Upper Eagle Regional Water Authority
Vail, Colorado

Financial Statements
December 31, 2016 and 2015

UPPER EAGLE REGIONAL
WATER AUTHORITY

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Financial Statements
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Upper Eagle Regional Water Authority

We have audited the accompanying financial statements of the Upper Eagle Regional Water Authority (the "Authority"), as of and for the year ended December 31, 2016, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements. The prior year comparative information has been derived from the Upper Eagle Regional Water Authority's 2015 financial statements and, in our report dated July 22, 2016, we expressed an unqualified opinion on those 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 Upper Eagle Regional Water Authority as of December 31, 2016, 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

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To the Board of Directors
Upper Eagle Regional Water Authority

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
June 30, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

UPPER EAGLE REGIONAL
WATER AUTHORITY

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

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

Financial Highlights

In 2016, total net position increased by $245,146 from $58,089,597 in 2015 to $58,334,743 in 2016. Depreciation expense of $4,965,517 netted with debt payments of $1,736,085 and capitalized expenditures of $5,272,380 are the main reasons for the increase in net position. Overall for the year, current and other assets decreased by $1,416,570. A bond issue in April 2013 provided cash for the multi-year capital program. Proceeds being held at December 31, 2016, for future capital project spending were $3,386,591. Capital assets increased by $380,122, which represents total capital additions and contributions, net of changes in accumulated depreciation and disposals. Total liabilities decreased $1,365,132 during 2016, primarily as a result of scheduled annual debt service payments.

In 2016, total revenues increased by $2,088,645 relative to 2015, and total expenses decreased by $333,497 when compared to 2015. The Authority's 2016 financial activity generated a net decrease of $1,958,572 in net position prior to the depreciation on capital assets. In accordance with Generally Accepted Accounting Principles (GAAP), $4,965,517 of capital asset depreciation was expensed, which does not represent cash funding for capital assets in the current period. The net result after GAAP adjustments was an increase in net position of $245,146 for 2016, compared to a decrease in net position of $2,176,996 in 2015.

In 2015, total revenues increased by $783,626 relative to 2014, and total expenses decreased by $192,186 when compared to 2014. The Authority's 2015 financial activity generated a $859,732 decrease in net position prior to the depreciation on capital assets. In accordance with Generally Accepted Accounting Principles (GAAP), $4,848,553 of capital asset depreciation was expensed, which does not represent cash funding for capital assets in the current period. The net result after GAAP adjustments was a decrease in net position of $2,176,996 for 2015, compared to a $2,528,273 decrease in 2014.

Overview of the Financial Statements

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

The *Statements of Net Position* present information on all of the Authority'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 Authority is improving or deteriorating.

Overview of the Financial Statements (continued)

The *Statements of Revenues, Expenses and Changes in Net Position* present information that reflects how the Authority'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 Authority's cash flows from operating, capital and related financing, and investing activities.

These financial statements distinguish functions of the Authority that will be principally supported by service charges. The functions of the Authority include effective and economical operation of water systems within the jurisdictional boundaries of the Authority. 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

	2016	2015	2014
Assets:			
Current and other assets	$ 18,845,970	$ 20,262,540	$ 21,244,375
Capital assets, net	74,222,573	73,842,451	76,756,331
Total Assets	93,068,543	94,104,991	98,000,706
Deferred Outflows of Resources:			
Deferred charge on refunding	168,311	251,849	335,387
Total Deferred Outflows of Resources	168,311	251,849	335,387
Liabilities:			
Long-term liabilities	33,692,926	35,459,167	37,156,475
Other liabilities	1,209,185	808,076	913,025
Total Liabilities	34,902,111	36,267,243	38,069,500
Net Position:			
Net investment in capital assets	45,395,371	46,642,138	49,516,844
Restricted:			
Debt	2,900,931	2,846,233	2,811,751
Capital projects	3,386,591	6,620,099	8,122,541
Unrestricted	6,651,850	1,981,127	(184,543)
Total Net Position	$ 58,334,743	$ 58,089,597	$ 60,266,593

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities. The general decline in net position is a result of expensing annual asset depreciation in accordance with GAAP reporting, however in 2016 capital asset additions exceeded depreciation expense.

Overview of the Financial Statements (continued)

The largest portion of the Authority's net position reflects its investment in capital assets, less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Authority'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.

REVIEW OF REVENUES

	2016	2015	2014
Revenues:			
Operating revenues:			
Service fees	$ 11,290,298	$ 10,550,610	$ 10,156,965
Non-operating revenues:			
Investment income	95,809	31,081	24,899
Interest credit - Build America Bonds	291,862	291,235	290,609
Other	42,509	38,738	51,652
Capital contributions:			
Plant investment fees	760,056	863,905	337,253
Water storage fees	1,405,763	46,983	(34,438)
Contributed assets	24,900	-	211,986
Total Revenues	13,911,197	11,822,552	11,038,926

In 2016, service revenues continued to increase year over year. The other main increase in revenues relates to contributed cash for the Mountain Star Tank water storage project.

In 2015, service revenues continued to increase year over year. The other main increase in revenues compared to 2014 related to plant investment fees, which represented new development connection fees. This revenue will vary year to year as large buildings and projects are built and connected to the system.

REVIEW OF EXPENSES

	2016	2015	2014
Expenses:			
Operating Expenses:			
Water treatment	3,876,409	4,097,228	4,120,462
Water distribution	4,684,616	4,548,505	4,163,719
Other operating	1,133,586	1,084,514	1,107,854
General and administrative	2,336,793	2,506,990	2,373,978
Non-operating expenses:			
Interest expense	1,631,664	1,760,244	1,798,661
Other	2,983	2,067	2,525
Total Expenses	13,666,051	13,999,548	13,567,199
Change in Net Position	245,146	(2,176,996)	(2,528,273)
Net Position - Beginning of Year	58,089,597	60,266,593	62,794,866
Net Position - End of Year	$ 58,334,743	$ 58,089,597	$ 60,266,593

In 2016, total expenses decreased slightly year over year. The decrease in expenses relates to slight operational decreases and decreases in interest expense as debt is paid down. Management budgeting efforts continued to hold operating expenses stable during 2016.

In 2015, total expenses are above the total expenses in 2014. Management budgeting efforts continued to hold operating expenses stable during 2015. The increase is associated primarily with an increase in water distribution costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, as of December 31, 2016 and 2015, were $74,222,573 and $73,842,451, respectively. This investment in capital assets includes land and land improvements, water rights and storage, treatment plants, distribution systems, telemetry, water wells and construction in process.

Most of the water and storage rights currently used by the Authority were provided by the member government entities at no cost to the Authority. In accordance with Governmental Accounting Standards Board (GASB), only owned water and storage rights are shown on the Authority's Statement of Net Position at historic cost, totaling $1,709,148. This cost represents mostly legal expenditures to establish the Authority's ability to use these rights to provide water directly to the customers of each of its members 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 $4,445,917. Management of the Authority believes the actual value of these water and storage rights used by the Authority to be much greater than historical cost at December 31, 2016. See the Schedule of Water and Storage Rights in the Statistical Section (page F5-7) for additional information.

Analysis of changes in capital assets in 2016 is as follows:

	1/1/16 Beginning Balance	Additions	Reclasses and Retirements	12/31/16 Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	$ 780,962	$ -	$ -	$ 780,962
Water/storage rights	1,709,148	-	-	1,709,148
Construction in progress	3,546,773	5,395,115	(4,044,799)	4,897,089
Total capital assets, not being depreciated	6,036,883	5,395,115	(4,044,799)	7,387,199
Capital assets, being depreciated:				
Treatment plants	35,395,937	380,953	(1,687,678)	34,089,212
Distribution system	80,219,365	3,572,343	-	83,791,708
Water wells	15,099,116	42,027	-	15,141,143
Total capital assets being depreciated	130,714,418	3,995,323	(1,687,678)	133,022,063
Less accumulated depreciation for:				
Treatment plants	(19,515,167)	(1,463,733)	1,687,678	(19,291,222)
Distribution system	(38,913,007)	(2,896,081)	-	(41,809,088)
Water wells	(4,480,676)	(605,703)	-	(5,086,379)
Total accumulated depreciation	(62,908,850)	(4,965,517)	1,687,678	(66,186,689)
Total capital assets, being depreciated, net	67,805,568	(970,194)	-	66,835,374
Total capital assets, net	$ 73,842,451	$ 4,424,921	$ (4,044,799)	$ 74,222,573

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

In 2016, total net capital assets were $74,222,573, an increase of $380,122 from the 2015 amount of $73,842,451. Net capital asset additions of $3,657,961 were offset by changes in accumulated depreciation of $3,277,839 for a net increase in capital assets of $380,122.

In 2015, total net capital assets were $73,842,451, a decrease of $2,913,880 from the 2014 amount of $76,756,331. Net capital asset additions of $1,934,673 were offset by changes in accumulated depreciation of $4,848,553 for a net decrease in capital assets of $2,913,880.

Additional information on the Authority's capital assets can be found on page D11 in Note III.G to the financial statements.

Long-term Debt

At the end of 2016, the Authority had revenue bonds of $32,382,104 and an assessment payable to Eagle Park Reservoir Company of $1,310,822.

