obligation Bonds			
Original Principal - \$1,000,000			
Interest Rate - 2.30% to 2.50%			
Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2016	-	40,000	40,000
2017	-	40,000	40,000
2018	-	40,000	40,000
2019	-	40,000	40,000
2020	-	40,000	40,000
2021	-	40,000	40,000
2022	-	40,000	40,000
2023	130,000	40,000	170,000
2024	135,000	35,000	170,000
2025	140,000	29,800	169,800
2026	145,000	24,400	169,400
2027	145,000	18,600	163,600
2028	150,000	12,600	162,600
2029	155,000	6,400	161,400
	<u>1,000,000</u>	<u>446,800</u>	<u>1,446,800</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, 2015

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

<u>Year Ending December 31,</u>	<u>Principal Due December 1</u>	<u>Interest Due June 1 and December 1</u>	<u>Total</u>
2016	350,000	220,400	570,400
2017	375,000	209,900	584,900
2018	375,000	198,650	573,650
2019	385,000	187,400	572,400
2020	400,000	175,850	575,850
2021	415,000	163,850	578,850
2022	420,000	151,400	571,400
2023	440,000	138,800	578,800
2024	460,000	121,200	581,200
2025	475,000	102,800	577,800
2026	490,000	83,800	573,800
2027	515,000	64,200	579,200
2028	535,000	43,600	578,600
2029	555,000	22,200	577,200
	<u>6,190,000</u>	<u>1,884,050</u>	<u>8,074,050</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, 2015**

**1998 Loan - General Obligation
Payable to Colorado Water Resources and
Power Development Authority
Principal - \$17,685,396
Interest Rate - 3.94%**

<u>Year Ending December 31,</u>	<u>Principal Due February 1 and August 1</u>	<u>Interest Due February 1 and August 1</u>	<u>Total</u>
2016	1,333,124	53,056	1,386,180
	<u>1,333,124</u>	<u>53,056</u>	<u>1,386,180</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, 2015

2009 Wastewater Revenue Bonds
Direct Pay Build America Bonds
Principal - \$15,785,000
Interest Rate - 4.71% - 6.79%

<u>Year Ending December 31,</u>	<u>Principal Due December 1</u>	<u>Interest Due June 1 and December 1</u>	<u>Total</u>
2016	370,000	975,323	1,345,323
2017	385,000	957,897	1,342,897
2018	395,000	939,763	1,334,763
2019	405,000	921,158	1,326,158
2020	420,000	902,083	1,322,083
2021	435,000	878,101	1,313,101
2022	450,000	853,263	1,303,263
2023	470,000	827,567	1,297,567
2024	485,000	800,731	1,285,731
2025	505,000	770,127	1,275,127
2026	525,000	738,261	1,263,261
2027	545,000	705,134	1,250,134
2028	570,000	670,745	1,240,745
2029	595,000	634,777	1,229,777
2030	615,000	597,233	1,212,233
2031	645,000	556,397	1,201,397
2032	670,000	513,569	1,183,569
2033	700,000	469,081	1,169,081
2034	730,000	422,601	1,152,601
2035	760,000	374,129	1,134,129
2036	795,000	322,525	1,117,525
2037	830,000	268,545	1,098,545
2038	865,000	212,187	1,077,187
2039	2,260,000	153,454	2,413,454
	15,425,000	15,464,651	30,889,651

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, 2015

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

<u>Year Ending December 31,</u>	<u>Principal Due December 1</u>	<u>Interest Due June 1 and December 1</u>	<u>Total</u>
2016	595,000	1,208,850	1,803,850
2017	615,000	1,191,000	1,806,000
2018	635,000	1,172,550	1,807,550
2019	655,000	1,153,500	1,808,500
2020	665,000	1,140,400	1,805,400
2021	685,000	1,120,450	1,805,450
2022	705,000	1,099,900	1,804,900
2023	735,000	1,071,700	1,806,700
2024	765,000	1,042,300	1,807,300
2025	795,000	1,011,700	1,806,700
2026	835,000	971,950	1,806,950
2027	875,000	930,200	1,805,200
2028	920,000	886,450	1,806,450
2029	955,000	851,350	1,806,350
2030	990,000	814,900	1,804,900
2031	1,030,000	777,200	1,807,200
2032	1,070,000	738,100	1,808,100
2033	1,110,000	697,500	1,807,500
2034	1,165,000	642,000	1,807,000
2035	1,220,000	583,750	1,803,750
2036	1,285,000	522,750	1,807,750
2037	1,350,000	458,500	1,808,500
2038	1,415,000	391,000	1,806,000
2039	1,485,000	320,250	1,805,250
2040	1,560,000	246,000	1,806,000
2041	1,640,000	168,000	1,808,000
2042	1,720,000	86,000	1,806,000
	<u>27,475,000</u>	<u>21,298,250</u>	<u>48,773,250</u>

