

Menoken Water District
Financial Statements
December 31, 2017 and 2016

E

RECEIVED

Office of the State Auditor

July 13, 2018

Table of Contents

| | Page |
|---|------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 3 |
| Statements of Net Position | 6 |
| Statements of Revenue, Expenses and Changes in Net Position | 7 |
| Statements of Cash Flows | 8 |
| Notes to the Financial Statements | 9 |
| Supplementary Information | 18 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Menoken Water District
Montrose, Colorado

We have audited the accompanying financial statements of the business-type activities of Menoken Water District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 from 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 business-type activities of the Menoken Water District, as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–5 and 18–19 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Blair and Associates, P.C.

Cedaredge, Colorado
April 24, 2018

Menoken Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2017

As management of the Menoken Water District, (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

Financial Highlights

- The District's assets exceeded its liabilities by \$ 2,071,887 at the end of the year, a decrease of \$ 162,760 from the prior year, after \$ 174,380 of depreciation expense.
- The District's unrestricted net position was \$ 472,820, an increase of \$ 11,620 from the prior year.
- During 2017, the District received capital contributions of \$ 42,000 from tap fees and \$ 11,296 from developer extensions.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of four components: (1) statement of net position, (2) statement of revenues, expenses and changes in net position, (3) statement of cash flows, and (4) notes to the financial statements.

- The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve a useful indicator of whether the financial position of the District is improving or deteriorating (see page 6).
- The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. 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. The statement reports the District's operating and non-operating revenue by source along with operating and non-operating expenses and capital contributions (see page 7).
- The statements of cash flows report the District's cash flows from operating, investing and capital activities (see page 8).
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 9 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary comparisons. This information can be found beginning on page 18 of this report.

Financial Analysis

The following summarizes the District's net position as of December 31, 2017 and 2016.

| | 2017 | 2016 |
|----------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets | \$ 496,625 | \$ 487,381 |
| Capital assets | 1,599,067 | 1,773,447 |
| Total assets | <u>2,095,692</u> | <u>2,260,828</u> |
| Liabilities | | |
| Current liabilities | 15,508 | 13,404 |
| Non current liabilities | 8,297 | 12,777 |
| Total liabilities | <u>23,805</u> | <u>26,181</u> |
| Net Position | | |
| Net investment in capital assets | 1,599,067 | 1,773,447 |
| Unrestricted | 472,820 | 461,200 |
| Total net position | <u>\$ 2,071,887</u> | <u>\$ 2,234,647</u> |

By far, the largest portion of the District's net position, 77%, reflects its net investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its users; consequently, these assets are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining \$ 472,820 is unrestricted and available for on-going obligations of the District.

The following summarized the change in the District's net position for the years ended December 31, 2017 and 2016.

| | 2017 | 2016 |
|----------------------------|---------------------|---------------------|
| Revenues | | |
| Operating revenues | \$ 587,758 | \$ 619,478 |
| Non-operating revenues | 597 | 3,098 |
| Capital contributions | 53,296 | 21,385 |
| Total revenues | <u>641,651</u> | <u>643,961</u> |
| Expenses | | |
| Operating expenses | 630,031 | 639,232 |
| Depreciation | 174,380 | 177,221 |
| Total expenses | <u>804,411</u> | <u>816,453</u> |
| Changes in net position | (162,760) | (172,492) |
| Net position - January 1 | 2,234,647 | 2,407,139 |
| Net position - December 31 | <u>\$ 2,071,887</u> | <u>\$ 2,234,647</u> |

Capital Assets

The District's net investment in capital assets amounts to \$ 1,599,692, net of \$4,432,154 of accumulated depreciation, as of December 31, 2017. This investment consists of land, storage and distributions system, building and improvements, equipment and furniture and fixtures.

Additional information on the District's capital assets can be found on page 15.

Economic Factors and Next Year's Budgets

Water Rates:

Water rates were unchanged in 2017.

