

**SilverCreek Water and Sanitation District
SilverCreek, CO**

**Financial Statements
December 31, 2016 and 2015**



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**SilverCreek Water and Sanitation District
Financial Statements
December 31, 2016 and 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors SilverCreek Water and Sanitation District

We have audited the accompanying financial statements of SilverCreek Water and Sanitation District (the "District"), as of and for the year ended December 31, 2016 and 2015, as listed in the table of contents, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SilverCreek Water and Sanitation District as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The individual fund budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The individual fund budgetary comparison is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
July 7, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS



SilverCreek Water and Sanitation District Management's Discussion and Analysis December 31, 2016 and 2015

We, the financial managers of SilverCreek Water and Sanitation District (the "District"), offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal years ended December 31, 2016 and 2015.

Financial Highlights

- The District had a net loss of \$951,765 in 2016 as compared to a net loss of \$35,952 in 2015. District assets exceeded its liabilities by \$1,794,900 in 2016, while assets exceeded liabilities by \$2,746,665 in 2015.
- The District decreased total revenues and increased total expenses in 2016. This allowed for a change in cash and investment from \$1,751,643 in 2015 to \$850,072 in 2016.
- The District contributed \$1,000,000 to the town of Granby in order to help fund the water treatment plant.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

Financial Statements: The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position shows how the government's net position changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave.)

The Statement of Cash Flows shows the District's sources of cash inflows and outflows for the years presented. Cash flows are categorized among operating, non-capital financing, capital and related financing and investing activities, and unlike items reported in the Statement of Revenues, Expenses and Changes in Fund Net Position, these amounts are reported on the cash basis of accounting.

The business-type activity of the District relates to sanitation services. There are currently no governmental-type activities occurring at the District.

The District's financial statements can be found in Section C of this report.

Proprietary Funds: The District maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report business-type activities. The District uses an enterprise fund to account for its water and sanitation services.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Overview of the Financial Statements (continued)

Other Information: In addition to the basic financial statements and accompanying notes, this report also conveys certain supplementary information. The Schedule of Revenues and Expenditures - Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis provides a detailed comparison of the District's actual revenues and expenditures to budgeted amounts. As the District's budget was adopted in a manner that is not consistent with Generally Accepted Accounting Principles ("GAAP"), this statement is presented on a non-GAAP basis with reconciliation to GAAP basis. Supplementary information can be found in Section E of this report.

Financial Analysis of the District:

The following table shows the District's assets, liabilities and net position at the end of 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------|---------------------|---------------------|
| Assets: | | |
| Current assets | 976,260 | 1,878,174 |
| Capital assets | 975,031 | 1,021,514 |
| Total Assets | <u>1,951,291</u> | <u>2,899,688</u> |
| Liabilities: | | |
| Other liabilities | 30,925 | 25,724 |
| Long - term liabilities | 11,011 | 12,294 |
| Total Liabilities | <u>41,936</u> | <u>38,018</u> |
| Deferred inflows of resources: | | |
| Unavailable property tax revenue | 114,455 | 115,005 |
| Total Liabilities | <u>114,455</u> | <u>115,005</u> |
| Net Position: | | |
| Net investment in capital assets | 975,031 | 1,021,514 |
| Restricted | 8,000 | 8,000 |
| Unrestricted | 811,869 | 1,717,151 |
| Total Net Position | <u>\$ 1,794,900</u> | <u>\$ 2,746,665</u> |

In 2016, the District's total net position decreased by \$951,765. The District has a significant portion of its net position invested in capital assets. The capital assets are used to provide services to the District's customers.

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Overview of the Financial Statements (continued)

Financial Analysis of the District (continued):

The following table summarizes information relating to the District's Statement of Revenues, Expenses and Changes in Fund Net Position:

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 92,463 | \$ 71,943 |
| General revenues: | | |
| Property taxes | 115,069 | 106,004 |
| Specific ownership taxes | 6,353 | 6,179 |
| Investment income | 2,606 | 6,255 |
| Rent income | 1,283 | 1,283 |
| Miscellaneous | 819 | 345 |
| Total Revenues | <u>218,593</u> | <u>192,009</u> |
| Expenses: | | |
| Operating expenses: | | |
| Personnel services | 73,657 | 85,401 |
| Facilities and maintenance | 8,794 | 16,561 |
| Professional services | 13,055 | 40,969 |
| Administrative | 28,369 | 32,325 |
| Depreciation | 46,483 | 52,705 |
| Nonoperating expenses: | | |
| Capital contributions | <u>1,000,000</u> | <u>-</u> |
| Total Expenses | <u>1,170,358</u> | <u>227,961</u> |
| Change in Net Position | (951,765) | (35,952) |
| Net Position - Beginning of Year | <u>2,746,665</u> | <u>2,782,617</u> |
| Net Position - End of Year | <u>\$ 1,794,900</u> | <u>\$ 2,746,665</u> |

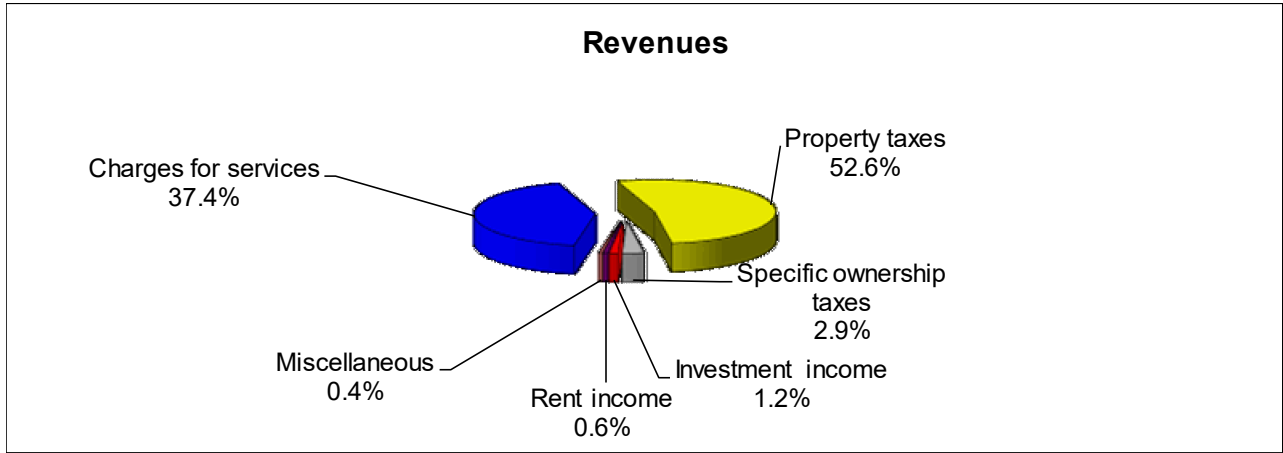
The District had a deficit year. Revenues and expenses increased for 2016. Revenues that increased include property taxes, specific ownership taxes, and other revenues. The increase in expenses relates to the contribution to the Town of Granby for the funding of the water treatment plant.

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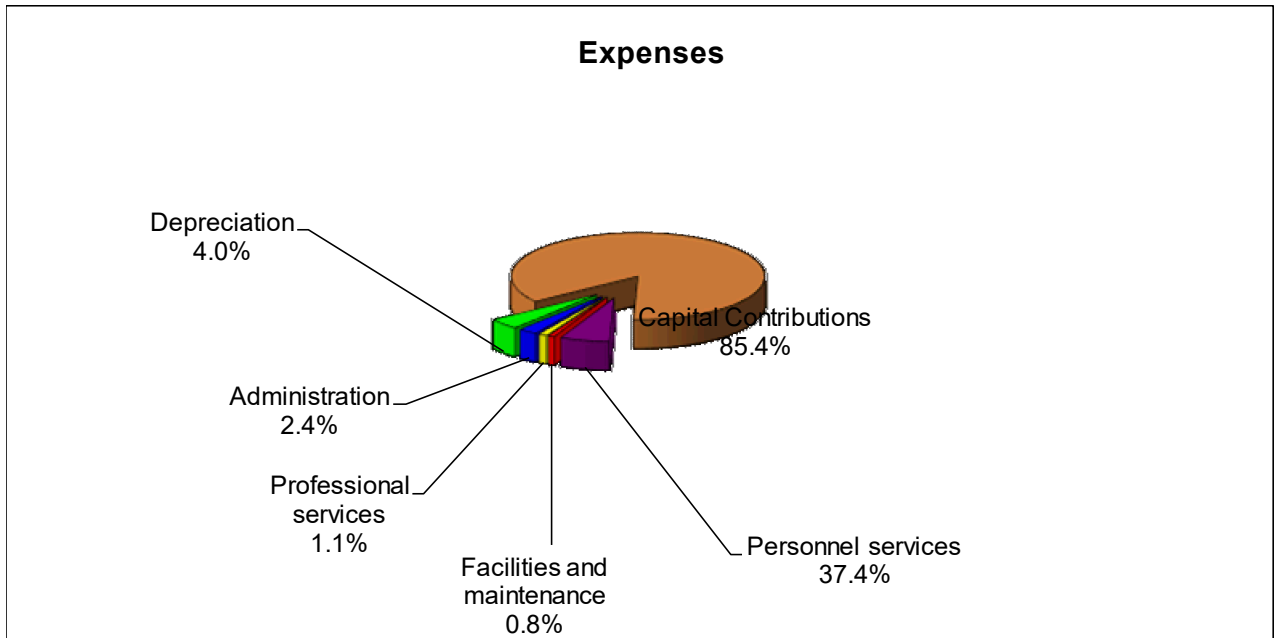
Overview of the Financial Statements (continued)