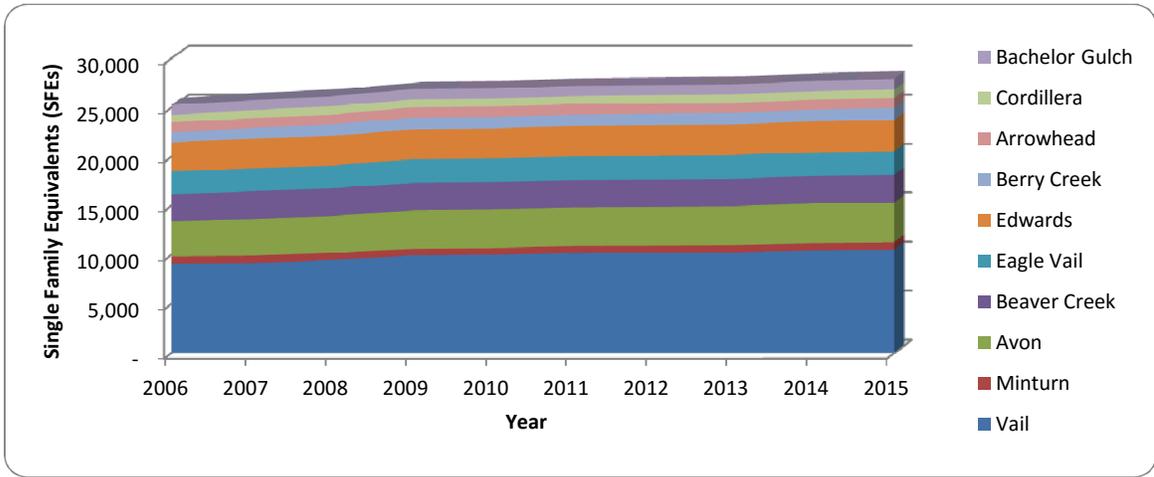
The accompanying notes are an integral part of these financial statements.

STATISTICAL SECTION



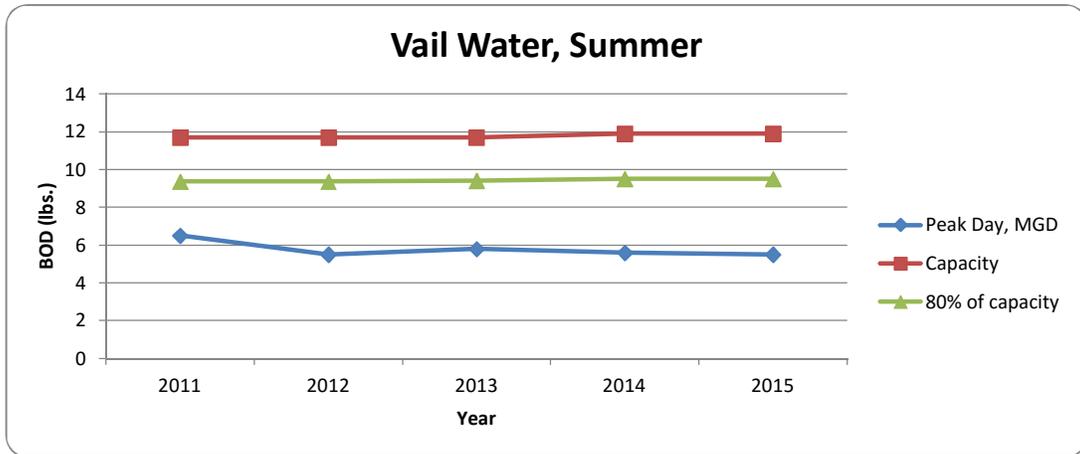
Eagle River Water & Sanitation District

**Eagle River Water and Sanitation District
Single Family Equivalents (SFEs) in Service
Ten Year Comparison
December 31, 2015
(Unaudited)**