At the end of 2015, the Authority had revenue bonds of $34,072,260 and an assessment payable to Eagle Park Reservoir Company of $1,386,907.

BUDGET VARIANCES AND FUTURE CONSIDERATIONS

Budget Variances

In 2016, revenues were above budget expectations by $1,918,701. The positive variance is mainly due to water storage fees being more than original budgeted amounts. The expenditure budget was $15,834,008, including $5,009,466 of capital additions. Actual expenditures were $130,356 less than budget. The positive is due to slight over and under budgeting of individual items.

2017 Budget Considerations

The Authority 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.

The approved expenditure budget for 2017 is $14,242,252, including $2,900,083 of capital additions.

The 2017 water use rates continue to include base fees and a five-tier usage structure. Each tier allows 10,000 gallons of water use per SFE. The tier pricing progressively increases above previous tier to further promote wise use of water.

During 2017, service rates are increasing 2.0%.

The 2017 monthly water rates are $17.29 service base rate per SFE, plus $5.62 debt service base rate per SFE, plus $3.39 capital replacement program base rate per SFE and tied usage rates of $3.62 per 1,000 gallons for tier one, $5.43 per 1,000 gallons for tier two, $8.14 per 1,000 gallons for tier three, $12.22 per 1,000 gallons for tier four and $18.33 per 1,000 gallons for tier five (41,000 gallons and over).

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the Authority'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

UPPER EAGLE REGIONAL
WATER AUTHORITY

Upper Eagle Regional Water Authority
Statements of Net Position
December 31, 2016 and 2015

	2016	2015
Assets:		
Current Assets:		
Cash and cash equivalents - Unrestricted	5,674,081	4,063,587
Cash and cash equivalents - Restricted	6,287,522	9,466,332
Receivables, net of allowance for uncollectibles:		
Accounts	1,795,788	1,649,733
Interest - Build America Bonds	26,110	26,110
Current portion of notes receivable	6,284	5,960
Prepaid expenses	129,229	114,916
Total Current Assets	13,919,014	15,326,638
Non-current Assets:		
Other Assets:		
Patronage dividend receivable	384,648	387,310
Notes receivable - Due in more than one year	96,391	102,675
Investment in Eagle Park Reservoir Company	4,445,917	4,445,917
Total Other Assets	4,926,956	4,935,902
Capital Assets:		
Land and improvements	780,962	780,962
Water/storage rights	1,709,148	1,709,148
Construction in progress	4,897,089	3,546,773
Treatment plants	34,089,212	35,395,937
Distribution system	83,791,708	80,219,365
Water wells	15,141,143	15,099,116
Less: Accumulated depreciation	(66,186,689)	(62,908,850)
Total Capital Assets	74,222,573	73,842,451
Total Non-current Assets	79,149,529	78,778,353
Total Assets	93,068,543	94,104,991
Deferred Outflows of Resources:		
Deferred charge on refunding	168,311	251,849
Total Deferred Outflows of Resources	168,311	251,849
Total Assets and Deferred Outflows of Resources	93,236,854	94,356,840

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

Upper Eagle Regional Water Authority
Statements of Net Position
December 31, 2016 and 2015
(Continued)

	2016	2015
Liabilities:		
Current Liabilities:		
Accounts payable	1,045,791	486,767
Management fee payable	3,630	1,908
Interest payable	152,082	157,918
Loans and bonds payable - Due within one year	1,810,231	1,736,085
Deposits	7,682	11,644
Total Current Liabilities	3,019,416	2,394,322
Non-current Liabilities:		
Other payables	-	149,839
Loans and bonds payable - Due in more than one year	31,882,695	33,723,082
Total Non-current Liabilities	31,882,695	33,872,921
Total Liabilities	34,902,111	36,267,243
Net Position:		
Net investment in capital assets	45,395,371	46,642,138
Restricted for:		
Debt	2,900,931	2,846,233
Capital projects	3,386,591	6,620,099
Unrestricted	6,651,850	1,981,127
Total Net Position	58,334,743	58,089,597

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

Upper Eagle Regional Water Authority
Statements of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2016 and 2015

	2016	2015
Operating Revenues:		
Service fees	11,290,298	10,550,610
Total Operating Revenues	11,290,298	10,550,610
Operating Expenses:		
Water treatment	3,876,409	4,097,228
Water distribution	4,684,616	4,548,505
Other operating	1,133,586	1,084,514
General and administrative	2,336,793	2,506,990
Total Operating Expenses	12,031,404	12,237,237
Operating Income (Loss)	(741,106)	(1,686,627)
Non-operating Revenues (Expenses):		
Investment income	95,809	31,081
Interest credit - Build America Bonds	291,862	291,235
Other non-operating revenues	42,509	38,738
Interest expense	(1,631,664)	(1,760,244)
Paying agent fees	(2,983)	(2,067)
Total Non-operating Revenues (Expenses)	(1,204,467)	(1,401,257)
Income (Loss) Before Capital Contributions	(1,945,573)	(3,087,884)
Capital Contributions:		
Plant investment fees	760,056	863,905
Water storage fees, net of refunds	1,405,763	46,983
Contributed assets	24,900	-
Total Capital Contributions	2,190,719	910,888
Change in Net Position	245,146	(2,176,996)
Net Position - Beginning of Year	58,089,597	60,266,593
Net Position - End of Year	58,334,743	58,089,597

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

Upper Eagle Regional Water Authority
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities:		
Cash received from customers and others	11,144,243	10,385,739
Cash payments for goods and services	(6,603,960)	(7,346,363)
Net Cash Provided (Used) by Operating Activities	4,540,283	3,039,376
Cash Flows From Non-capital Financing Activities:		
Patronage dividend received	43,357	39,476
Other cash receipts	1,814	5,626
Net Cash Provided (Used) by Non-capital Financing Activities	45,171	45,102
Cash Flows From Capital and Related Financing Activities:		
Cash received from system development fees	760,056	863,905
Cash received from water storage fees	1,405,763	46,983
Interest subsidy payment received - Build America Bonds	291,862	291,235
Cash paid for return of capital asset deposit	(3,962)	(9,168)
Cash paid for principal on debt	(1,736,085)	(1,667,152)
Cash paid for interest and paying agent fees on debt	(1,709,031)	(1,762,860)
Cash paid for capital acquisitions	(5,264,142)	(2,030,891)
Net Cash Provided (Used) by Capital and Related Financing Activities	(6,255,539)	(4,267,948)
Cash Flows From Investing Activities:		
Interest income received	89,888	24,852
Interest received on notes receivable	5,921	6,229
Principal received on notes receivable	5,960	5,652
Net Cash Provided (Used) by Investing Activities	101,769	36,733
Net Increase (Decrease) in Cash and Cash Equivalents	(1,568,316)	(1,146,737)
Cash and Cash Equivalents - Beginning of Year	13,529,919	14,676,656
Cash and Cash Equivalents - End of Year	11,961,603	13,529,919
Represented by Balance Sheet Captions:		
Cash and cash equivalents - Unrestricted	5,674,081	4,063,587
Cash and cash equivalents - Restricted	6,287,522	9,466,332
Cash and Cash Equivalents - End of Year	11,961,603	13,529,919

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

Upper Eagle Regional Water Authority
Statement of Cash Flows
For the Years Ended December 31, 2016 and 2015
(Continued)

	2016	2015
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	(741,106)	(1,686,627)
Adjustments:		
Depreciation	4,965,517	4,848,554
Prior year capitalized assets expensed in the current year	73,571	41,202
(Increase) decrease in accounts receivable	(146,054)	(164,871)
(Increase) decrease in prepaid expenses	(14,313)	(12,047)
Increase (decrease) in accounts payable	550,785	6,767
Increase (decrease) in management fee payable	1,722	1,566
Increase (decrease) in other liabilities	(149,839)	4,832
Total Adjustments	5,281,389	4,726,003
Net Cash Provided (Used) by Operating Activities	4,540,283	3,039,376
Non-cash Investing, Capital, and Financing Activities:		
Contribution of capital assets from developers	24,900	-

NOTES TO THE FINANCIAL STATEMENTS

UPPER EAGLE REGIONAL
WATER AUTHORITY

I. Summary of Significant Accounting Policies

Upper Eagle Regional Water Authority (the "Authority") was formed September 18, 1984 pursuant to an establishing contract by the following entities located in Eagle County, Colorado (the "members"):

- Arrowhead Metropolitan District
- Town of Avon
- Beaver Creek Metropolitan District
- Berry Creek Metropolitan District
- Eagle-Vail Metropolitan District
- Edwards Metropolitan District

The Authority, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The Authority was established to make the best practical use of the members' joint resources to supply water and to further develop water resources and facilities in a portion of Eagle County, Colorado. The Authority also provides water service to the Cordillera and Bachelor Gulch developments through contracts with members.

The Authority may not be terminated while bonds, notes, or other obligations are outstanding, unless provision for full payment of such obligation has been made. At December 31, 2016, the Authority had debt with maturities through 2042.

The Authority has a service contract with the members. Under the terms of the agreement, the Authority provides residents of the members water service; the Authority bills these residents at rates which are expected to cover its costs of providing water services and other functions. Such costs specifically include debt service requirements, depreciation, replacements, operations, and maintenance. As part of the agreement, the members have leased all of their rights, associated easements, and improvements to the Authority at no cost. As return consideration, the Authority has agreed to maintain the associated improvements and to administer and protect the members' plan for augmentation and water decrees at no cost to the members.