Financial Analysis of the District (continued):

The following chart summarizes the District's revenue sources during 2016:



The following chart summarizes the District's expenses, by natural classification, during 2016:



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Budget Variances in the Enterprise Fund

The District budget was not amended for the 2016 fiscal year; the actual expenditures for the District were lower than budgeted amounts by \$48,575.

Significant budget variances were as follows:

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> | <u>Reason</u> |
|------------------------|-------------------------|---------------|---|---|
| Revenues: | | | | |
| Charges for services | 77,782 | 92,463 | 14,681 | Increase in usage in 2016, additional tap fee in 2016. |
| Expenses: | | | | |
| Salaries and wages | 89,000 | 66,550 | 22,450 | The District has a manger who in June 2016 started performing both the Operations and District Manger duties. |
| Repair and maintenance | 12,000 | 3,261 | 8,739 | Conservative budgeting |
| Legal fees | 10,000 | 4,817 | 5,183 | Conservative budgeting for water issues. |

Capital Asset and Debt Administration

Capital Assets: The District's net capital assets decreased by 46,483 in 2016. The decrease is directly related to depreciation expense for the current year. There were no additions in 2015. A detailed classification of the District's capital assets can be found in the Notes to Financial Statements in Section D of this report.

Long-term Debts: The District has no long term bonded debt outstanding.

Next Year's Budget and Rates

The District's net position at the end of 2016 was \$1,794,900. The District's 2017 budget anticipates increasing this balance by \$73,166.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: SilverCreek Water and Sanitation District, P.O. Box 4014, SilverCreek, CO 80446.

FINANCIAL STATEMENTS



SilverCreek Water and Sanitation District
Statement of Net Position
December 31, 2016 and 2015

| | 2016 | 2015 |
|---|------------------|------------------|
| Assets: | | |
| Current Assets: | | |
| Cash and cash equivalents | 850,072 | 424,151 |
| Investments | - | 1,327,492 |
| Accounts receivable | 4,784 | 2,209 |
| Property taxes receivable | 114,455 | 115,005 |
| Accrued interest receivable | - | 1,930 |
| Prepaid expenses | 6,949 | 7,387 |
| Total Current Assets | 976,260 | 1,878,174 |
| Non-current Assets: | | |
| Land | 70,571 | 70,571 |
| Water rights | 122,007 | 122,007 |
| Buildings and improvements | 281,496 | 281,496 |
| Vehicles, machinery and equipment | 80,921 | 80,921 |
| Infrastructure and improvements | 2,104,184 | 2,104,184 |
| | 2,659,179 | 2,659,179 |
| Less: accumulated depreciation | (1,684,148) | (1,637,665) |
| Total Non-current Assets | 975,031 | 1,021,514 |
| Total Assets | 1,951,291 | 2,899,688 |
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts payable | 4,099 | 4,205 |
| Due to other governments | 23,925 | 17,791 |
| Other payroll liabilities | 2,901 | 2,655 |
| Prepaid service charges | - | 1,073 |
| Total Current Liabilities | 30,925 | 25,724 |
| Deferred Inflows of Resources: | | |
| Unavailable property tax revenue | 114,455 | 115,005 |
| Total deferred inflows of resources | 114,455 | 115,005 |
| Non-current Liabilities: | | |
| Prepaid rentals, net of amortization of \$27,489 and \$26,206 | 11,011 | 12,294 |
| Total Non-current Liabilities | 11,011 | 12,294 |
| Total Liabilities | 156,391 | 153,023 |
| Net Position: | | |
| Net investment in capital assets | 975,031 | 1,021,514 |
| Restricted for emergencies | 8,000 | 8,000 |
| Unrestricted | 811,869 | 1,717,151 |
| Total Net Position | 1,794,900 | 2,746,665 |