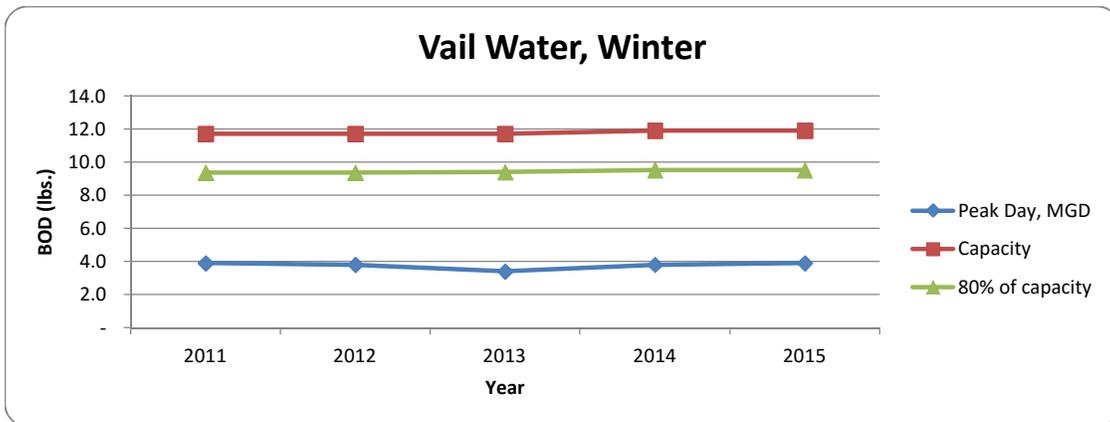
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Vail	9,135	9,198	9,502	9,932	10,004	10,184	10,218	10,264	10,474	10,551
Minturn	704	698	705	699	697	710	709	711	724	726
Avon	3,587	3,801	3,821	3,913	3,916	3,932	3,953	3,969	4,038	4,062
Beaver Creek	2,704	2,745	2,715	2,779	2,781	2,794	2,799	2,802	2,807	2,823
Eagle Vail	2,382	2,391	2,392	2,401	2,402	2,409	2,408	2,410	2,414	2,425
Edwards	2,953	3,025	3,075	3,111	3,119	3,125	3,147	3,140	3,150	3,174
Berry Creek	1,078	1,102	1,106	1,162	1,165	1,169	1,171	1,180	1,190	1,195
Arrowhead	973	986	998	1,017	1,025	1,021	1,026	1,031	1,040	1,050
Cordillera	766	791	829	845	845	853	852	858	862	868
Bachelor Gulch	984	1,043	1,044	1,055	1,058	1,065	1,065	1,071	1,069	1,076
Total SFEs	<u>25,266</u>	<u>25,780</u>	<u>26,187</u>	<u>26,914</u>	<u>27,012</u>	<u>27,262</u>	<u>27,348</u>	<u>27,436</u>	<u>27,768</u>	<u>27,948</u>
Percent increase	<u>4.31%</u>	<u>2.03%</u>	<u>1.58%</u>	<u>2.78%</u>	<u>0.36%</u>	<u>0.93%</u>	<u>0.32%</u>	<u>0.32%</u>	<u>1.21%</u>	<u>0.65%</u>

**Eagle River Water and Sanitation District
Water Demand Compared To Capacity
Five Year Comparison
December 31, 2015
(Unaudited)**



Vail Water, Summer

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Peak Day, MGD	6.5	5.5	5.8	5.6	5.5
Capacity	11.7	11.7	11.7	11.9	11.9
80% of capacity	9.4	9.4	9.4	9.5	9.5
Flow, MGD as a % Capacity	56%	47%	50%	47%	46%