Water usage was down 11% in 2017 in addition to the 16 % loss in 2016, the majority of the decline was the shutdown of the Montrose dairy. Other factors are: continued property vacancies and weather. No rate increase is proposed for the 2017 budget, the board will review rates for a probable increase in 2018.

| | |
|---|-------------------------|
| Cost of service: (per 1,000 gallons sold) | 2017 = 150,605,000 Gal. |
| Expense | |
| Raw water | \$ 0.37 |
| Water treatment | 1.03 |
| Office & administrative | 1.07 |
| Water System Operation | 1.87 |
| Capital Improvement | <u>.01</u> |
| 2017 Cost per 1,000 gal. | \$ 4.34 |
| Income | |
| Water sold in 2017 | \$ 3.78 |
| Service fees | .04 |
| Tap fees & pipe extensions | .40 |
| Investments | <u>.01</u> |
| 2017 Income per 1,000 gal. | \$ 4.23 |

Capital expenditures for 2017 were limited to only essential expenses.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the District Manager, 4386 6225 Road, Montrose, Colorado 81401

**Menoken Water District
Statements of Net Position
December 31, 2017 and 2016**

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Current Assets | | |
| Cash | \$ 104,527 | \$ 94,499 |
| Certificates of deposit | 214,939 | 214,745 |
| Investments | 51,053 | 50,657 |
| Accounts receivable | | |
| Customers | 59,892 | 62,550 |
| Prepaid expenses | 6,524 | 5,240 |
| Inventory | 59,690 | 59,690 |
| Total current assets | <u>496,625</u> | <u>487,381</u> |
| Capital Assets | | |
| Land | 51,465 | 51,465 |
| Distribution System, net | 1,511,286 | 1,682,272 |
| Equipment, net | - | - |
| Buildings, net | 36,316 | 39,710 |
| Total capital assets | <u>1,599,067</u> | <u>1,773,447</u> |
| Total assets | <u>2,095,692</u> | <u>2,260,828</u> |
| Current Liabilities | | |
| Accounts payable | 10,717 | 7,552 |
| Accrued compensated absences, current portion | 4,791 | 5,852 |
| Total current liabilities | <u>15,508</u> | <u>13,404</u> |
| Non-current Liabilities | | |
| Accrued compensated absences | 8,297 | 12,777 |
| Total liabilities | <u>23,805</u> | <u>26,181</u> |
| Net Position | | |
| Net investment in capital assets | 1,599,067 | 1,773,447 |
| Unrestricted | 472,820 | 461,200 |
| Total net position | <u>\$ 2,071,887</u> | <u>\$ 2,234,647</u> |

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

Menoken Water District
Statements of Revenues, Expenses and Changes in Net Position
December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Operating Revenues | | |
| Water sales | \$ 573,064 | \$ 603,198 |
| Other sales and charges for services | 7,269 | 5,576 |
| Miscellaneous | 7,425 | 10,704 |
| Total operating revenues | <u>587,758</u> | <u>619,478</u> |
| Operating Expenses | | |
| Personal services | 332,614 | 331,197 |
| Water purchase and treatment | 192,005 | 205,861 |
| Other operating | 58,238 | 45,746 |
| General administrative | 47,174 | 56,428 |
| Total operating expenses | <u>630,031</u> | <u>639,232</u> |
| Operating loss before depreciation | (42,273) | (19,754) |
| Depreciation | <u>(174,380)</u> | <u>(177,221)</u> |
| Operating loss | <u>(216,653)</u> | <u>(196,975)</u> |
| Non-operating revenues (expenses) | | |
| Interest income | 597 | 3,098 |
| Total non-operating revenues (expenses) | <u>597</u> | <u>3,098</u> |
| Loss before capital contributions | <u>(216,056)</u> | <u>(193,877)</u> |
| Capital contributions | | |
| Tap fees | 42,000 | 10,500 |
| Developers | 11,296 | 10,885 |
| Total capital contributions | <u>53,296</u> | <u>21,385</u> |
| Change in net position | <u>(162,760)</u> | <u>(172,492)</u> |
| Net position - January 1 | <u>2,234,647</u> | <u>2,407,139</u> |
| Net position - December 31 | <u>\$ 2,071,887</u> | <u>\$ 2,234,647</u> |

