

SNAKE RIVER WATER DISTRICT  
DILLON, COLORADO

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2017



Crady, Puca & Associates

*Certified Public Accountants & Consultants*



**RECEIVED**

Office of the State Auditor

June 8, 2018

**SNAKE RIVER WATER DISTRICT  
DILLON, COLORADO**

**CONTENTS**

	<b><u>Page</u></b>
<b>Independent Auditors' Report</b> .....	i-ii
<b>Management's Discussion and Analysis</b> .....	iii-xiii
<b>Basic Financial Statements</b>	
Statement of Net Position .....	1
Statement of Revenues, Expenses and Changes in Net Position .....	2
Statement of Cash Flows.....	3
Notes to Financial Statements.....	4-13
<b>Other Supplementary Information</b>	
Schedule of Revenues and Expenditures -Budget and Actual (Budgetary Basis) .....	14
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses And Changes in Net Position.....	15



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Snake River Water District

We have audited the accompanying financial statements of the Snake River Water District (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 an opinion 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 District'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 District'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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Snake River Water District, as of December 31, 2017, and the changes in its financial position and its cash flows 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 on pages iii through xiii 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.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 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 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.

*Prior year summarized comparative information*

The prior year summarized comparative information has been derived from the District's 2016 financial statements and in our report dated May 9, 2017, we expressed an unmodified opinion on those statements. In our opinion, the information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Crady, Puca & Associates*

Centennial, CO 80112

May 8, 2018

# *Management's Discussion and Analysis*

## *2017*

This Management's Discussion and Analysis (MD&A) for the Snake River Water District provides readers with an overview of the District's financial status and performance for the fiscal year ended on December 31, 2017.

This MD&A includes the following sections:

- I. Financial Highlights
- II. Overview of Financial Statements
- III. Condensed Comparative Data
- IV. Overall Financial Analysis
- V. Analysis of Budget Variations
- VI. Capital Assets
- VII. Discussion of Currently Known Facts, Decisions or Conditions of Future Significance
- VIII. Additional Financial Information

In reviewing this MD&A, please note that Sections II, III and IV are all interrelated. Section II provides an outline of the purpose of each financial statement, Section III provides the basic data for each statement and Section IV provides discussion on each financial component presented in Section III.

## **I. Financial Highlights**

The Snake River Water District continues to be on a strong financial footing. Some of the more notable indicators of the District's financial health include:

1. At the end of 2017, the District's Total Net Position increased, over the prior year, by \$807,825 bringing the District's Total Net Position to \$21,726,323.
2. The District's overall assets increased from \$21,109,672 in 2016 to \$21,841,379 in 2017.

The water user fee increase adopted by the District in 2013, coupled with tap fees and other revenue, continues to be sufficient to fund various capital improvement projects identified in the Water Utility Master Plan prepared by Tetra Tech in 2012. This plan identified eight major improvements at a cost of over \$9,000,000. At the Board meeting in November 2015 staff noted that, while a number of these improvements were anticipated to be made at substantial savings (over \$1,500,000), these savings were more than offset by cost projections for the Base 3 water treatment facility. Revised cost estimates for the Base 3 facility (prepared by Tetra Tech in the fall of 2015) were over \$3,000,000 more than originally estimated in 2012. More recent estimates prepared by the District Administrator in April 2018 suggest the costs for the Base 3 facility and the Base 2 tank may be as much as \$3,290,000 higher than the fall 2015 estimates (\$6,290,000 higher than the original 2012 estimates). The Board recognizes that a more realistic estimate won't be available until the project is completely designed and bids received.