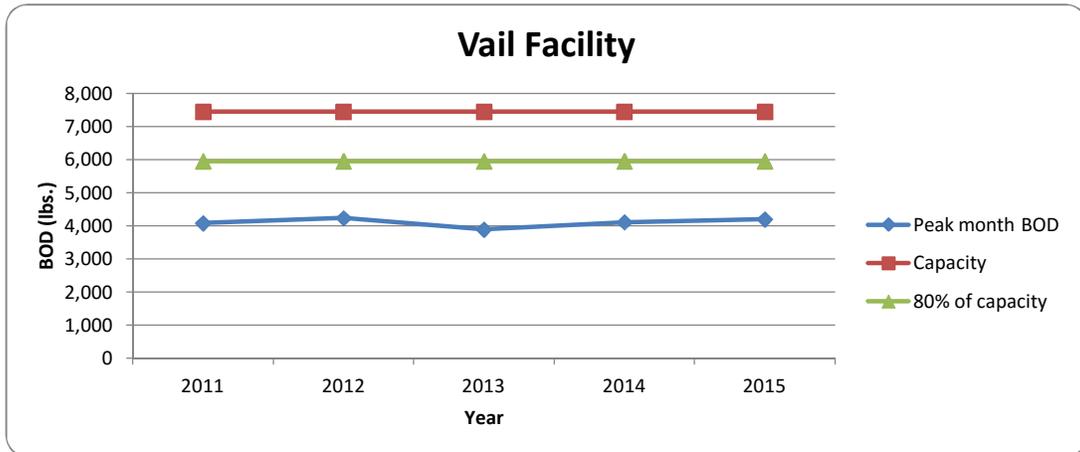


Vail Water, Winter

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Peak Day, MGD	3.9	3.8	3.4	3.8	3.9
Capacity	11.7	11.7	11.7	11.9	11.9
80% of capacity	9.4	9.4	9.4	9.5	9.5
Flow, MGD as a % Capacity	33%	32%	29%	32%	33%

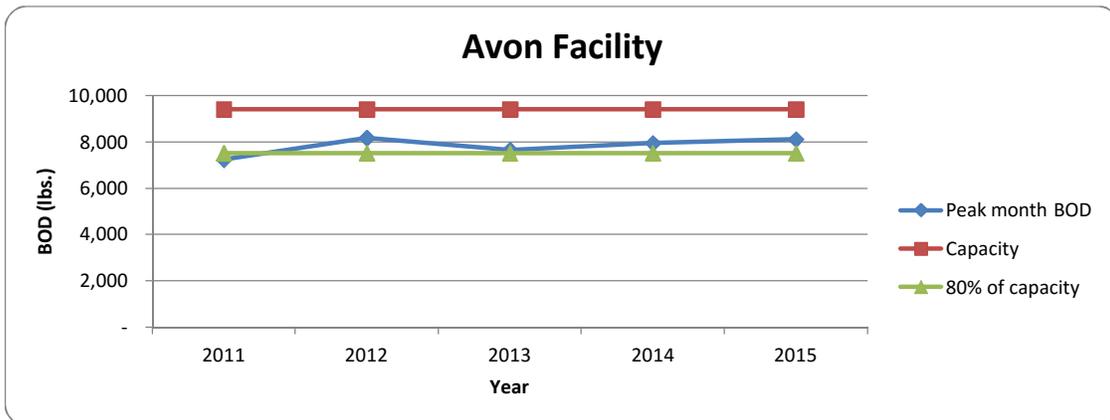
**Eagle River Water and Sanitation District
Wastewater Loadings Compared to Facility Capacity
Five Year Comparison
December 31, 2015
(Unaudited)**

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Peak month BOD	4,084	4,236	3,887	4,110	4,197
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	55%	57%	52%	55%	56%

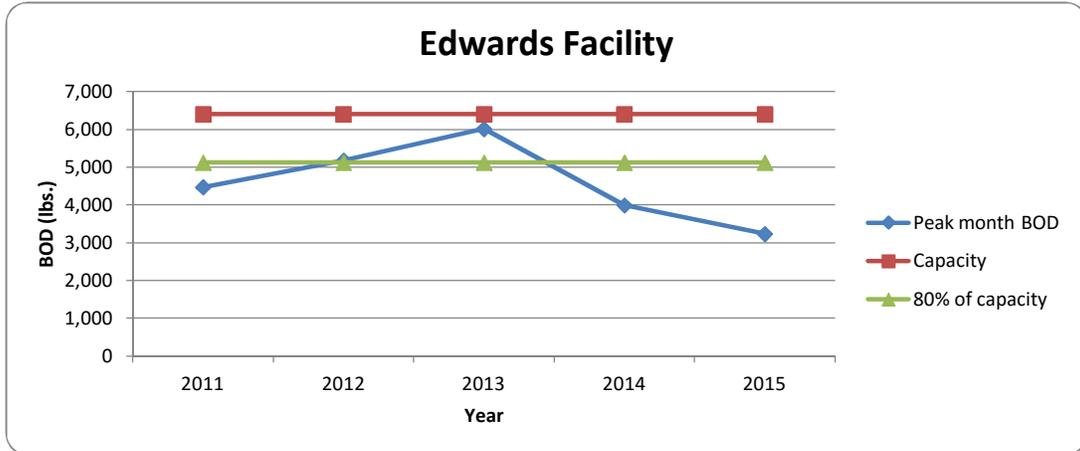


Avon Facility

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Peak month BOD	7,223	8,169	7,648	7,945	8,109
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	77%	87%	81%	85%	86%