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

**Menoken Water District
Statements of Cash Flows
December 31, 2017 and 2016**

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Cash flows from operating activities | | |
| Receipts from users and customers | \$ 590,416 | \$ 614,167 |
| Payments for employee services | (338,155) | (330,154) |
| Payments to suppliers | (295,536) | (317,370) |
| Net cash used for operating activities | <u>(43,275)</u> | <u>(33,357)</u> |
| Cash flows from capital related financing activities | | |
| Tap fees | 42,000 | 10,500 |
| Developers | 11,296 | 10,885 |
| Net cash provided by capital and related financing activities | <u>53,296</u> | <u>21,385</u> |
| Cash flows from investing activities | | |
| Interest earned on deposits and investments | 597 | 3,098 |
| Purchase of investments | (590) | (1,441) |
| Net cash provided by (used) for investing activities | <u>7</u> | <u>1,657</u> |
| Net increase (decrease) in cash | 10,028 | (10,315) |
| Cash - January | <u>94,499</u> | 104,814 |
| Cash - December | <u>\$ 104,527</u> | <u>\$ 94,499</u> |
| Reconciliation of operating loss to net cash used for operating activities | | |
| Operating loss | \$ (216,653) | \$ (196,975) |
| Adjustments to reconcile operating loss to net cash used for operating activities: | | |
| Depreciation | 174,380 | 177,221 |
| Decrease (increase) in accounts receivable | 2,658 | (5,311) |
| Decrease (increase) in prepaid expenses | (1,284) | (2,115) |
| Decrease (increase) in inventory | - | 3,305 |
| Increase (decrease) in accounts payable | 3,165 | (10,525) |
| Increase in compensated absences payable | (5,541) | 1,043 |
| Net cash used for operating activities | <u>\$ (43,275)</u> | <u>\$ (33,357)</u> |

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

Menoken Water District
Notes to the Financial Statements
Years Ended December 31, 2017 and 2016

Note A – Summary of Significant Accounting Policies

The financial statements of Menoken Water District, (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant principles:

1. Reporting Entity

The District was originally incorporated as Menoken Water Company (the Company) in 1960 as a Colorado nonprofit entity. On November 4, 1997, the electors approved changing the Company to a political subdivision of the State of Colorado, and changing the Company's name to Menoken Water District. The District provides domestic water to customers in northeast Montrose County, Colorado. The District is governed by an elected five member board. For financial reporting purposes, the district, an Enterprise (C.R.S Section 20 Article X) is a stand-alone entity; there are no component units included in the accompanying financial statements and the district is not considered a component unit of another entity.

2. Financial Statement Presentation

The accounts of the District have been organized on the basis of a single enterprise fund. Enterprise funds are used to account for operation that are financed and operated in a manner similar to private business enterprises. It is the intent of the governing body that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise 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 an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges to users for water sales which result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and give up essentially equal values. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Menoken Water District
Notes to the Financial Statements
Years Ended December 31, 2017 and 2016

Note A – Summary of Significant Accounting Policies - continued

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The District utilized the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

The assets, liabilities, and net position of the District are reported in a self-balancing set of accounts, which include restricted and unrestricted resources, representing funds available for support of the District's programs.

4. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents consist of cash certificates of deposits and highly liquid investments purchased with an initial maturity of three months or less.

5. Fair Value Measurement

The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which generally requires state and local governments to measure assets and liabilities at fair value. GASB's goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. This standard expands fair value disclosure to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. The District's investments consist of money market funds, certificates of deposits and external investment pools.

6. Accounts Receivable

The District considers accounts receivable to be fully collectible; accordingly, no allowance for uncollectible accounts is maintained. If amounts become uncollectible, they are charged to operations when that determination is made.

Menoken Water District
Notes to the Financial Statements
Years Ended December 31, 2017 and 2016

Note A – Summary of Significant Accounting Policies – continued

7. Inventory

Inventory consists of materials and supplies which are stated at cost on a first-in/first-out method.

8. Capital Assets

Capital assets are stated at cost. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as assets that have a useful life of more than one year and that have an initial cost of \$ 5,000 or more. Replacements, which improve or extend the lives of property, are capitalized. The District capitalizes labor and equipment costs for self-constructed capital assets. Maintenance, repairs and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|----------------|
| Storage and distribution | 30 to 45 years |
| Building and improvements | 25 years |
| Equipment, furniture and fixtures | 5 to 10 years |

9. Compensated Absences

Vacation time accrues at the rate of one week after one year of employment and two weeks after two years of employment. Sick leave accrues at the rate of ½ day per month up to 15 days, after which unused sick leave is paid monthly.