At the Snake River Water District Board's regular meeting in November 2017 the Board reviewed anticipated future capital expenditures along with a model projecting future funding streams and concluded that no fee increase was necessary for 2017. The Board approved a very large budget increase for Repairs and Maintenance (Maintenance, Parts & Materials) to \$200,000 from \$105,000 driven by especially large repairs related to an aging infrastructure. The Board discussed the potential need to fund future large repairs and to consider a possible rate increase as it prepares the 2019 budget, noting that such budget should have more accurate projections for both the Base 2 and Base 3 improvements. The Board directed staff to include a statement in the budget material noting that a public workshop be scheduled to facilitate public input on any potential fee increase in August 2018. While the Board concluded that no fee increase was necessary for 2017, they did commit to reevaluate the capital expenditure model, funding stream and overall condition of the District's finances on an annual basis to determine if any future fee increase is warranted.

Given the District's generous capital reserves (\$7,632,292 at December 31, 2017) and the funding stream the District has in place for capital improvements, any future increase in user rates should be modest.

Management and the SRWD Board of Directors support financial projections for the annual budget which follow economic trends. Budgets are prepared with projected capital improvements and

maintenance outlay for the year. Funds not utilized by December 31<sup>st</sup> are retained in cash & investments for future capital projects.

## **II. Overview of the Financial Statements**

The Financial Statements of the District utilize the accrual basis of accounting and conform to accounting principles that are generally accepted in the United States of America. All of these statements pertain to the District's only fund which is a Proprietary Fund.

*Statement of Net Position* (see page vi) includes statistics on the District's assets and liabilities and delineates information about the nature and amounts of investments placed in resources (assets) and the obligations to the District's creditors (liabilities).

*Statement of Revenues, Expenses and Changes in Net Position* (see page vii) identifies the District's income and expenses for the years ended December 31, 2017 and 2016. This statement provides information on the District's operations over the past two fiscal years and can be used to determine whether the District has recovered all of its actual costs through user fees and other revenues.

### III. CONDENSED COMPARATIVE DATA

#### STATEMENT OF NET POSITION

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<b>Assets</b>			
Current Assets	\$ 6,652,442	\$ 4,684,897	\$ 1,967,545
Capital Assets, net	11,877,844	12,147,479	(269,635)
Other Assets	3,311,093	4,277,296	(966,203)
<b>Total Assets</b>	<u>21,841,379</u>	<u>21,109,672</u>	<u>731,707</u>
<b>Liabilities</b>			
Current Liabilities	5,541	69,659	(64,118)
Other Liabilities	109,515	121,515	(12,000)
<b>Total Liabilities</b>	<u>115,056</u>	<u>191,174</u>	<u>(76,118)</u>
<b>Net Position</b>			
Invested in Capital Assets	11,877,844	12,147,479	(269,635)
Restricted	5,940	5,940	-
Unrestricted	9,842,539	8,765,079	1,077,460
<b>Total Net Position</b>	<u>\$ 21,726,323</u>	<u>\$ 20,918,498</u>	<u>\$ 807,825</u>

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<b>2017</b>	<b>2016</b>	<b>Increase (Decrease)</b>
<b>Operating Revenues</b>	\$ 1,230,408	\$ 1,198,133	\$ 32,275
Less: Operating Expenses	701,363	703,845	(2,482)
Less: Depreciation	269,635	376,306	(106,671)
<b>Net Income from Operations</b>	259,410	117,982	141,428
Non-operating Revenue	548,415	363,159	185,256
Capital Contributions	-	129,992	(129,992)
<b>Increase in Net Position</b>	807,825	611,133	196,692
<b>Net Position, Beginning of Year</b>	20,918,498	20,307,365	611,133
<b>Net Position, End of Year</b>	\$ 21,726,323	\$ 20,918,498	\$ 807,825

## **IV. Overall Financial Analysis**

### *Assets*

Current assets of the District are principally cash and short-term deposits and investments. Current assets increased dramatically from \$4,684,897 in 2016 to \$6,652,442 at the end of 2017. This increase of \$1,967,545 is largely attributable to the District's year end net income as well as a shift in investment strategy which moved more funds into short-term investments.

Total capital assets decreased by \$269,635 because of accumulated depreciation. There were no capital asset additions or capital contributions from water main extension projects.