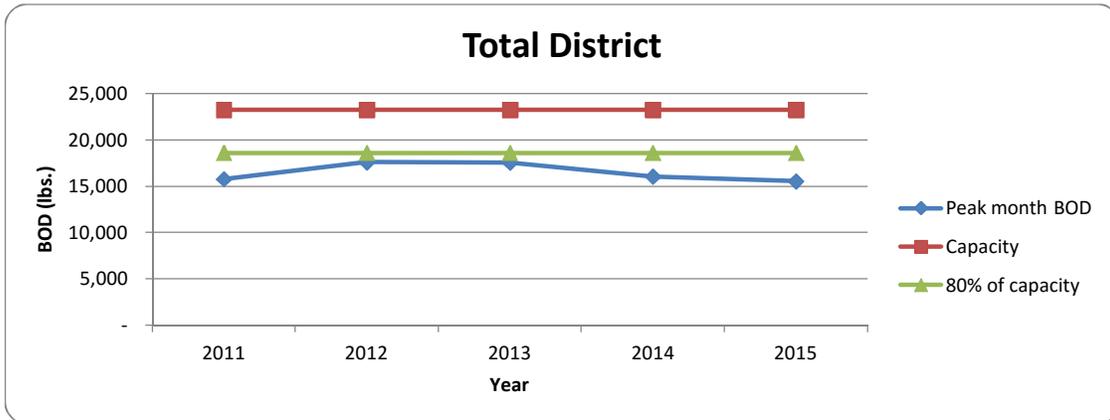
**Eagle River Water and Sanitation District
Wastewater Loadings Compared to Facility Capacity
Five Year Comparison
December 31, 2015
(Continued)
(Unaudited)**

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Peak month BOD	4,474	5,183	6,017	3,996	3,235
Capacity	6,400	6,400	6,400	6,400	6,400
80% of capacity	5,120	5,120	5,120	5,120	5,120
Peak month BOD as % of capacity	70%	81%	94%	62%	51%



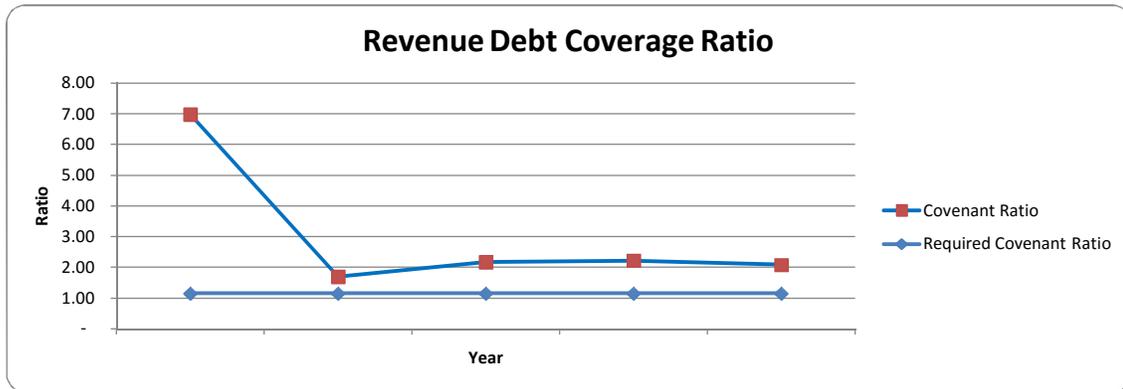
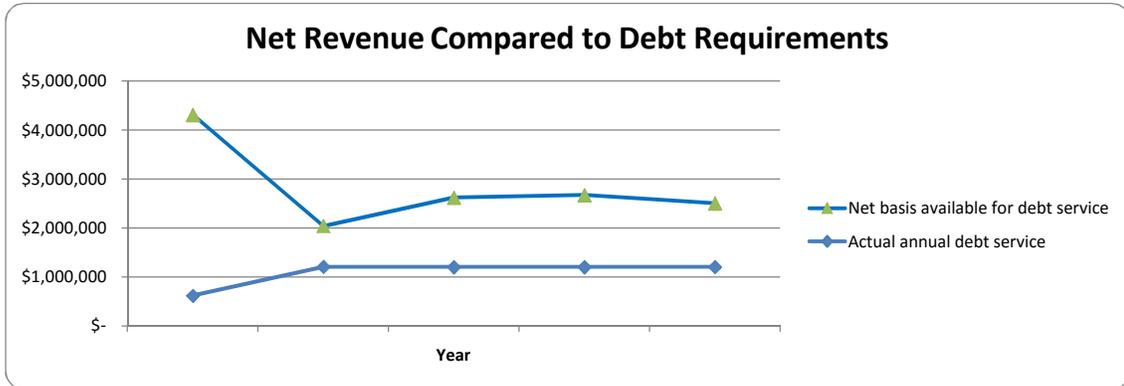
Total District