10. Use of Estimates

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

Menoken Water District
Notes to the Financial Statements
Years Ended December 31, 2017 and 2016

Note A – Summary of Significant Accounting Policies – continued

11. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing attributable to the acquisition or construction of improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use by external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Note B – Tax, Spending and Debt Limitations

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirement of state and local governments.

The amendment excludes enterprises from its provisions; Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10 percent of their annual revenue in grants from all state and local governments combined, are excluded from the provision of the amendment. It is the District's opinion that qualifies for the exclusion and is therefore excluded from the provisions of the amendment.

Note C – Budgets

The District adheres to the following budgetary procedures:

- Budgets are required by state law.
- The budget officer is required to submit a proposed budget by October 15.
- Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- Expenditures may not legally exceed total appropriations. Board approval is required for changes in the adopted budget. Budget appropriations lapse at the end of the year. The District could be in violation of Colorado Budget Law because actual expenditures exceeded budgetary amounts.
- The District's budgets are prepared based on the flow of current financial resources using a modified accrual basis of accounting.

Menoken Water District
Notes to the Financial Statements
Years Ended December 31, 2017 and 2016

Note C – Budgets – continued

Following is a summary of the adjustment necessary to convert to the budgetary basis from GAAP:

| | <u>Revenues</u> | <u>Expenditures</u> |
|------------------------------------|-----------------|---------------------|
| GAAP basis | \$ 641,651 | \$ 802,528 |
| Adjustments: | | |
| Depreciation | | (174,380) |
| Budgetary basis | 641,651 | 628,148 |
| Budget | <u>639,500</u> | <u>633,446</u> |
| Variance – favorable (unfavorable) | <u>\$ 2,151</u> | <u>\$ 5,298</u> |

Note D – Deposits and Investments

The District adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures, effective for periods beginning after June 15, 2004. This statement establishes and modifies disclosure requirements related to investment credit risk; including custodial credit risk and concentrations of credit risk; interest rate risk and foreign currency risk; as well as deposit custodial credit risk and foreign currency risk.

1. Deposits

Colorado State Statutes govern the District’s deposits. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to one hundred and two percent of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017 the carrying amount of the District’s deposits was \$ 318,966 and the bank balances were \$ 321,531. Of the bank balances, all were insured under FDIC.

Menoken Water District
Notes to the Financial Statements
Years Ended December 31, 2017 and 2016

Note D – Deposits and Investments – continued

2. Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including: obligations of the United States and certain United States government agency securities; certain international agency securities; general obligation and revenue bonds of local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The District has no investment policy that would further limit its investment choices.

Fair Value Hierarchy: the District categories its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has no investments required to be reported under the fair value hierarchy. Certificates of deposit, money market accounts and ColoTrust are valued at amortized cost consistent with GAAP.

At December 31, 2017 and 2016 the District had investments of \$51,053 and \$ 50,657, respectively, in a local government investment pool; the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, Section 6. The fair value of the investments in COLOTRUST is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book entry form. COLOTRUST is rated AAA from Standards and Poor's.

3. Reconciliation of Cash and Investments as Shown on the Statements of Net Position as of December 31, 2017:

| | |
|--------------------------------|-------------------|
| Cash and investments: | |
| Cash on hand | \$ 500 |
| Carrying amount of deposits | 318,966 |
| Carrying amount of investments | <u>51,053</u> |
| | <u>\$ 370,519</u> |

Menoken Water District
Notes to the Financial Statements
Years Ended December 31, 2017 and 2016

Note D – Deposits and Investments – continued

**Reconciliation of Cash and Investments as Shown on the Statements of
Net Position as of December 31, 2017:**

| | |
|--|-------------------|
| Statements of net position classification: | |
| Cash | \$ 104,527 |
| Certificates of deposit | 214,939 |
| Investments | <u>51,053</u> |
| | <u>\$ 370,519</u> |