Other assets consist primarily of long-term investments in 2017 and decreased due to the implementation of the Board's financial strategy as noted above.

The District's overall assets increased from \$21,109,672 in 2016 to \$21,841,379 in 2017.

### *Liabilities*

Total liabilities decreased from \$191,174 in 2016 to \$115,056 in 2017. The decrease of \$76,118 is due to a reduction in prepaid tap fees and year-end accounts payable being significantly reduced in 2017 compared to 2016.

### *Revenue*

Total operating revenue for fiscal year 2017 increased by \$32,275 to \$1,230,408 from \$1,198,133 in 2016. Non-operating revenue received by the District increased by \$185,256 in 2017 with the District receiving \$548,415 in non-operating revenue in 2017. This increase in non-operating revenue is principally attributable to receiving \$175,760 more in tap fees (system investment fees) in 2017 than the District received in 2016 due to increased development in the Keystone area.

### *Expenses*

Total operating expenses for the District were \$701,363 in 2017, down slightly from \$703,845 in 2016. The \$2,482 decrease was attributable to several accounts decreasing by a few thousand dollars each. Repairs and Maintenance increased significantly by \$21,713 – or about 19% year over year. The District experienced several costly repairs related to leaks and fire hydrants. The leak repairs revealed areas of corroded pipe that were going to leak in a matter of time. It is unknown if more pipes have similar deficiencies in need of repair. The District's work on a Corrosion Control Study related to Lead and Copper regulations has also increased maintenance costs. Accordingly, the District's Operations Superintendent anticipates increased requirements for maintenance and repairs in the future which will continue the trend of major cost increases in this operating expense account.

### *Increase in Net Position*

The increase in the District's net position in 2017 was \$807,825, bringing the District's total net position as of December 31, 2017 to \$21,726,323.

## **V. Analysis of Budgetary Variations**

Final expenditures for 2017 are presented on page 13 of this Audit Report along with the 2017 District budget as approved by the Board of Directors. Significant variations between what was approved by the Board and what was realized are discussed below:

1. The single largest variance from budget for 2017 was Capital Outlay. The budget reflected anticipated progress on a major system improvement project for Base 3, and the work could not begin in 2017 because the site acquisition was delayed. Therefore, the project was stalled, and the capital expenditures were postponed. This resulted in a \$1,380,000 variance for Capital Outlay.
2. The next largest variance from budget was System Investment Fees. Tap Fees were \$307,760 (256%) above budget. This is attributed to new construction in the District. Specifically, developments known as Alders, West Hills, and River Run Townhomes were very active.
3. Water user fees received were \$11,059 more than the \$1,219,349 budgeted mostly due to more connection fees rather than increased consumption.
4. Repairs and Maintenance expenses were \$35,871 over budget because of unanticipated repairs needed in the District's distribution system. Additionally, unexpected costs were incurred due to routine water sampling test results exceeding the lead action level in some of the homes in the District.
5. Engineering and design costs were \$45,915 below budget. The budget included \$60,000 to cover expenses related to designing the Base 3 water treatment facility, but that design work could not begin because the project was delayed. Please see item #1 above.
6. None of the budgeted contingency funds for either operations/maintenance or administration were used.

## VI. Capital Assets

The current financial management practice of the Board of Directors is to pay cash for general system improvements and to not subject the populace of the District to financing. All funds invested by the District are in compliance with Colorado Revised Statutes, Article 75 Section 24-75-601.1 - *Legal Investments of Public Funds*.

The District addresses asset replacement funding and reports on the funds available during the budget process. The Board, in adopting the budget for 2017, approved Fund Projections for 2017. Highlights of these projections relating to capital assets included:

- i) \$1,380,000 to be spent on major capital improvements in 2017 including a new Base 3 water treatment facility and a new Base 2 tank.
- ii) \$1,500,000 being held in the emergency reserve account
- iii) \$6,118,107 estimated as the year-end balance for 2017 to fund future capital/system improvements.