Effective July 1, 2015, the members approved an Amended and Restated Master Service Contract (the "Master Service Contract"). In addition to the provisions described above, the Master Service Contract stipulated that:

- The members convey their individual water systems to the Authority.
- All member customers become customers of the Authority.
- Tap fees and water surcharges will remain revenue of the individual members.
- Maintenance of the existing individual water systems becomes the responsibility of the Authority.
- Construction of new lines and the extension of existing lines to serve new developments remains the responsibility of the individual members.
- The members retain ownership of water rights and an interest in assets, including rights to capacity in the system to the extent necessary to ensure service to their service areas and to retain individual enterprise status.

The Authority has no employees; all operations and administrative functions are contracted with Eagle River Water and Sanitation District (the "District"), as subsequently explained.

I. Summary of Significant Accounting Policies (continued)

The Authority'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 Authority are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the Authority, and (b) organizations for which the Authority is financially accountable. The Authority 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 Authority. 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 Authority. Organizations for which the nature and significance of their relationship with the Authority 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 on the criteria above, the Authority is not financially accountable for any other entity nor is the Authority a component unit of any other government.

B. Fund Accounting

The Authority 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 Authority uses a proprietary fund-type, an enterprise fund, to account for its activity, providing water services to residents within the Authority'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.

I. Summary of Significant Accounting Policies (continued)

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

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 Authority'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.

D. Financial Statement Accounts and Accounting Policies

1. Cash, Cash Equivalents and Investments

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

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

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

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. An allowance for doubtful accounts in the amount of $0 and $0 had been established at December 31, 2016 and 2015, respectively, to estimate uncollectible accounts.

3. Capital Assets

Capital assets, which include water/storage rights, land and improvements, construction in progress, treatment plants, distribution systems, and water wells, are reported in the financial statements. The Authority 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.

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I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

3. Capital Assets (continued)

The cost of water and storage rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed. See the Schedule of Water and Storage Rights in the Statistical Section (pages F5-F7) for additional information.

Each of the participating members leased or subleased sufficient water rights to the Authority at no cost to the Authority to meet their projected needs upon full build-out within their current boundaries
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 capital 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. During the years ended December 31, 2016 and 2015, the Authority capitalized interest of $121,929 and $48,551, respectively, as part of capital assets.

Treatment plants, distribution systems, and water wells are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Treatment plants	5 - 40
Distribution systems	5 - 40
Water wells	5 - 40

In the event of the dissolution of the Authority, all of the assets of the Authority shall immediately vest in the participating members, subject to any outstanding liens, mortgages, or other pledges of such assets. The interest in the assets of the Authority conveyed to each member shall be that proportion which the average annual amount of treated water sold within the boundaries of each member, bears to the average annual total amount of all treated water sold by the Authority.

4. 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 its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts and Accounting Policies (continued)

5. 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 the straight-line method, which approximates the effective interest method. 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.

6. 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 Authority 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 Authority does not have any items that qualify for reporting in this category at December 31, 2016.

7. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Authority’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.

8. Restricted and Unrestricted Resources

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

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the Authority'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 and all appropriations lapse at year-end.

As required by Colorado statutes, the Authority followed the required timetable noted below in preparing, approving, and enacting its budget for 2016:

1. The Authority submitted, on or before October 15, 2015, a recommended budget that detailed the necessary revenues to meet the Authority's operating requirements.

2. On or prior to December 31, 2015, after a required publication of "Notice of Budget" and a public hearing, the Authority adopted the proposed budget and a resolution that legally appropriated expenditures for the upcoming year.

3. After adoption of the budget resolution, the Authority may make the following changes: a) it may approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; b) it may approve emergency appropriations; and c) it may reduce appropriations for which originally estimated revenues are insufficient.

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 Authority's management believes its operations qualify for this exclusion.

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

III. Detailed Notes on All Funds

A. Deposits and Investments

The Authority'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 Authority's cash and cash equivalents were $11,961,603 and $13,529,919 as of December 31, 2016 and 2015, respectively.

At December 31, 2016 and 2015, the Authority had the following cash and investments with the following maturities:

	December 31, 2016			
	Standard & Poors Rating	Carrying Amounts	Maturities: Less than one year	Maturities: One to five years
Deposits:				
Checking	Not rated	140,908	140,908	-
Money market	Not rated	7,286	7,286	-
Investment pools	AAAm	11,813,409	11,813,409	-
Total		11,961,603	11,961,603	-

	December 31, 2015			
	Standard & Poors Rating	Carrying Amounts	Maturities: Less than one year	Maturities: One to five years
Deposits:				
Checking	Not rated	99,290	99,290	-
Money market	Not rated	6,985	6,985	-
Investment pools	AAAm	13,423,644	13,423,644	-
Total		13,529,919	13,529,919	-

The investment pool represents investments in the Colorado Government Liquid Asset Trust ("COLOTRUST") which is a 2a7-like pool. The fair value of the pool is determined by the pool's share price, and is measured at net asset value. The Authority has no regulatory oversight for the pool.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the Authority coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than two years from the purchase date.

Credit Risk. The Authority's investment policy implements the prudent investor rule as a guideline for investment decisions.

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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

Concentration of Credit Risk. According to the Authority's investment policy, it is permitted to invest up to the following maximum limits:

Investment Type	Maximum Percentage
U.S. Treasury obligations	100%
Qualified certificates of deposit	50%
Qualified local government investment pools	100%
Federal instrumentality securities	50%
Repurchase agreements collateralized by U.S. Treasury obligations	100%
Bankers acceptances and commercial paper - combined total	30%

B. Restricted Cash and Cash Equivalents

At December 31, 2016 and 2015, cash has been restricted for the following purposes:

	12/31/16	12/31/15
Debt covenant and operations reserves	2,300,931	2,246,233
Rate stabilization funds	600,000	600,000
Restricted for capital projects	3,386,591	6,620,099
Total	6,287,522	9,466,332

C. Summary of Cash and Investments

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

	12/31/16	12/31/15
Cash and cash equivalents - Unrestricted	5,674,081	4,063,587
Cash and cash equivalents - Restricted	6,287,522	9,466,332
Total	11,961,603	13,529,919

III. Detailed Notes on All Funds (continued)

D. Notes Receivable

The following is an analysis of changes in notes receivable for the past two fiscal years:

	1/1/15 Beginning Balance	Additions	Reductions	12/31/15 Ending Balance	Additions	Reductions	12/31/16 Ending Balance
Traer Creek	114,288	-	(5,653)	108,635	-	(5,960)	102,675
	114,288	-	(5,653)	108,635	-	(5,960)	102,675
Less: Current portion	(5,652)			(5,960)			(6,284)
Long-term portion	108,636			102,675			96,391

1. Traer Creek Metropolitan District ("Traer Creek")

On November 4, 2002, the Authority entered into a service agreement with Traer Creek for augmentation water. This agreement requires Traer Creek to pay an amount equal to the cost of 300 shares of Eagle Park Reservoir Company (the "Reservoir Company") stock for use in connection with the augmentation water. The Authority is to remain the record titleholder of the 300 shares of the Reservoir Company stock and will retain all shareholder rights. Pursuant to this agreement, the purchase price of the Reservoir Company stock was $163,070. Annual combined principal and interest payments of $11,880 are due to the Authority on September 15th through 2028. The loan bears interest at 5.45% per annum.

E. Patronage Dividend Receivable

The Authority 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 years ended December 31, 2016 and 2015, the Authority received refunds of $43,357 and $39,476, respectively, from Holy Cross. The balances due to the Authority at December 31, 2016 and 2015, were $384,648 and $387,310, respectively.

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 to 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 Authority acquired 3830 Class A Shares (approximately 19%) and 125 Class B shares of the stock in the Reservoir Company for $2,216,574 and the contribution/pledge of certain water rights. The $2,216,574 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 $143,420 of legal costs related to the issuance of the assessment payable. Since 1998, the Authority has acquired additional shares of the Reservoir Company through various transactions. As of December 31, 2010, the Authority held 5390 Class A Shares (approximately 21%), 125 Class B Series 1 and 131.5 Class B Series 2 shares of the stock in the Reservoir Company at a cost of $4,445,917.

During 2011 through 2016, the Authority’s investment in the Reservoir Company was unchanged.

As of December 31, 2016, the Authority held 5390 Class A Shares (approximately 21%), 125 Class B Series 1 and 131.5 Class B Series 2 shares of the stock in the Reservoir Company at a cost of $4,445,917. See the Schedule of Water and Storage Rights in the Statistical Section (pages F5-F7) for additional information.