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

SilverCreek Water and Sanitation District
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Years Ended December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---|-------------------------|-------------------------|
| Operating Revenues: | | |
| Charges for services | 92,463 | 71,943 |
| Other income | 819 | 345 |
| | <u>93,282</u> | <u>72,288</u> |
| Operating Expenses: | | |
| Personnel services | 73,657 | 85,401 |
| Facilities and maintenance | 8,794 | 16,561 |
| Professional services | 13,055 | 40,969 |
| Administrative | 28,369 | 32,325 |
| Depreciation | 46,483 | 52,705 |
| | <u>170,358</u> | <u>227,961</u> |
| Operating (Loss) | <u>(77,076)</u> | <u>(155,673)</u> |
| Non-operating Revenues (Expenses): | | |
| Property taxes | 115,069 | 106,004 |
| Specific ownership taxes | 6,353 | 6,179 |
| Capital contributions | (1,000,000) | - |
| Investment income | 2,606 | 6,255 |
| Rent income | 1,283 | 1,283 |
| | <u>(874,689)</u> | <u>119,721</u> |
| Net Income (Loss) | <u>(951,765)</u> | <u>(35,952)</u> |
| Change in Net Position | (951,765) | (35,952) |
| Net Position - Beginning of Year | <u>2,746,665</u> | <u>2,782,617</u> |
| Net Position - End of Year | <u><u>1,794,900</u></u> | <u><u>2,746,665</u></u> |

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

SilverCreek Water and Sanitation District
Statement of Cash Flows
For the Years Ended December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---|------------------------|------------------------|
| Cash Flows From Operating Activities: | | |
| Cash received from customers and others | 89,888 | 80,268 |
| Other cash receipts | (254) | 1,418 |
| Cash payments for goods and services | (38,352) | (75,958) |
| Cash payments to employees and for benefits | (78,811) | (91,325) |
| Net Cash Provided (Used) by Operating Activities | <u>(27,529)</u> | <u>(85,597)</u> |
| Cash Flows From Non-capital Financing Activities: | | |
| Cash received from property and specific ownership taxes, net | 121,422 | 112,183 |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>121,422</u> | <u>112,183</u> |
| Cash Flows From Capital and Related Financing Activities: | | |
| Cash paid for contributions | (1,000,000) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(1,000,000)</u> | <u>-</u> |
| Cash Flows From Investing Activities: | | |
| Cash received (paid) for sale (purchase) of investments | 1,327,492 | (6,240) |
| Interest income received | 4,536 | 6,598 |
| Net Cash Provided (Used) by Investing Activities | <u>1,332,028</u> | <u>358</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 425,921 | 26,944 |
| Cash and Cash Equivalents - Beginning of Year | <u>424,151</u> | <u>397,207</u> |
| Cash and Cash Equivalents - End of Year | <u><u>850,072</u></u> | <u><u>424,151</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | <u>(77,076)</u> | <u>(155,673)</u> |
| Adjustments: | | |
| Depreciation and amortization | 46,482 | 52,705 |
| (Increase) decrease in accounts receivable | (2,575) | 8,326 |
| (Increase) decrease in prepaid expenses | 438 | 1,167 |
| Increase (decrease) in accounts payable | (104) | 1,991 |
| Increase (decrease) in due to other governments | 6,133 | 5,038 |
| Increase (decrease) in payroll liabilities | 246 | (224) |
| Increase (decrease) in prepaid service charges | (1,073) | 1,073 |
| Total Adjustments | <u>49,547</u> | <u>70,076</u> |
| Net Cash Provided (Used) by Operating Activities | <u><u>(27,529)</u></u> | <u><u>(85,597)</u></u> |