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Peak month BOD	15,781	17,588	17,552	16,051	15,541
Capacity	23,250	23,250	23,250	23,250	23,250
80% of capacity	18,600	18,600	18,600	18,600	18,600
Peak month BOD as % of capacity	68%	76%	75%	69%	67%

**Eagle River Water and Sanitation District
Top 10 Customers
Five Year Comparison
December 31, 2015
(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>			
Ski Company / Resort	88,160	\$ 145,898	3.0%
Town of Vail	19,994	115,102	2.4%
Hotel / Resort	24,796	104,870	2.2%
Hotel / Resort	18,559	101,621	2.1%
Condominiums / Resort	12,002	88,157	1.8%
Hotel / Resort	18,363	81,936	1.7%
Hospital	14,343	61,854	1.3%
Hotel / Resort / Commercial	13,770	57,304	1.2%
Hotel / Resort	10,493	56,020	1.2%
Condominiums / Resort	7,394	47,579	1.0%
Total - Top 10 Customers	<u>227,874</u>	<u>\$ 860,341</u>	<u>17.9%</u>
Total - All Other Customers	<u>487,518</u>	<u>3,949,083</u>	<u>82.1%</u>
Total Service Fees	<u>715,392</u>	<u>\$ 4,809,424</u>	<u>100.0%</u>
<u>Wastewater Sales</u>			
Ski Company / Resort		\$ 304,602	2.3%
Mobile Home Park		184,249	1.4%
Hotel / Resort		152,266	1.1%
Hotel / Resort		142,935	1.1%
UERWA Drinking Water Facility		130,361	1.0%
Hotel / Resort		118,510	0.9%
Condominiums / Resort		105,111	0.8%
Condominiums / Resort		102,612	0.8%
Condominiums / Resort		100,760	0.8%
Apartment Complex		100,648	0.7%
Total - Top 10 Customers		<u>\$ 1,442,054</u>	<u>10.7%</u>
Total - All Other Customers		<u>11,992,115</u>	<u>89.3%</u>
Total Service Fees		<u>\$ 13,434,169</u>	<u>100.0%</u>

**Eagle River Water and Sanitation District
Rate Maintenance Covenant - Water
Five Year Comparison
December 31, 2015
(Unaudited)**