III. Detailed Notes on All Funds (continued)

G. Capital Assets

Capital asset activity for the past two fiscal years was as follows:

	1/1/15 Beginning Balance	Additions	Reclasses and Retirements	12/31/15 Ending Balance	Additions	Reclasses and Retirements	12/31/16 Ending Balance
Capital assets, not being depreciated:							
Land and land improvements	780,962	-	-	780,962	-	-	780,962
Water/storage rights	1,709,148	-	-	1,709,148	-	-	1,709,148
Construction in progress	2,707,450	1,908,762	(1,069,439)	3,546,773	5,395,115	(4,044,799)	4,897,089
Total capital assets, not being depreciated	5,197,560	1,908,762	(1,069,439)	6,036,883	5,395,115	(4,044,799)	7,387,199
Capital assets, being depreciated:							
Treatment plants	34,772,422	623,515	-	35,395,937	380,953	(1,687,678)	34,089,212
Distribution system	79,802,968	416,397	-	80,219,365	3,572,343	-	83,791,708
Water wells	15,043,678	55,438	-	15,099,116	42,027	-	15,141,143
Total capital assets being depreciated	129,619,068	1,095,350	-	130,714,418	3,995,323	(1,687,678)	133,022,063
Less accumulated depreciation for:							
Treatment plants	(18,068,638)	(1,446,529)	-	(19,515,167)	(1,463,733)	1,687,678	(19,291,222)
Distribution system	(36,113,086)	(2,799,921)	-	(38,913,007)	(2,896,081)	-	(41,809,088)
Water wells	(3,878,573)	(602,103)	-	(4,480,676)	(605,703)	-	(5,086,379)
Total accumulated depreciation	(58,060,297)	(4,848,553)	-	(62,908,850)	(4,965,517)	1,687,678	(66,186,689)
Total capital assets, being depreciated, net	71,558,771	(3,753,203)	-	67,805,568	(970,194)	-	66,835,374
Total capital assets, net	76,756,331	(1,844,441)	(1,069,439)	73,842,451	4,424,921	(4,044,799)	74,222,573

Depreciation expense for the years ended 2015 and 2016 was charged to the following departments:

	2016	2015
Water treatment	2,069,436	2,048,632
Water distribution	2,896,081	2,799,921
Total	4,965,517	4,848,553

Fully depreciated assets totaled $7,332,786 and $11,819,838 for the years ended 2015 and 2016, respectively. The increase of $4,487,052 in fully depreciated assets between 2015 and 2016 relates to the Beaver Creek water distribution system becoming fully depreciated, approximately $6 million, net of the disposal of $1.7 million full depreciated treatment plant assets during 2016.

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt

The Authority had the following long-term debt outstanding during the past two fiscal years:

1. 1998 Assessment Obligation Note

As previously explained in Note III.F, the Authority financed its 1998 investment in the Reservoir Company through the execution of an assessment obligation note in the amount of $2,216,574. This note bears interest at 5.45% annually. Debt service payments of $151,671 are due annually on September 16th through 2028.

The obligation is secured by the Authority's ownership of common stock of the Reservoir Company and certain water rights owned by participating members and leased to the Authority. 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 Authority is maintaining a reserve equal to the next fiscal year's principal and interest payments for this obligation.

2. Water Refunding Revenue Bonds, Series 2003

The Authority issued $5,830,000 of bonds in July 2003, the proceeds of which were used to refund a portion of the Authority's 1995 Bonds, purchase municipal bond insurance, and pay the costs of issuance. The interest rates on the bonds range from 2.00% to 3.80%. Interest is payable on June 1 and December 1, through 2018. The principal is payable on December 1 and matures in various increments through 2018.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net pledged revenues. Such net revenue includes income derived from the water treatment facilities and other legally available revenue after payment of operation and maintenance expenses of the system.

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

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt (continued)

2. Water Refunding Revenue Bonds, Series 2003 (continued)

These bonds are secured by a Reserve Fund equal to the least of 1) 10% of the aggregate principal amount of outstanding 2003 Bonds and any Future Reserve Fund Bonds (as defined in the bond documents), 2) the maximum annual principal and interest on outstanding 2003 Bonds and any Future Reserve Fund Bonds, or 3) 125% of average principal and interest on the bonds and any Reserve Fund Bonds. The Authority has purchased an insurance policy to provide reserve funds if needed; therefore, no reserve has been reflected in these financial statements for this purpose.

In accordance with bond indentures, the Authority has restricted cash and net position equal to one-sixth (1/6) of the next installment and one-twelfth (1/12) of the next principal installment.

Pursuant to bond documents, the Authority has also created an Operations Reserve in an amount equal to three months of operations and maintenance expenses as set forth in the Authority's annual budget.

Only bonds maturing on and after December 1, 2014, are subject to redemption prior maturity: these bonds are subject to redemption prior to maturity at the option of the Authority at par value.

3. Water Refunding Revenue Bonds, Series 2007

The Authority issued $2,040,000 of bonds in October 2007, the proceeds of which were used to refund the outstanding Authority's 1995 Bonds, purchase municipal bond insurance, and pay the costs of issuance. The interest rates on the bonds range from 3.70% to 4.00%. Interest is payable on June 1st and December 1st, through 2018. This bond issue consists of serial bonds due annually on December 1st in various increments through 2014 and term bonds due on December 1, 2016 and December 1, 2018. The serial bonds are subject to mandatory sinking fund redemption at par, plus accrued interest to the redemption date.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net pledged revenues. Such net revenue includes income derived from the water treatment facilities 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 Authority to establish service rates at a level sufficient to cover operating, maintenance, system improvement, insurance, and other expenses, as well as 110% of each fiscal year's debt service requirements of outstanding Authority bonds.

These bonds are secured by a Reserve Fund equal to the least of 1) 10% of the aggregate principal amount of outstanding 2002 Bonds and any Reserve Fund Bonds (as defined in the bond documents), 2) the maximum annual principal and interest on outstanding 2002 Bonds and any Reserve Fund Bonds, or 3) 125% of average principal and interest on the bonds and any Reserve Fund Bonds. The Authority has purchased an insurance policy to provide reserve funds if needed; therefore, no reserve has been reflected in these financial statements for this purpose.

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt (continued)

3. Water Refunding Revenue Bonds, Series 2007 (continued)

In accordance with bond indentures, the Authority has restricted cash and net position equal to one-sixth (1/6) of the next installment and one-twelfth (1/12) of the next principal installment.

Pursuant to bond documents, the Authority has also created an Operations Reserve in an amount equal to three months of operations and maintenance expenses as set forth in the Authority's annual budget.

Only bonds maturing on and after December 1, 2016, are subject to redemption prior maturity: these bonds are subject to redemption prior to maturity at the option of the Authority at par value.

4. Tax-Exempt Water Revenue Bonds, Series 2010

The Authority issued $8,695,000 of tax-exempt water revenue bonds in February 2010, the proceeds of which were used to retire the 2000 CWRPDA loan, finance deposits to Reserve Fund (which is subsequently explained), and pay the costs of issuance. The interest rates on the bonds range from 2.50% to 4.00%. Interest is payable on June 1st and December 1st, through 2020. The principal is payable on December 1st and matures in various increments through 2020.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net pledged revenues. Such net revenue includes income derived from the water 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 Authority has adopted a resolution imposing a new Water 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 Authority to establish service rates at a level sufficient to cover operating, maintenance, system improvement, insurance, and other expenses, as well as 110% of each fiscal year's debt service requirements of outstanding Authority bonds.

These bonds and the Taxable Water Revenue Bonds, Series 2010 (collectively referred to as the "2010 Bonds"), are secured by a common Reserve Fund equal to the least of 1) 10% of the aggregate principal amount of outstanding 2010 Bonds and any Reserve Fund Bonds (as defined in the bond documents), 2) the maximum annual principal and interest on outstanding 2010 Bonds and any Reserve Fund Bonds, or 3) 125% of average principal and interest on the bonds and any Reserve Fund Bonds. The Authority has purchased an insurance policy to provide reserve funds if needed; therefore, no reserve has been reflected in these financial statements for this purpose.

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt (continued)

4. Tax-Exempt Water Revenue Bonds, Series 2010 (continued)

In conjunction with the issuance of the 2010 Bonds, the Authority is required to maintain a Rate Stabilization Fund of $600,000; the Rate Stabilization Fund was created to help offset or reduce any increases 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 Authority has restricted cash and net position equal to one-sixth (1/6) of the next installment and one-twelfth (1/12) of the next principal installment.

Pursuant to bond documents, the Authority has also created an Operations Reserve in an amount equal to three months of operations and maintenance expenses as set forth in the Authority's annual budget.

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

5. Taxable Water Revenue Bonds, Series 2010

The Authority issued $14,650,000 of taxable water revenue bonds in February 2010, the proceeds of which were used to finance improvements to the water system, finance deposits to Reserve Fund (which is subsequently explained), and pay the costs of issuance. The interest rates on the bonds range from 5.36% to 6.52%. Interest is payable on June 1st and December 1st, through 2039. This bond issue consists of term bonds due on December 1, 2025, December 1, 2030, 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 Authority may apply for interest cost subsidies from the federal government. Such subsidies will be used by the Authority to pay debt service on these bonds. During the fiscal year ended December 31, 2016, the Authority recognized revenue of $291,862 related to this subsidy.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net pledged revenues. Such net revenue includes income derived from the water 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 Authority has adopted a resolution imposing a new Water 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 Authority to establish service rates at a level sufficient to cover operating, maintenance, system improvement, insurance, and other expenses, as well as 110% of each fiscal year's debt service requirements of outstanding Authority bonds.