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

NOTES TO THE FINANCIAL STATEMENTS



SilverCreek Water and Sanitation District
Notes to the Financial Statements
December 31, 2016

I. Summary of Significant Accounting Policies

SilverCreek Water and Sanitation District (the "District") is a quasi municipal corporation and a political subdivision of the State of Colorado. It was formed under Colorado statutes as a special district in 1982 pursuant to a service plan approved by the Board of County Commissioners of Grand County, Colorado. The District provides water and sanitary sewer services in an unincorporated area located south and east of the historic area of the Town of Granby. The District has a five-member board of directors who are elected by district residents on a biennial basis.

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

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

B. Accounting Policies

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

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

SilverCreek Water and Sanitation District
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

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

1. Long-term Economic Focus and Accrual Basis

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

2. Financial Statement Presentation

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

D. Financial Statement Accounts

1. Cash and Cash Equivalents

All short-term investments that are considered highly liquid are considered to be cash equivalents. Cash equivalents include cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less.

2. Investments

The District has implemented the accounting and reporting requirements of Governmental Accounting Standards Board (GASB) No. 31, *Accounting and Financial Reporting for Certain Investment Pools*. Under GASB 31, certificates of deposit and U.S. Treasury Bills with an original maturity date of one year or less are reported at amortized cost. At December 31, 2016 and 2015 the investments for the District are reported at fair value.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established at December 31, 2016 and 2015, as the District considers all accounts to be collectible.

SilverCreek Water and Sanitation District
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Property Taxes

Property taxes attach an enforceable lien on the property as of January 1st. Taxes are levied in December and payable in the following year in full by April 30th or in two equal installments due February 28th and June 15th. The County Treasurer bills and collects property taxes for all taxing entities within the County. The property tax receipts collected by the County Treasurer each month are remitted to the District by the tenth day of the subsequent month.

5. Capital Assets

The District defines capital assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Property, plant and equipment are stated at cost or estimated historical cost if actual historical cost is not available.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

| Assets | Years |
|-------------------------------------|--------------|
| Buildings & improvements | 30 |
| Improvements other than building | 5-30 |
| Distribution and collection systems | 30 |
| Vehicles | 5 |
| Office equipment | 5 |

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District does not have any items that qualify for reporting in this category at December 31, 2016.

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 government has only one type of this item. The item, unavailable property tax revenue, is reported on the District's Statement of Net Position. This amount is deferred and recognized as an inflow of resources in the period the amount becomes available.

SilverCreek Water and Sanitation District
Notes to the Financial Statements
December 31, 2016
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Financial Statement Accounts (continued)

7. Net Position

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

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

8. Use of Estimates

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

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SilverCreek Water and Sanitation District
Notes to the Financial Statements
December 31, 2016
(Continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The proprietary fund was adopted on a non-GAAP budgetary basis and has been reconciled to a GAAP basis in the financial statements. The fund has been split further into operations and capital funding for governance purposes.

Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

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

1. District's management submitted a recommended budget that detailed the necessary revenues needed along with other available revenues to meet the District's operating requirements.
2. Prior to December 15, 2015, after a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
3. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget and approve emergency appropriations; and reduce appropriations for which originally estimated revenues are insufficient.

III. Detailed Notes on All Funds

A. Deposits

As of December 31, 2016, the carrying amount of the District's bank deposits was \$850,072 and \$687,575 as of December 31, 2016 and 2015, respectively. Colorado State statutes govern the entity's deposit of cash. For deposits in excess of \$250,000, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act (PDPA) requires the state regulators to certify eligible depositories for public deposit. The act requires the eligible depositories with public deposits in excess of the federal insurance levels to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the assets in the pool must be at least equal to 102% of the uninsured deposits.

SilverCreek Water and Sanitation District
Notes to the Financial Statements
December 31, 2016
(Continued)

III. Detailed Notes on All Funds (continued)

B. Investments

Colorado statutes specify investments instruments in which local governments may invest which include:

- Obligations of the United States and certain U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Participation with other local governments in pooled investment funds (trusts), these trusts are supervised by participating governments. (These investments are not categorized by risk)

District policy is to hold investments until maturity.