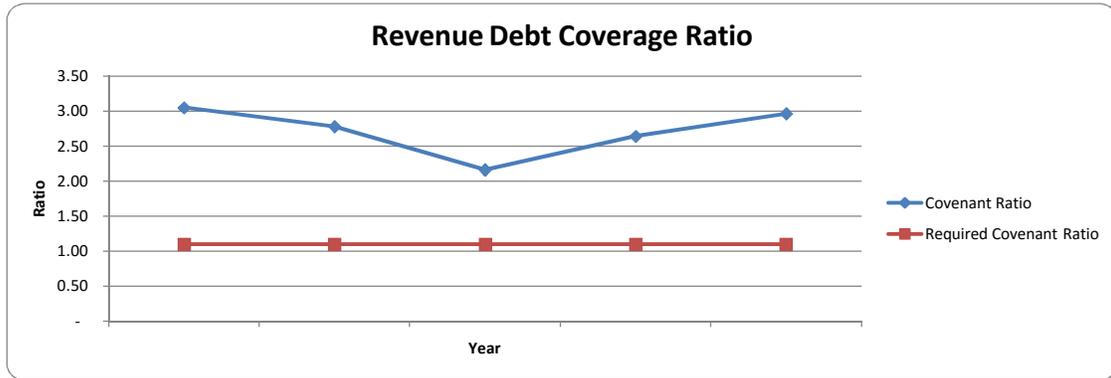
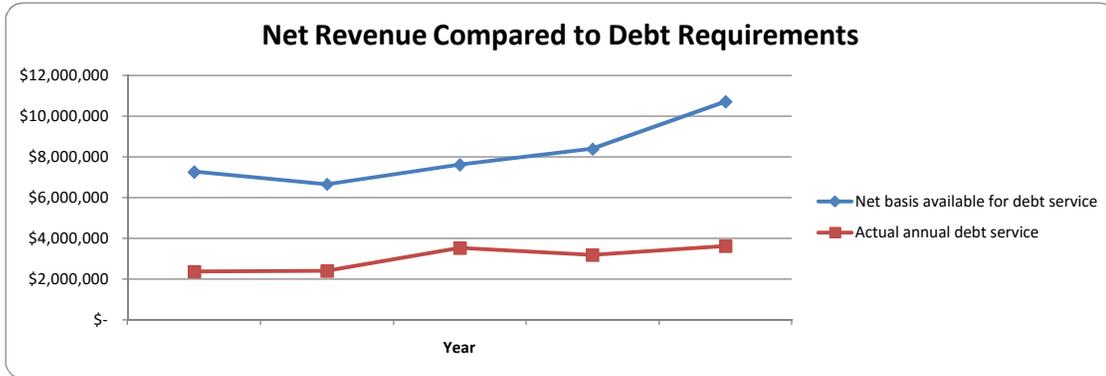
Per the bond covenants, the District is to assess a fee to cover operations and maintenance and 115% of water debt service.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating revenue	4,070,509	4,498,998	4,839,562	4,874,625	4,884,210
Plus:					
Tap fees and other contributed cash	160,635	308,895	309,134	761,113	485,228
Investment income	33,651	15,620	9,640	21,261	18,706
Property taxes for general operating	516,076	424,746	429,259	446,884	446,643
Other non-operating revenues	123,791	27,076	23,312	22,630	18,651
Proceeds from sale of system	2,375,000	-	-	-	-
Rate stabilization funds	600,000	600,000	600,000	600,000	600,000
Total revenues available for debt service	7,879,662	5,875,335	6,210,907	6,726,513	6,453,438
Expenses	6,330,821	6,442,116	6,239,419	6,837,516	6,754,017
Less:					
Interest expense	(1,153,948)	(1,047,355)	(988,993)	(1,007,672)	(978,037)
Depreciation	(1,422,477)	(1,418,591)	(1,521,530)	(1,606,490)	(1,674,283)
Major capital additions	(188,747)	(142,970)	(138,275)	(170,040)	(154,719)
Total expenses available for debt service	3,565,649	3,833,200	3,590,621	4,053,314	3,946,978
Net basis available for debt service	4,314,013	2,042,135	2,620,286	2,673,199	2,506,460
Actual annual debt service (excluding general obligation debt)	618,162	1,207,444	1,204,862	1,202,713	1,205,062
Covenant Ratio	6.98	1.69	2.17	2.22	2.08
Required Covenant Ratio	1.15	1.15	1.15	1.15	1.15

Rate Maintenance Covenant: The District's Water Enterprise Series 2009 bonds include a Rate Maintenance Covenant sufficient revenues to pay: (i) Operation and Maintenance Expenses, (ii) 115% of each Fiscal Year's Bond Requirements of the Bonds, (iii) any amounts required to pay all Policy Costs then due and owing and all sums, (iv) any amounts required to meet then existing deficiencies pertaining to any fund or account relating to the Gross Pledged Revenues or any securities payable there from.

The above Rate Maintenance Covenant is tested annually. It is the District's policy to use unrestricted cash and investments (\$6,375,652 at December 31, 2015) to meet the Rate Maintenance Covenant if necessary.

**Eagle River Water and Sanitation District
Rate Maintenance Covenant - Sanitation
Five Year Comparison
December 31, 2015
(Unaudited)**