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt (continued)

5. Taxable Water Revenue Bonds, Series 2010 (continued)

As previously discussed, these bonds and the Tax-Exempt Water Revenue Bonds, Series 2010 (collectively referred to as the “2010 Bonds”), are secured by a common Reserve Fund equal to the least of 1) 10% of the aggregate principal amount of outstanding 2010 Bonds and any Reserve Fund Bonds (as defined in the bond documents), 2) the maximum annual principal and interest on outstanding 2010 Bonds and any Reserve Fund Bonds, or 3) 125% of average principal and interest on the bonds and any Reserve Fund Bonds. The Authority has purchased an insurance policy to provide reserve funds if needed; therefore, no reserve has been reflected in these financial statements for this purpose.

In conjunction with the issuance of the 2010 Bonds, the Authority is required to maintain a Rate Stabilization Fund of $600,000; the Rate Stabilization Fund was created to help offset or reduce any increases 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 Authority has restricted cash and net position equal to one-sixth (1/6) of the next installment and one-twelfth (1/12) of the next principal installment.

Pursuant to bond documents, the Authority has also created an Operations Reserve in an amount equal to three months of operations and maintenance expenses as set forth in the Authority’s annual budget.

These bonds are subject to redemption prior to maturity at the option of the Authority at par plus accrued interest without a redemption premium.

6. Tax-Exempt Water Revenue Bonds, Series 2013A

The Authority issued $11,905,000 of tax-exempt water revenue bonds in April 2013, with annual interest rates ranging from 2.5% to 4.25%. 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 water system. This bond issue consists of term bonds due on December 1, 2023, December 1, 2028, December 1, 2033, December 1, 2036 and December 1, 2042; these bonds are subject to mandatory sinking fund redemption at par, plus accrued interest to the redemption date.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net pledged revenues. Such net revenue includes income derived from the water treatment facilities and other legally available revenue after payment of operation and maintenance expenses of the system.

The bond documents include a Rate Maintenance Covenant, which requires the Authority 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 Authority bonds.

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt (continued)

6. Tax-Exempt Water Revenue Bonds, Series 2013A (continued)

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

The Authority 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 Authority has restricted cash and net position equal to one-sixth (1/6) of the next installment and one-twelfth (1/12) of the next principal installment.

Pursuant to bond documents, the Authority has also created an Operations Reserve in an amount equal to three months of operations and maintenance expenses as set forth in the Authority's annual budget.

The bonds maturing on or before December 1, 2023, are not subject to redemption prior to maturity. The bonds maturing on and after December 1, 2024, are subject to redemption prior to maturity at the option of the Authority at par plus accrued interest without a redemption premium.

7. Tax-Exempt Water Revenue Refunding Bonds, Series 2013C

The Authority issued $940,000 of tax-exempt water revenue bonds in April 2013, with annual interest rates ranging from 2.0% to 2.25%. Interest is payable June 1 and December 1, through 2022. The principal is payable on December 1 and matures in various increments through 2022. The proceeds were used to refund the outstanding Authority's 2002 Water Refunding and Improvement Revenue Bonds, purchase municipal bond insurance, and pay the costs of issuance.

As special, limited obligations of the Authority, principal and interest on the bonds are payable solely from net pledged revenues. Such net revenue includes income derived from the water treatment facilities and other legally available revenue after payment of operation and maintenance expenses of the system.

The bond documents include a Rate Maintenance Covenant, which requires the Authority 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 Authority bonds.

III. Detailed Notes on All Funds (continued)

H. Long-Term Debt (continued)

7. Tax-Exempt Water Revenue Bonds, Series 2013A (continued)

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

The Authority 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 Authority has restricted cash and net position equal to one-sixth (1/6) of the next installment and one-twelfth (1/12) of the next principal installment.

Pursuant to bond documents, the Authority has also created an Operations Reserve in an amount equal to three months of operations and maintenance expenses as set forth in the Authority's annual budget.

The bond is not subject to redemption prior to the maturity date.

III. Detailed Notes on All Funds (continued)

I. Long-term Liability Activity Schedules

Long-term liability activity for 2015 was as follows:

	1/1/15 Beginning Balance	Additions	Reductions	12/31/15 Ending Balance	Due Within One Year
1998 assessment obligation note	1,459,059	-	(72,152)	1,386,907	76,085
2003 refunding revenue bonds	2,075,000	-	(490,000)	1,585,000	505,000
2007 refunding revenue bonds	830,000	-	(195,000)	635,000	205,000
2010 tax-exempt revenue bonds	5,395,000	-	(825,000)	4,570,000	860,000
2010 taxable revenue bonds	14,650,000	-	-	14,650,000	-
2013 tax-exempt revenue bonds	11,905,000	-	-	11,905,000	-
2013 tax-exempt refunding revenue bonds	775,000	-	(85,000)	690,000	90,000
Unamortized bond premiums	205,187	-	(35,077)	170,110	-
Unamortized bond discounts	(137,770)	-	4,920	(132,850)	-
Total	37,156,476	-	(1,697,309)	35,459,167	1,736,085

Long-term liability activity for 2016 was as follows:

	1/1/16 Beginning Balance	Additions	Reductions	12/31/16 Ending Balance	Due Within One Year
1998 assessment obligation note	1,386,907	-	(76,085)	1,310,822	80,231
2003 refunding revenue bonds	1,585,000	-	(505,000)	1,080,000	535,000
2007 refunding revenue bonds	635,000	-	(205,000)	430,000	210,000
2010 tax-exempt revenue bonds	4,570,000	-	(860,000)	3,710,000	890,000
2010 taxable revenue bonds	14,650,000	-	-	14,650,000	-
2013 tax-exempt revenue bonds	11,905,000	-	-	11,905,000	-
2013 tax-exempt refunding revenue bonds	690,000	-	(90,000)	600,000	95,000
Unamortized bond premiums	170,110	-	(35,076)	135,034	-
Unamortized bond discounts	(132,850)	-	4,920	(127,930)	-
Total	35,459,167	-	(1,766,241)	33,692,926	1,810,231

III. Detailed Notes on All Funds (continued)

J. Debt Service Schedules

Aggregate debt service requirements at December 31, 2016, were as follows for the Authority:

	Principal	Interest	Total
2017	1,810,231	1,646,387	3,456,618
2018	1,864,604	1,576,739	3,441,343
2019	1,139,215	1,504,358	2,643,573
2020	1,144,077	1,459,496	2,603,573
2021	879,204	1,414,369	2,293,573
2022 - 2026	4,593,260	6,444,614	11,037,874
2027 - 2031	5,270,231	5,201,299	10,471,530
2032 - 2036	6,480,000	3,648,581	10,128,581
2037 - 2041	8,550,000	1,610,759	10,160,759
2042	1,955,000	78,200	2,033,200
Total	33,685,822	24,584,802	58,270,624

IV. Other Information

A. Risk Management

The Authority 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 Authority 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 Authority 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.

The Authority carries commercial insurance coverage for other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

B. Intergovernmental Agreements

1. Interconnect

The Authority and Eagle River Water and Sanitation District (the "District") 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.

IV. Other Information (continued)

B. Intergovernmental Agreements (continued)

1. Interconnect (continued)

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, 2016 and 2015, the balance outstanding was $0.

The value of water distributed by the District to the Authority through the interconnect was $34,703 and $149,839 during the year ended December 31, 2016 and 2015, 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.

2. Management and Operations Agreement

Through an agreement, the District provides administration, operations, accounting and maintenance services to the Authority. The District bills customers for the water service provided and collects and remits the monies to the Authority. Additionally, the District provides capital program management services, which are eventually capitalized by the Authority as part of the cost basis of the completed facility. Costs incurred during 2016 under the terms of this agreement amounted to $3,620,527 and $3,815,493 for operating and billing expenses, and $292,147 and $245,862 for capitalized management services, totaling $3,912,674 and $4,061,355 during the years ended December 31, 2016 and 2015, respectively. Outstanding management fees due to the District as of December 31, 2016 and 2015 totaled $3,630 and $1,908, respectively. Additionally, there was $163,351 and $15,315 related to management fees due to the Authority as a result of the annual cost study adjustment as December 31, 2016 and 2015, respectively. There were other outstanding payables, for operation services, due to the District as of December 31, 2016 and 2015 totaling $228,184 and $233,543, respectively. As of December 31, 2016 there was $1,294,053 due from the District, for water service billed, included in the $1,795,788 accounts receivable balance.

3. Ground Lease

On April 30, 1985, the Authority entered into a lease agreement with the Town of Avon for the land upon which the water treatment facility is located. The term of the lease is for 99 years. Minimal consideration for the lease was paid in advance. In addition, the Town of Avon has reserved the right to use the airspace above the water treatment facility for construction of municipal facilities.

IV. Other Information (continued)

C. Commitments and Contingencies

1. 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 Authority expects such amounts, if any, to be immaterial.