Cash deposits and investments held by the District at December 31, 2016 were as follows:

| 2016 | | | | |
|---------------------------|--|-----------------------------|-------------------------------|---------------------------------|
| | Standard & Poors Rating | Carrying Amounts | Maturities | |
| | | | Less than one year | Less than five years |
| <i>Deposits:</i> | | | | |
| Petty cash | Not rated | \$ 100 | \$ 100 | \$ - |
| Interest-bearing checking | Not rated | 214,347 | 214,347 | - |
| Savings | Not rated | 80,049 | 80,049 | - |
| Money market | Not rated | 555,576 | 555,576 | - |
| | | <u>\$ 850,072</u> | <u>\$ 850,072</u> | <u>\$ -</u> |
| 2015 | | | | |
| | Standard & Poors Rating | Carrying Amounts | Maturities | |
| | | | Less than one year | Less than five years |
| <i>Deposits:</i> | | | | |
| Petty cash | Not rated | \$ 100 | \$ 100 | \$ - |
| Interest-bearing checking | Not rated | 42,204 | 42,204 | - |
| Savings | Not rated | 80,052 | 80,052 | - |
| Money market | Not rated | 565,219 | 565,219 | - |
| <i>Investments:</i> | | | | |
| Certificates of deposit | Not rated | 889,270 | 889,270 | - |
| U.S. Agencies | AA+ | 174,798 | - | 174,798 |
| | | <u>\$ 1,751,643</u> | <u>\$ 1,576,845</u> | <u>\$ 174,798</u> |

SilverCreek Water and Sanitation District
Notes to the Financial Statements
December 31, 2016
(Continued)

III. Detailed Notes on All Funds (continued)

B. Investments (continued)

The District has addressed the following risks as noted:

Credit Risk – State statutes authorize the District to only invest in bank deposits, general obligations of the U.S. Government and its agencies, repurchase agreements of less than 180 days and collateralized by U.S. Treasury or Federal Instrumentality Securities with a maturity not exceeding 5 years, highest rated commercial paper, certain bankers acceptances, local government investment pools, money market funds and certificates of deposit. The District’s policy is to restrict investments to only those permitted by state statute.

Concentration Risk – Investment diversification is utilized to avoid unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions or maturities. The District’s investments consist entirely of certificates of deposit within three financial institutions. However, these deposits are made with varied maturity dates and are collateralized for amounts over insured limits as required under Colorado State Statutes.

Interest Rate Risk – Colorado Revised Statutes limit the District’s investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from interest rates. The District’s investment policy is to follow the State Statute in order to reduce interest rate risk.

C. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

| | Balances 1/1/16 | Additions | Deletions | Balances 12/31/16 |
|---|----------------------------------|--------------------|------------------|------------------------------------|
| Capital assets not depreciated: | | | | |
| Land | \$ 70,571 | \$ - | \$ - | \$ 70,571 |
| Water rights | 122,007 | - | - | 122,007 |
| Total non depreciated assets | <u>192,578</u> | <u>-</u> | <u>-</u> | <u>192,578</u> |
| Depreciated assets: | | | | |
| Building and ground improvements | 281,496 | - | - | 281,496 |
| Infrastructure and improvements | 2,104,184 | - | - | 2,104,184 |
| Vehicles | 62,519 | - | - | 62,519 |
| Office equipment | 3,960 | - | - | 3,960 |
| Other equipment | 14,442 | - | - | 14,442 |
| Total depreciable assets | <u>2,466,601</u> | <u>-</u> | <u>-</u> | <u>2,466,601</u> |
| Less accumulated depreciation for: | | | | |
| Building and ground improvements | (122,577) | (9,383) | - | (131,960) |
| Infrastructure and improvements | (1,434,167) | (37,100) | - | (1,471,267) |
| Vehicles | (62,519) | - | - | (62,519) |
| Office equipment | (3,960) | - | - | (3,960) |
| Other equipment | (14,442) | - | - | (14,442) |
| Total accumulated depreciation | <u>(1,637,665)</u> | <u>(46,483)</u> | <u>-</u> | <u>(1,684,148)</u> |
| Net capital assets | <u>\$ 1,021,514</u> | <u>\$ (46,483)</u> | <u>\$ -</u> | <u>\$ 975,031</u> |