Note E – Capital Assets

| | Balance 1/1/2017 | Increases | Decreases | Balance 12/31/2017 |
|--|---------------------|--------------|-----------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 51,465 | \$ - | \$ - | \$ 51,465 |
| Total capital assets, not being depreciated | 51,465 | - | - | 51,465 |
| Capital, being depreciated | | | | |
| Storage and distribution system | 5,419,765 | - | - | 5,419,765 |
| Building and improvements | 165,155 | - | - | 165,155 |
| Equipment | 357,684 | - | - | 357,684 |
| Furniture and fixtures | 37,152 | - | - | 37,152 |
| Total capital assets, being depreciated | 5,979,756 | - | - | 5,979,756 |
| Less accumulated depreciation for: | | | | |
| Storage and distribution system | (3,737,493) | (170,986) | - | (3,908,479) |
| Building and improvements | (125,445) | (3,394) | - | (128,839) |
| Equipment | (357,684) | - | - | (357,684) |
| Furniture and fixtures | (37,152) | - | - | (37,152) |
| Total accumulated depreciation | (4,257,774) | (174,380) | - | (4,432,154) |
| Total capital assets, being depreciated, net | 1,721,982 | (174,380) | - | 1,547,602 |
| Net investment in capital assets | \$ 1,773,447 | \$ (174,380) | \$ - | \$ 1,599,067 |

Menoken Water District
Notes to the Financial Statements
Years Ended December 31, 2017 and 2016

Note F – Non-current Liabilities

Non-current liability activity for compensated absences for the year ended December 31, 2017, was as follows:

| | |
|---------------------------|------------------|
| Balance January 1, 2017 | \$ 18,629 |
| Additions | 13,088 |
| Reductions | <u>(18,629)</u> |
| Balance December 31, 2017 | <u>\$ 13,088</u> |
| Current portion | <u>\$ 4,791</u> |

Note G – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties, including employee health insurance and workman’s compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three years.

Note H – Commitments

The District purchases all of its treated water from the Project 7 Water Authority. The District is committed to paying for the treatment of a minimum of 45 million gallons of water annually from the Project 7 Water Authority. During the years ended December 31, 2017 and 2016 the District’s actual use was 149.5 million and 171.6 million gallons at a cost of \$ 136,196 and \$ 150,052, respectively.

Pursuant to a contract with the Tri-County Water Conservancy District, the District is committed to purchasing an allotment of raw water from the Dallas Creek Water Projects. The allotment amounts are as follows:

| | |
|--------------------|-------------------------------|
| Blocks One and Two | 565 acre feet annually |
| Block Three | <u>75</u> acre feet annually |
| Total | <u>640</u> acre feet annually |

Payment for the cost of the water will be paid annually for fifty years at which time the District will own water rights in the amount listed. Required payments for the additional acre feet in Block Three began in 2000. The required payment was \$ 54,473 and \$ 54,473 for 2017 and 2016 respectively, including operations and maintenance costs.

Menoken Water District
Notes to the Financial Statements
Years Ended December 31, 2017 and 2016

Note I – Employee Retirement Plan

The District provides pension benefits for all of its full time employees in a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

All full time employees are eligible to participate in the plan that is administered by the District from the date of hire. The District will match up to 6% of each employee base salary. District contributions for all employees are a 100% vested.

The District's total payroll for the year 2017 was \$ 234,948. The District's contributions were calculated using the base salary of \$ 215,482. The District made the required contributions of \$ 9,733 and the employees made required contributions of \$ 9,733.

Menoken Water District
Schedule of Revenues, Expenditures and Changes in Available Resources
Budget and Actual (Budgetary Basis)
Year Ended December 31, 2017