V. Subsequent Events

Management has evaluated subsequent events through June 30, 2017, the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

UPPER EAGLE REGIONAL
WATER AUTHORITY

Upper Eagle Regional Water Authority
Schedule of Revenues, Expenditures, and Changes in Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for the Year Ended 2015)

	2016			2015
	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Water service fees	10,938,896	11,140,459	201,563	10,550,610
Investment income	25,841	95,809	69,968	31,081
Plant investment fees	474,924	760,056	285,132	863,905
Water storage fees	40,000	1,405,763	1,365,763	46,983
Principal collections of notes receivable	-	5,960	5,960	5,652
Interest credit - Build America Bonds	286,066	291,862	5,796	291,235
Other	60,652	45,171	(15,481)	45,102
Total Revenues	11,826,379	13,745,080	1,918,701	11,834,568
Expenditures:				
Water Treatment:				
Management contract	850,358	850,358	-	1,165,086
Utilities	533,100	625,388	(92,288)	571,415
Chemicals and supplies	356,300	331,228	25,072	312,095
Subtotal - Water Treatment	1,739,758	1,806,974	(67,216)	2,048,596
Water Distribution:				
Management contract	1,181,118	1,181,118	-	1,061,018
Utilities	314,000	301,372	12,628	306,538
Repairs and maintenance	250,000	306,045	(56,045)	381,027
Subtotal - Water Distribution	1,745,118	1,788,535	(43,417)	1,748,583
Other Operating:				
Utilities	25,000	16,771	8,229	19,468
Chemicals and supplies	70,000	25,159	44,841	53,987
Repairs and maintenance	952,500	923,474	29,026	784,921
Outside services	294,017	168,182	125,835	221,307
Subtotal - Other Operating	1,341,517	1,133,586	207,931	1,079,683
General and Administrative:				
Insurance	110,000	114,066	(4,066)	98,604
Legal - General	120,000	67,450	52,550	108,917
Legal - Water rights	330,000	314,638	15,362	358,895
Engineering	114,000	35,483	78,517	151,686
Consulting	14,803	12,450	2,353	18,974
Management and accounting	1,784,524	1,606,949	177,575	1,607,139
Conservation awareness	15,750	14,863	887	14,761
Directors' fees and expenses	12,400	10,934	1,466	11,758
Watershed projects	50,000	50,000	-	50,000
Other	8,000	36,064	(28,064)	44,746
Subtotal - General and Administrative	2,559,477	2,262,897	296,580	2,465,480

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

Upper Eagle Regional Water Authority
Schedule of Revenues, Expenditures, and Changes in Funds Available
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for the Year Ended 2015)
(Continued)

	2016			2015
	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Expenditures (continued):				
Debt Service:				
Principal payments	1,736,085	1,736,085	-	1,667,152
Interest payments	1,706,022	1,700,212	5,810	1,755,413
Paying agent fees	2,525	2,983	(458)	2,067
Subtotal - Debt Service	3,444,632	3,439,280	5,352	3,424,632
Other:				
Capital outlay	5,009,466	5,272,380	(262,914)	1,927,326
Loan advances	(5,960)	-	(5,960)	-
Subtotal - Other	5,003,506	5,272,380	(268,874)	1,927,326
Total Expenditures	15,834,008	15,703,652	130,356	12,694,300
Excess (Deficiency) of Revenues Over Expenditures	(4,007,629)	(1,958,572)	2,049,057	(859,732)
Funds Available - Beginning of Year	10,906,040	14,668,402	3,762,362	15,528,134
Funds Available - End of Year	6,898,411	12,709,830	5,811,419	14,668,402
Funds available at year-end is computed as follows:				
Current assets		13,919,014		15,326,638
Current liabilities		(3,019,415)		(2,394,321)
Current portion of long-term obligations		1,810,231		1,736,085
		12,709,830		14,668,402
Reconciliation to GAAP Basis:				
Excess (deficiency) of revenues over expenditures		(1,958,572)		(859,732)
Contributed assets from developers		24,900		-
Change in patronage dividends receivable		(2,986)		(6,672)
Collection of notes receivable - Principal		(5,960)		(5,652)
Depreciation		(4,965,517)		(4,848,553)
Amortization of bond premiums, discounts, and deferred refunding costs		(53,381)		(53,381)
Debt principal payments		1,736,085		1,667,152
Capitalized assets		5,272,380		1,927,326
Prior year capitalized assets expensed in the current year		(73,571)		(41,202)
Capitalized interest		121,929		48,550
Change in other long-term payables (interconnect)		149,839		(4,832)
Change in Net Position - GAAP Basis		245,146		(2,176,996)

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

Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2016

Year Ending December 31,	1998 Assessment Obligation Note Payable to Eagle Park Reservoir Company Original Principal - $2,216,574 Interest Rate - 5.45% Principal Due September 16	Interest Due September 16	Total
2017	80,231	71,440	151,671
2018	84,604	67,067	151,671
2019	89,215	62,456	151,671
2020	94,077	57,594	151,671
2021	99,204	52,467	151,671
2022	104,611	47,060	151,671
2023	110,312	41,359	151,671
2024	116,324	35,347	151,671
2025	122,664	29,007	151,671
2026	129,349	22,322	151,671
2027	136,399	15,272	151,671
2028	143,832	7,839	151,671
	1,310,822	509,230	1,820,052

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

Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2016

	2003 Water Refunding Revenue Bonds Original Principal - $5,830,000 Interest Rate - 2.00% to 3.80%		
Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2017	535,000	40,505	575,505
2018	545,000	20,710	565,710
	1,080,000	61,215	1,141,215

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

Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2016

	2007 Water Refunding Revenue Bonds Original Principal - $2,040,000 Interest Rate - 3.70% to 4.00%		
Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2017	210,000	16,340	226,340
2018	220,000	8,360	228,360
	430,000	24,700	454,700

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

Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2016

	2010 Tax-Exempt Water Revenue Bonds Original Principal - $8,695,000 Interest Rate - 2.50% to 4.00%		
Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2017	890,000	148,400	1,038,400
2018	920,000	112,800	1,032,800
2019	950,000	76,000	1,026,000
2020	950,000	38,000	988,000
	3,710,000	375,200	4,085,200

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

Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2016

	2010 Taxable Water Revenue Bonds Direct Pay Build America Bonds Original Principal - $14,650,000 Interest Rate - 5.36% to 6.52%		
Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2017	-	895,214	895,214
2018	-	895,214	895,214
2019	-	895,214	895,214
2020	-	895,214	895,214
2021	545,000	895,214	1,440,214
2022	560,000	865,996	1,425,996
2023	580,000	835,975	1,415,975
2024	600,000	804,881	1,404,881
2025	620,000	772,715	1,392,715
2026	645,000	739,477	1,384,477
2027	670,000	702,273	1,372,273
2028	695,000	663,627	1,358,627
2029	720,000	623,540	1,343,540
2030	745,000	582,010	1,327,010
2031	775,000	539,039	1,314,039
2032	805,000	488,524	1,293,524
2033	840,000	436,054	1,276,054
2034	875,000	381,303	1,256,303
2035	915,000	324,271	1,239,271
2036	950,000	264,631	1,214,631
2037	995,000	202,710	1,197,710
2038	1,035,000	137,856	1,172,856
2039	1,080,000	70,393	1,150,393
	14,650,000	13,911,345	28,561,345

Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2016

	2013A Tax-Exempt Water Revenue Bonds Revenue Bonds Original Principal - $11,905,000 Interest Rate - 2.50% to 4.25%		
Year Ending December 31,	**Principal Due December 1**	**Interest Due June 1 and December 1**	**Total**
2017	-	462,094	462,094
2018	-	462,094	462,094
2019	-	462,094	462,094
2020	-	462,094	462,094
2021	130,000	462,094	592,094
2022	150,000	458,844	608,844
2023	165,000	455,094	620,094
2024	180,000	450,969	630,969
2025	195,000	444,894	639,894
2026	210,000	438,312	648,312
2027	230,000	431,225	661,225
2028	250,000	423,462	673,462
2029	275,000	415,025	690,025
2030	305,000	404,712	709,712
2031	325,000	393,275	718,275
2032	360,000	381,087	741,087
2033	390,000	367,587	757,587
2034	410,000	352,962	762,962
2035	445,000	335,537	780,537
2036	490,000	316,625	806,625
2037	540,000	295,800	835,800
2038	585,000	274,200	859,200
2039	630,000	250,800	880,800
2040	1,805,000	225,600	2,030,600
2041	1,880,000	153,400	2,033,400
2042	1,955,000	78,200	2,033,200
	11,905,000	9,658,080	21,563,080

Upper Eagle Regional Water Authority
Schedule of Debt Service Requirements to Maturity
December 31, 2016

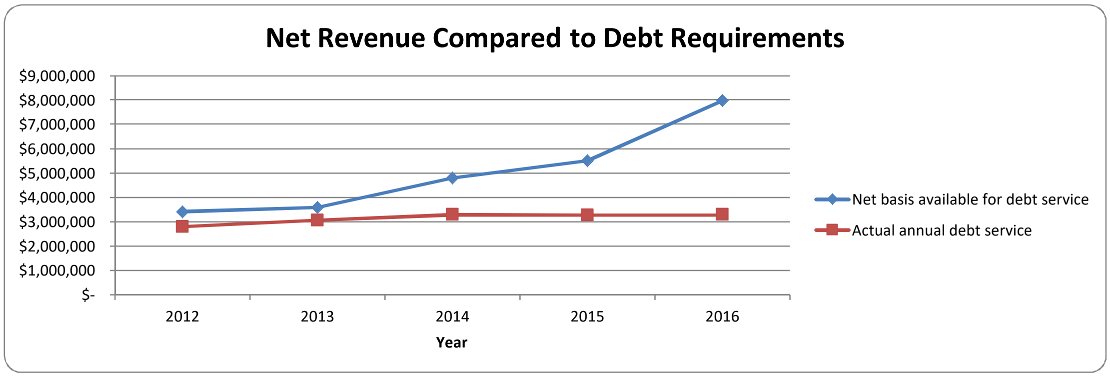
	2013C Tax-Exempt Water Refunding Refunding Bonds Revenue Bonds Original Principal - $940,000 Interest Rate - 2.00% to 2.25%		
Year Ending December 31,	Principal Due December 1	Interest Due June 1 and December 1	Total
2017	95,000	12,394	107,394
2018	95,000	10,494	105,494
2019	100,000	8,594	108,594
2020	100,000	6,594	106,594
2021	105,000	4,594	109,594
2022	105,000	2,362	107,362
	600,000	45,032	645,032