SilverCreek Water and Sanitation District
Notes to the Financial Statements
December 31, 2016
(Continued)

C. Capital Assets (continued)

Capital asset activity for 2015 was as follows:

| | <u>Balances</u> <u>1/1/15</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balances</u> <u>12/31/15</u> |
|---|----------------------------------|--------------------|------------------|------------------------------------|
| Capital assets not depreciated: | | | | |
| Land | \$ 70,571 | \$ - | \$ - | \$ 70,571 |
| Water rights | 122,007 | - | - | 122,007 |
| Total non depreciated assets | <u>192,578</u> | <u>-</u> | <u>-</u> | <u>192,578</u> |
| Depreciated assets: | | | | |
| Building and ground improvements | 281,496 | - | - | 281,496 |
| Infrastructure and improvements | 2,104,184 | - | - | 2,104,184 |
| Vehicles | 62,519 | - | - | 62,519 |
| Office equipment | 3,960 | - | - | 3,960 |
| Other equipment | 14,442 | - | - | 14,442 |
| Total depreciable assets | <u>2,466,601</u> | <u>-</u> | <u>-</u> | <u>2,466,601</u> |
| Less accumulated depreciation for: | | | | |
| Building and ground improvements | (113,194) | (9,383) | - | (122,577) |
| Infrastructure and improvements | (1,390,845) | (43,322) | - | (1,434,167) |
| Vehicles | (62,519) | - | - | (62,519) |
| Office equipment | (3,960) | - | - | (3,960) |
| Other equipment | (14,442) | - | - | (14,442) |
| Total accumulated depreciation | <u>(1,584,960)</u> | <u>(52,705)</u> | <u>-</u> | <u>(1,637,665)</u> |
| Net capital assets | <u>\$ 1,074,219</u> | <u>\$ (52,705)</u> | <u>\$ -</u> | <u>\$ 1,021,514</u> |

D. 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 requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

In May 2000, the District's electorate approved a change in the mill levy which included approval to "collect, retain and expend all revenues and other funds collected from any source during 1999 and each subsequent year, notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution, the 5.5% limitation under Section 29-1-301 C.R..S. or any other law."

The Authority's Establishing Contract requires the Authority to be operated as an enterprise within the meaning of Colorado Constitution Article X, §20 ("TABOR"). The Authority believes it is exempt from the requirements 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, will require judicial interpretation.

At December 31, 2016 and 2015, the District had \$8,000 and \$8,000 restricted as Emergency Reserves as required by Article X, Section 20 of the Colorado Constitution.

SilverCreek Water and Sanitation District
Notes to the Financial Statements
December 31, 2016
(Continued)

V. Other Information

A. Granby Sanitation District/Town of Granby

Additional tap fees are collected on behalf of Granby Sanitation District and the Granby/SilverCreek Authority (the "Authority") for water and sewer connections.

The District also charges its sewer users an additional fee per month for each sewer tap in service. This additional fee is paid to the Granby Sanitation District and Granby/SilverCreek Authority for the processing of sewer waste by the Granby Sanitation facility.

These amounts are collected on behalf of the Authority and Granby Sanitation District and not reflected in its financial statements as District payment.

B. Retirement Plan

The District provides a defined contribution pension plan for each of its employees including the board of directors through the Colorado County Officials and Employees Retirement Association (CCOERA).

Members of the board of directors not desiring to be a member of CCOERA are covered under the federal social security program. The total covered pension plan payroll for 2016 and 2015 amounted to \$71,950 and \$83,080 for the District employees and the board of directors, respectively.

The District provisions of the plan require that each employee contribute 6.2% of their gross salary to the plan. The District matches the employee contribution. Employees are immediately eligible to participate in the plan and are immediately vested in all matching employer contributions.

During 2016 a total of \$8,922 was contributed to the plan with \$4,461 and \$4,461 contributed by the employees and the District, respectively. During 2015 a total of \$10,302 was contributed to the plan with \$5,151 and \$5,151 contributed by the employees and the District, respectively. There were no forfeitures during 2016 or 2015.