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|------------------|------------------|---------------|
| | Original | Final | | (Unfavorable) |
| Available Resources - January 1 | \$ 463,515 | \$ 463,515 | \$ 461,200 | \$ (2,315) |
| Revenues | | | | |
| Water sales | 603,000 | 603,000 | 573,064 | (29,936) |
| Material sold to customers | 9,500 | 9,500 | 11,296 | 1,796 |
| Service charges | 1,000 | 1,000 | 796 | (204) |
| Lock-off fees | 4,000 | 4,000 | 1,534 | (2,466) |
| Penalties | 4,500 | 4,500 | 3,966 | (534) |
| Extension labor and equipment | 6,000 | 6,000 | 7,269 | 1,269 |
| Tap fees | 7,000 | 7,000 | 42,000 | 35,000 |
| Interest | 4,000 | 4,000 | 597 | (3,403) |
| Miscellaneous | 500 | 500 | 1,129 | 629 |
| Total revenues | <u>639,500</u> | <u>639,500</u> | <u>641,651</u> | <u>2,151</u> |
| Total available resources | <u>1,103,015</u> | <u>1,103,015</u> | <u>1,102,851</u> | <u>(164)</u> |
| Expenditures | | | | |
| Personal services: | | | | |
| Salaries | 229,987 | 229,987 | 226,974 | 3,013 |
| Employee medical insurance | 60,405 | 60,405 | 69,229 | (8,824) |
| Payroll taxes | 18,030 | 18,030 | 19,858 | (1,828) |
| Workmen's compensation | 5,611 | 5,611 | 6,044 | (433) |
| Unemployment insurance | 550 | 550 | 676 | (126) |
| Miscellaneous labor | - | - | 100 | (100) |
| Employee retirement | 9,912 | 9,912 | 9,733 | 179 |
| Water | | | | |
| Raw water | 55,439 | 55,439 | 55,759 | (320) |
| Treatment | 157,500 | 157,500 | 136,196 | 21,304 |
| UVWUA | 50 | 50 | 50 | - |
| Operating: | | | | |
| Gas, oil and fuel | 7,600 | 7,600 | 8,054 | (454) |
| Vehicle maintenance and repair | 4,000 | 4,000 | 3,985 | 15 |
| Shop supplies | 1,500 | 1,500 | 2,239 | (739) |
| Equipment maintenance and repair | 2,000 | 2,000 | 1,295 | 705 |
| Small tools | 1,500 | 1,500 | 2,241 | (741) |
| System maintenance and repair | 12,500 | 12,500 | 14,197 | (1,697) |
| Materials sold to customers | 2,500 | 2,500 | 6,394 | (3,894) |
| Permits | 250 | 250 | 26 | 224 |
| Water Samples | 1,200 | 1,200 | 503 | 697 |
| Other | 3,390 | 3,390 | 2,137 | 1,253 |

Menoken Water District
Schedule of Revenues, Expenditures and Changes in Available Resources
Budget and Actual (Budgetary Basis)
Year Ended December 31, 2017

| | Budgeted Amounts | | Actual | Variance |
|---|-------------------|-------------------|-------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Expenditures | | | | |
| General Administrative: | | | | |
| Insurance | 18,000 | 18,000 | 15,418 | 2,582 |
| Office equipment and computers | 2,500 | 2,500 | 1,753 | 747 |
| Accounting and audit | 6,800 | 6,800 | 8,000 | (1,200) |
| Telephone | 4,200 | 4,200 | 4,214 | (14) |
| Postage | 4,572 | 4,572 | 4,834 | (262) |
| Office supplies | 1,200 | 1,200 | 3,843 | (2,643) |
| Director's fees | 2,200 | 2,200 | 2,050 | 150 |
| Electricity | 3,000 | 3,000 | 2,295 | 705 |
| Pest control and trash removal | 500 | 500 | 296 | 204 |
| Heat | 1,450 | 1,450 | 1,219 | 231 |
| Office equipment maintenance and repair | 500 | 500 | 80 | 420 |
| Dues and memberships | 450 | 450 | 400 | 50 |
| Legal | 1,500 | 1,500 | 167 | 1,333 |
| Employee advancement | 450 | 450 | - | 450 |
| Building maintenance and repair | 1,000 | 1,000 | 1,586 | (586) |
| Refunds | - | - | 529 | (529) |
| Water system tax | - | - | 490 | (490) |
| Capital expenditures: | | | | |
| New meter pit installations | 1,200 | 1,200 | 13,593 | (12,393) |
| System improvements | - | - | 2,256 | (2,256) |
| Capital equipment | - | - | 1,113 | (1,113) |
| Customer extensions | - | - | 205 | (205) |
| Contingency | 10,000 | 10,000 | - | 10,000 |
| Total expenditures | <u>633,446</u> | <u>633,446</u> | <u>630,031</u> | <u>3,415</u> |
| Available Resources December 31 | <u>\$ 469,569</u> | <u>\$ 469,569</u> | <u>\$ 472,820</u> | <u>\$ 3,251</u> |