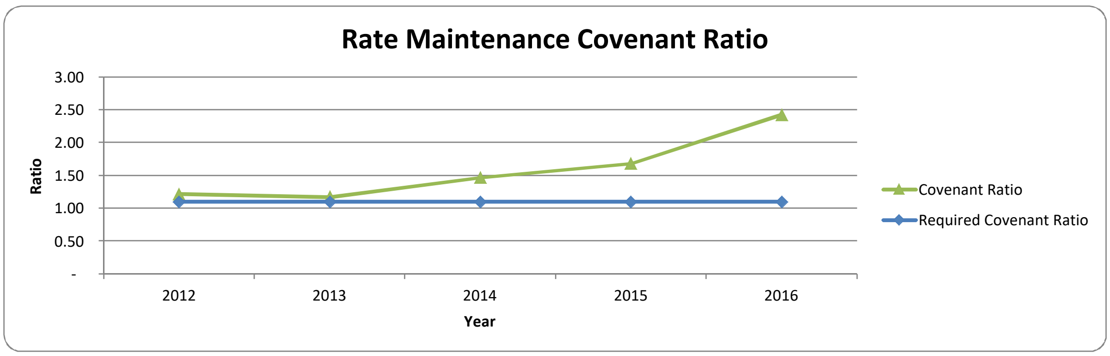
The accompanying notes are an integral part of these financial statements.

STATISTICAL SECTION

UPPER EAGLE REGIONAL
WATER AUTHORITY

Upper Eagle Regional Water Authority
Rate Maintenance Covenant
Five Year Comparison
December 31, 2016
(Unaudited)





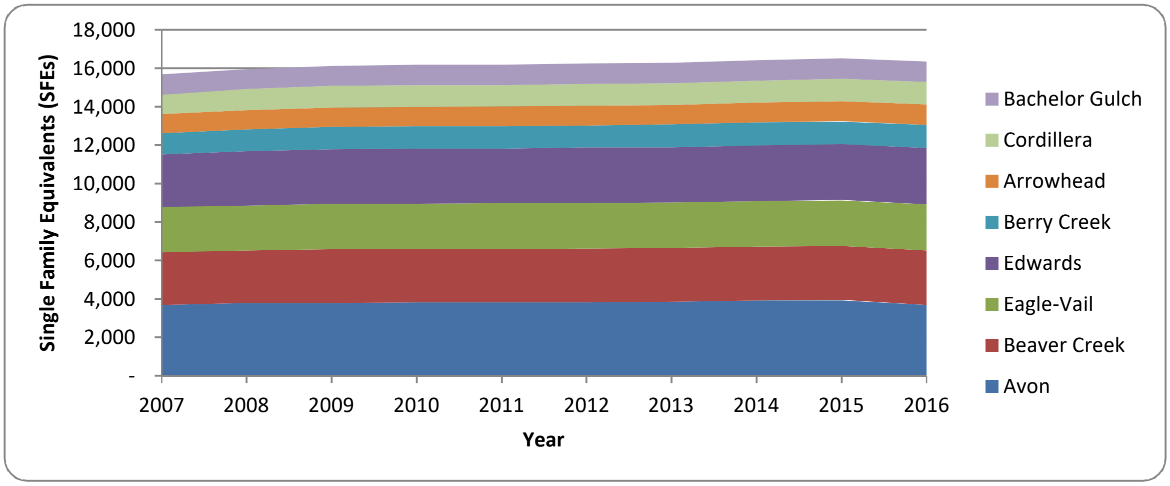
Per the bond covenants, the Authority is to assess a fee to cover operations and maintenance and 110% of debt service.

	2012	2013	2014	2015	2016
Operating revenue	8,668,868	8,881,236	10,156,965	10,550,610	11,290,298
Plus:					
Plant investment fees and water storage fees	362,507	605,321	302,815	910,888	2,165,819
Investment income	31,047	26,062	24,899	31,081	95,809
Interest credit - Build America Bonds	313,325	288,415	290,609	291,235	291,862
Proceeds from sale of system	-	-	-	-	-
Other non-operting revenues	39,338	81,659	51,652	38,738	42,509
Rate stabilization funds	600,000	600,000	600,000	600,000	600,000
Total revenues available for debt service	10,015,085	10,482,693	11,426,940	12,422,552	14,486,297
Expenses	12,978,854	13,823,834	13,564,674	13,997,481	13,663,068
Less:					
Interest expense	(1,366,099)	(1,682,104)	(1,798,661)	(1,760,244)	(1,631,664)
Depreciation	(4,621,697)	(4,664,705)	(4,703,635)	(4,848,553)	(4,965,517)
Major capital additions	(385,564)	(577,432)	(451,287)	(483,445)	(557,065)
Total expenses available for debt service	6,605,494	6,899,593	6,611,091	6,905,239	6,508,822
Net basis available for debt service	3,409,591	3,583,100	4,815,849	5,517,313	7,977,475
Actual annual debt service	2,803,540	3,055,797	3,290,997	3,276,277	3,290,462
Covenant Ratio	1.22	1.17	1.46	1.68	2.42
Required Covenant Ratio	1.10	1.10	1.10	1.10	1.10

Rate Maintenance Covenant: The Authority's Series 2010 A&B and 2013 A&C bonds 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) an amount equal to current costs of improvements to the System, excluding major capital additions, made in the ordinary course of business, (iv) any amounts required to meet then existing deficiencies pertaining to any fund or account relating to the Net Revenues or any securities payable therefrom, and (v) 100% of any account relating to the Net Revenues or any securities payable therefrom, and Policy Costs then due and owing.

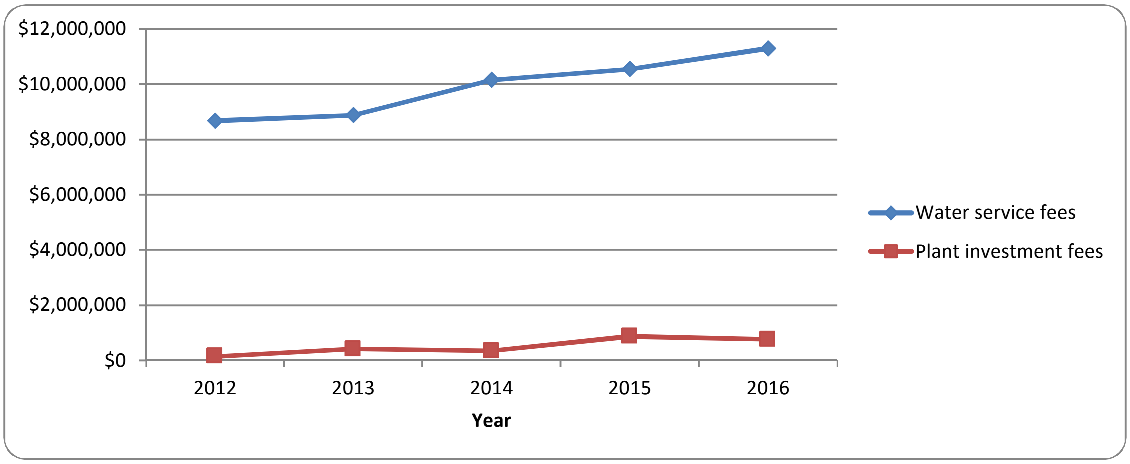
The above Rate Maintenance Covenant is tested annually. It is the Authority's policy to use unrestricted cash ($5,674,081 at December 31, 2016) to meet the Rate Maintenance Covenant if necessary.