C. Deferred Compensation Plan

Employees of the SilverCreek Water and Sanitation District may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

In accordance with recent changes to the Internal Revenue Code, Section 457(G), all deferred compensation and income attributable to the investment of deferred compensation amount held by the Trustee are no longer property of the District and are not subject to the claims of the District's general creditors. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries, respectively.

SilverCreek Water and Sanitation District
Notes to the Financial Statements
December 31, 2016
(Continued)

V. Other Information (continued)

D. Operating Lease

In October 2014, the District leased a copier under a non-cancellable thirty-six (36) month operating lease. The total costs for the lease were \$1,633 the year ended December 31, 2016. The future minimum lease payments for the lease are as follows:

| Year ending Dec. 31 | Amount |
|---------------------|----------|
| 2017 | \$ 1,633 |
| | \$ 1,633 |

VI. Dissolution of Granby Silvercreek Water and Sanitation District

The Board of Directors of the District, along with the Town of Granby, and the Granby/Silvercreek Water and Waste Authority petitioned the court for dissolution of the Granby/SilverCreek Water and Waste Water Authority. As part of the agreement entered on August 11, 2015, the District contributed \$1,000,000 for its share of the new Granby Southside Water Treatment Plant in the year ended December 31, 2016.

VII. Subsequent Events

Management has evaluated subsequent events through July 7, 2017, the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



SilverCreek Water and Sanitation District
Schedule of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2016
(With Comparative Totals for For the Year Ended 2015)

| | 2016 | | Final Budget Variance Positive (Negative) | 2015 |
|--|---------------------------------|-----------|--|---------|
| | Original and Final Budget | Actual | | Actual |
| Revenues: | | | | |
| Charges for services | 77,782 | 92,463 | 14,681 | 71,942 |
| Other income | 200 | 819 | 619 | 345 |
| Property taxes | 115,005 | 115,069 | 64 | 106,004 |
| Specific ownership taxes | 5,000 | 6,353 | 1,353 | 6,179 |
| Investment income | 1,500 | 2,606 | 1,106 | 6,255 |
| Rent income | - | 1,283 | 1,283 | 1,283 |
| Total Revenues | 199,487 | 218,593 | 19,106 | 192,008 |
| Expenses: | | | | |
| Personnel services: | | | | |
| Salaries and wages | 89,000 | 66,550 | 22,450 | 77,380 |
| Payroll taxes | 1,600 | 1,243 | 357 | 1,437 |
| Benefits | 7,800 | 5,864 | 1,936 | 6,584 |
| Facilities and maintenance: | | | | |
| Trucks and backhoe | 2,500 | 2,255 | 245 | 2,341 |
| Repair and maintenance | 12,000 | 3,261 | 8,739 | 8,544 |
| Operating supplies | 1,500 | 239 | 1,261 | 1,852 |
| Utilities | 3,000 | 3,039 | (39) | 3,824 |
| Professional services: | | | | |
| Legal fees | 10,000 | 4,817 | 5,183 | 30,623 |
| Audit fees | 7,000 | 5,575 | 1,425 | 6,552 |
| Accounting fees | 3,500 | 2,663 | 837 | 3,793 |
| Other services | 1,000 | - | 1,000 | - |
| Administrative: | | | | |
| Office expense | 7,500 | 6,029 | 1,471 | 7,390 |
| Insurance | 8,300 | 7,531 | 769 | 10,766 |
| Education and travel | 500 | 355 | 145 | - |
| Licenses and dues | 1,000 | 1,280 | (280) | 1,389 |
| Board meetings | 2,300 | 1,829 | 471 | 1,741 |
| Director's fees | 6,500 | 5,400 | 1,100 | 5,700 |
| County Treasurer's fees | 5,750 | 5,848 | (98) | 5,308 |
| Other | 1,700 | 97 | 1,603 | 31 |
| System projects: | | | | |
| Water treatment plant | 1,000,000 | 1,000,000 | - | - |
| Total Expenses | 1,172,450 | 1,123,875 | 48,575 | 175,255 |
| Reconciliation from Budget Basis to GAAP Basis: | | | | |
| Depreciation | | 46,483 | | 52,705 |
| Total Expenditures - GAAP Basis | | 1,170,358 | | 227,960 |

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