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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating revenue	15,560,966	16,000,377	16,555,561	16,814,212	19,882,202
Plus:					
Tap fees and other contributed cash	667,464	542,998	891,676	1,211,291	1,102,004
Investment income	33,834	30,623	52,821	91,645	71,504
Interest credit - Build America Bonds	347,298	347,298	319,688	322,119	322,813
Property taxes for general operating	650,756	513,105	516,631	506,338	507,831
Other non-operating revenues	161,421	140,215	78,936	81,665	55,953
Rate stabilization funds	600,000	600,000	600,000	600,000	600,000
Total revenues available for debt service	<u>18,021,739</u>	<u>18,174,616</u>	<u>19,015,313</u>	<u>19,627,270</u>	<u>22,542,307</u>
Expenses	17,721,463	18,865,900	20,273,980	20,189,192	20,737,104
Less:					
Interest expense	(1,278,024)	(1,309,408)	(2,223,333)	(2,166,414)	(1,872,207)
Depreciation	(5,248,218)	(5,463,258)	(6,060,278)	(6,276,561)	(6,505,166)
Major capital additions	(429,580)	(569,755)	(590,412)	(502,746)	(523,972)
Total expenses available for debt service	<u>10,765,641</u>	<u>11,523,479</u>	<u>11,399,957</u>	<u>11,243,471</u>	<u>11,835,759</u>
Net basis available for debt service	<u><u>7,256,098</u></u>	<u><u>6,651,137</u></u>	<u><u>7,615,356</u></u>	<u><u>8,383,799</u></u>	<u><u>10,706,548</u></u>
Actual annual debt service (excluding general obligation debt)	<u><u>2,378,633</u></u>	<u><u>2,390,602</u></u>	<u><u>3,518,690</u></u>	<u><u>3,172,788</u></u>	<u><u>3,610,528</u></u>
Covenant Ratio	<u>3.05</u>	<u>2.78</u>	<u>2.16</u>	<u>2.64</u>	<u>2.97</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 2009A, 2009B, and 2012 include a Rate Maintenance Covenant sufficient revenues to pay: (i) Operation and Maintenance Expenses, (ii) 110% of each Fiscal Year's Bond Requirements of the Bonds, (iii) any amounts required to pay all Policy Costs then due and owing and all sums, (iv) any amounts required to meet then existing deficiencies pertaining to any fund or account relating to the Gross Pledged Revenues or any securities payable there from.

The above Rate Maintenance Covenant is tested annually. It is the District's policy to use unrestricted cash and investments (\$21,883,267 at December 31, 2015) 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, 2015
(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	
2010	\$ 1,047,156,590 *	0.475	0.940	\$ 1,481,727	\$ 1,473,417	99.4%
2011	1,059,176,210 *	0.475	0.934	1,492,379	1,481,122	99.2%
2012	871,564,200 *	0.475	1.135	1,403,218	1,384,378	98.7%
2013	867,000,510 *	0.475	1.109	1,373,329	1,371,553	99.9%
2014	903,631,550 *	0.475	1.001	1,333,760	1,316,106	98.7%
2015	891,582,030 *	0.475	1.067	1,374,819	1,374,344	100.0%
2016	1,011,063,110 *	0.444	0.931	1,390,212		

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.

* Net of Tax Increment Funding Areas (TIF), not generating Tax Revenue to the Sanitation District.

Eagle River Water and Sanitation District
Assessed Valuation, Property Taxes Levied and Collected - Sanitation
Five Year Comparison
December 31, 2015
(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	
2010	\$ 2,533,899,100 *	0.251	0.544	\$ 2,014,450	\$ 1,994,677	99.0%
2011	2,537,532,640 *	0.251	0.545	2,019,876	1,999,673	99.0%
2012	2,020,250,180 *	0.247	0.685	1,882,873	1,865,020	99.1%
2013	2,012,536,240 *	0.247	0.684	1,873,671	1,869,598	99.8%
2014	1,970,636,950 *	0.247	0.699	1,864,222	1,841,352	98.8%
2015	1,953,185,640 *	0.247	0.707	1,863,339	1,862,282	99.9%
2016	2,214,842,850 *	0.231	0.621	1,887,046		

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.

* Net of Tax Increment Funding Areas (TIF), not generating Tax Revenue to the Sanitation District.

**Eagle River Water and Sanitation District
Schedule of Water & Storage Rights
December 31, 2015
(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 \$3,466,756. 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, 2015.

The appraisal value as of January 21, 2016, 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
Investment in Eagle Park Reservoir Company	434.5	\$26,250	\$3,466,756	\$11,405,625
Homestake Reservoir	250	26,250	0	6,562,500
Green Mtn. Res. contract	934	1,000	0	934,000
Wolford Mtn. Res. contract	500	3,280	0	1,640,000
Black Lakes storage	425	26,250	0	11,156,250
Conditional storage	7,684.76042	100	0	768,476
In-basin consumptive use	902	8,300	1,496,416	7,486,600
Direct flow HUP water (winter)	89	26,250	0	2,336,250
TOTAL			\$4,963,172	\$42,289,701

Water Rights Owned

Eagle Park Reservoir

The District owns or has a perpetual contractual right to the water rights in connection with Eagle Park Reservoir (434.5 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 \$26,250 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 \$26,250 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, 2015
(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 \$328 per acre-foot per year, or a total of \$3,280 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, 2015
(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 \$26,250 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 (7,684.76042 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 \$8,300 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 \$26,250 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, 2015
(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.