Upper Eagle Regional Water Authority
Single Family Equivalents (SFEs) in Service
Ten Year Comparison
December 31, 2016
(Unaudited)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Avon	3,675	3,760	3,787	3,802	3,799	3,814	3,831	3,897	3,924	3,687
Beaver Creek	2,756	2,731	2,776	2,781	2,790	2,801	2,801	2,807	2,823	2,825
Eagle-Vail	2,362	2,362	2,368	2,369	2,374	2,374	2,376	2,381	2,390	2,389
Edwards	2,729	2,814	2,842	2,853	2,859	2,870	2,874	2,892	2,912	2,934
Berry Creek	1,100	1,148	1,161	1,163	1,164	1,167	1,177	1,186	1,192	1,206
Arrowhead	991	1,009	1,015	1,024	1,020	1,025	1,029	1,038	1,048	1,059
Cordillera	1,020	1,070	1,113	1,115	1,111	1,116	1,127	1,143	1,154	1,183
Bachelor Gulch	1,039	1,052	1,050	1,054	1,061	1,061	1,067	1,065	1,072	1,068
Total SFEs	15,672	15,946	16,112	16,161	16,178	16,227	16,282	16,408	16,515	16,351
Percent increase	3.47%	1.75%	1.04%	0.30%	0.11%	0.30%	0.34%	0.77%	0.65%	-0.99%

Upper Eagle Regional Water Authority
Water Statistics
Five Year Comparison
December 31, 2016
(Unaudited)



	2012	2013	2014	2015	2016
Water service fees	8,668,868	8,881,236	10,156,965	10,550,610	11,290,298
Average single family equivalent (SFE)	16,207	16,255	16,343	16,515	16,618
Average service fee per SFE	$ 535	546	621	639	679
Plant investment fees	137,468	402,313	337,253	863,905	760,056
Gallons sold (in thousands)	1,299,042	1,232,849	1,232,177	1,196,845	1,250,256
Average single family equivalent (SFE)	16,207	16,255	16,343	16,515	16,618
Factor (days per year)	365	365	365	365	365
Average gallons sold per day per SFE	220	208	207	199	206

Upper Eagle Regional Water Authority
Top 10 Customers
December 31, 2016
(Unaudited)

Customer Type	Service Area	1,000 Gallons	Sales Dollar Amount	% of Total Sales Dollars
Apartment complex	Edwards	25,642	$154,535	1.4%
Apartment complex	Avon	18,335	$126,711	1.1%
Condominiums / Resort	Beaver Creek	20,359	$115,754	1.0%
Hotel / Resort	Avon	15,773	$96,999	0.9%
Hotel / Resort	Beaver Creek	12,208	$92,183	0.8%
Condominiums / HOA	Avon	13,499	$98,486	0.9%
Mobile Home Park	Avon	13,333	$86,419	0.8%
Ski resort/hotels/offices	Avon	11,902	$81,877	0.7%
Hotel / Offices	Avon	8,101	$73,186	0.6%
Hotel/ Resort	Avon	9,081	$71,638	0.6%
Total - Top 10 Customers		148,233	997,788	8.8%
Total - All Other Customers		1,102,023	10,292,510	91.2%
Total Service Fees		1,250,256	$ 11,290,298	100.0%

Upper Eagle Regional Water Authority
Schedule of Water & Storage Rights
December 31, 2016
(Unaudited)

Most of the in basin consumptive use water rights and the Beaver Creek direct flow water rights used by the Authority were provided by the member government entities through lease at no cost to the Authority; the Homestake Reservoir water was obtained through negotiation at no cost; and the Black Lakes, Green Mountain Reservoir and Wolford Mountain Reservoir water are obtained by lease and did not involve a purchase. In accordance with Governmental Accounting Standards Board (GASB), only owned water and storage rights are shown on the Authority's Statement of Net Position at historic cost, totaling $1,539,404. This cost represents mostly legal expenditures to establish the Authority's ability to use these rights to provide water directly to the customers of each of its members 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 water supply, is not reflected in capital assets, but is shown in Other Assets at the historic cost of $4,445,917. Management of the Authority believes the actual value of these water and storage rights used by the Authority to be greater than historical cost at December 31, 2016.

The appraisal value as of January 1, 2017 (the latest available information), performed by Porzak Browning & Bushong LLP (Special Water Rights Counsel for the Authority) 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	599	$31,500	$4,445,917	$18,868,500
Homestake Reservoir	256.5	31,500	0	8,079,750
Black Lakes Lease	200	0	0	0
Green Mtn. Res. contract	548	1,500	0	822,000
Wolford Mtn. Res. contract	710.8	3,420	0	2,430,936
In-basin consumptive use	2,083.304	8,700	1,539,404	18,124,744
Beaver Creek (summer)	215	8,700	0	1,870,500
Beaver Creek (winter)	17	31,500	0	535,500
TOTAL			**$5,985,321**	**$50,731,930**

Water Rights Owned

<u>Eagle Park Reservoir</u>
The Authority owns or has a perpetual contractual right to the water rights in connection with Eagle Park Reservoir (599 a.f.). Refer to footnote III.F. for additional terms. The value of Eagle Park Reservoir is based on the Authority's dedication replacement cost of $31,500 per acre-foot for non-irrigation season in-basin storage. That replacement cost is established by the Authority's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the Authority's service area.

<u>Homestake Reservoir</u>
The Authority owns or has a perpetual contractual right to the water rights in connection with Homestake Reservoir (256.5 a.f.). The value of Homestake Reservoir storage is based on the Authority's dedication replacement cost of $31,500 per acre-foot for non-irrigation season in-basin storage. That replacement cost is established by the Authority's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the Authority's service area.

Green Mountain Reservoir

The Authority owns water related contracts in connection with Green Mountain Reservoir (548 a.f.).

Contract 9-07-60-W0413: This contract was executed on July 17, 1989, for 220 acre-feet per year. The annual lease payment is $10 per acre-foot, which can be adjusted to cover operation and maintenance costs if such costs exceed $10 per acre-foot. This lease is for a term of 40 years (expires July 16, 2029), with an option to renew for an additional 40 years. By virtue of an assignment from Kensington Partners, Squaw Creek Metropolitan District, and Cordillera Metropolitan District of 255 acre-feet of water annually from Kensington Partner's Green Mountain Reservoir Contract No. 4-07-60-W1015, the Bureau is amending the Authority's Contract 9-07-60-W0413 to include this assigned amount, resulting in a total of 475 acre-feet under this contract. All of the terms of the Authority's Contract 9-07-60W0413 will apply to the entire 475 acre-feet of water per year.

Contract 9-07-60-W0401: This contract was executed by Kensington Partners on January 11, 1989, for 25 acre-feet per year, and it was amended on October 25, 1989, to include an additional 48 acre-feet per year, for a total of 73 acre-feet of water per year. The annual lease payment is $10 per acre-foot, which can be adjusted to cover operation and maintenance costs if such costs exceed $10 per acre-foot. This lease is for a term of 40 years (expires January 10, 2029), with an option to renew for an additional 40 years. Kensington Partners assigned this contract to Squaw Creek Metropolitan District and Cordillera Metropolitan District, and they assigned it to the Authority on March 25, 2004. The Bureau approved the assignment to the Authority effective October 4, 2010.

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 Authority owns water related contracts in connection with Wolford Mountain Reservoir (710.8 a.f.).

Contract CW08011: This contract was executed on February 10, 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 increase each year up to the amount of increase in the Consumer Price Index plus 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.

Contract CW02020: This contract was executed by the Squaw Creek Metropolitan District on December 13, 2002, and it was assigned from Squaw Creek Metropolitan District to the Authority on June 4, 2004. It is for 200 acre-feet per year, and the initial cost was $105.00 per acre-foot, with an annual lease payment is $105.00 per acre-foot, which can be increased each year up to the increase in the Boulder-Denver Metro Area Consumer Price Index. It is for an initial term of 40 years (expiring December 12, 2042), with a right to renew for an additional 35 years.

Wolford Mountain Reservoir (continued)

Contract CW03005: This contract was executed by Traer Creek Metropolitan District on February 3, 2003, and it was assigned from Traer Creek Metropolitan District to the Authority on April 16, 2003. It is for 10.8 acre-feet per year, with an initial cost of $750.00 per acre-foot. The annual lease payment is $20.00 per acre-foot, which can be adjusted every five (5) years based on the cumulative in the Boulder-Denver Metro Area Consumer Price Index. It is for an initial term of 40 years (expires February 2, 2043), with a right to renew for an additional 35 years.

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 $3,420 per acre-foot. A ten year lease cost is an approximation of the purchase value of this water.

In-Basin Consumptive Use
The Authority owns or has a perpetual contractual right to in-basin consumptive use water rights (693.65 a.f.). In-basin consumptive use credits are valued at the Authority's dedication replacement cost of $8,700 per acre-foot of irrigation season water. This replacement cost is established by the Authority's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the Authority's service area.

Water Rights Leased

In-Basin Consumptive Use
The Authority has leased in-basin consumptive use water rights (1,389.654 a.f.) from its members and Traer Creek Metropolitan District. This does not include the 302.8 af leased to the Authority and committed to the fill of Eagle Park Reservoir. The essential terms of the leases are that the members lease these water rights at no cost to the Authority for so long as the Authority exists and provides water service to these members. In-basin consumptive use credits are valued at the Authority's dedication replacement cost of $8,700 per acre-foot of irrigation season water. This replacement cost is established by the Authority's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the Authority's service area.

Beaver Creek
The Authority has leased water rights (232 a.f.) from Beaver Creek. The essential terms of the lease is that the members lease these water rights at no cost to the Authority for so long as the Authority exists and provides water service to these members. The Beaver Creek direct flow summer rights are valued at the Authority's dedication replacement cost of $8,700 per acre foot of irrigation season water, and the Beaver Creek direct flow winter rights are valued at the Authority's dedication replacement cost of $31,500 per acre foot of non-irrigation season water. These replacement costs are established by the Authority's water dedication policy, which is the basis by which water service is approved for and provided to all new development in the Authority's service area.