The District's total depreciable capital assets as of December 31, 2016 was \$13,006,900 and \$13,006,900 in 2017; thus, the District added no capital improvements. The District's accumulated depreciation increased from \$8,456,532 in 2016 to \$ 8,726,167 to in 2017.

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Collection, storage and distribution system	\$ 11,498,764	\$ 11,498,764	\$ -
Buildings and improvements	1,131,547	1,131,547	-
General equipment	169,104	169,104	-
Computer software and equipment	207,485	207,485	-
	<u>13,006,900</u>	<u>13,006,900</u>	-
Less: accumulated depreciation	<u>(8,726,167)</u>	<u>(8,456,532)</u>	269,635
Net depreciable capital assets	4,280,733	4,550,368	(269,635)
Land and water rights	7,553,618	7,553,618	-
Construction in Progress	<u>43,493</u>	<u>43,493</u>	-
			-
Net capital assets	<u>\$ 11,877,844</u>	<u>\$ 12,147,479</u>	<u>\$(269,635)</u>

## **VII. Discussion of Currently Known Facts, Decisions or Conditions of Future Significance**

The fee increase adopted by the District in 2013, coupled with tap fees and other revenue, continues to be sufficient to fund various capital improvement projects identified in the Water Utility Master Plan prepared by Tetra Tech in 2012. This plan identified eight major improvements at a cost of over \$9,000,000. Depending on final cost estimates for the Base 3 water treatment facility, the total cost of improvements to implement this plan could, and probably will, exceed the 2012 estimate. The cost of construction in Keystone has been increasing at a much faster rate than inflation in the past year, and we expect that trend to continue.

While it is difficult to project capital expenditures into the future, the Board was provided a memo on August 8, 2017 discussing projected cash flow through 2026. In this memo and supporting capital timeline and cash flow projection (using the Tetra Tech capital expenditures model), it appeared the District could pursue a moderately aggressive capital improvements program and still have healthy year-end projected balances with the minimum year-end balance being over \$3.4 million in 2024. More recent estimates prepared by the District Administrator in April 2018 suggest the costs for the Base 3 facility and the Base 2 tank could be as much as \$3,290,000 higher than the August 2017 projections, essentially fully utilizing the projected balances.

The District entered into a letter of intent with Vail Resorts on April 2, 2018 regarding the acquisition of the parcel needed for the new Base 3 water treatment plant. It is now expected that the District will be able to acquire the property in July 2018. This allows the project to begin, and the estimated related capital expenditures could be approximately \$1,300,000 in 2018, \$7,100,000 in 2019, and \$615,000 in 2020.

The District has received information regarding the Base 2 project that indicates the County and USFS are nearing an agreement for a land swap. This agreement should result in the District acquiring the parcel needed for the new Base 2 tank in 2020 (two to three years earlier than previously anticipated). Depending on available capital reserves at the time the property is acquired, the construction of the Base 2 tank might not begin immediately. Previous projected timelines for the project forecast the majority of expenditures to begin soon after land acquisition (in 2023 and continue through 2025). The District Administrator's more recent estimates suggest the Base 2 construction costs could be approximately \$1,100,000 and \$4,000,000 in respectively in the year of property acquisition and the year following property acquisition. The availability of District Capital Reserves may require rescheduling the timing of construction for the Base 2 tank to begin on or later than the previously forecast 2023 to 2025 timeframe.

Better estimates for project costs will be available after design work and contractor bids are received. However, given these projections, the District will reevaluate the capital expenditure model, funding stream and overall condition of the District's finances to determine if any future fee increase is warranted. The Board has directed that a public workshop be scheduled for August 2018 to facilitate public input on any potential fee increases.

## **VIII. Additional Financial Information**

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have any questions regarding the information included in this Management's Discussion and Analysis report, please contact Stephen Hill – Administrator/Executive Director - Snake River Water District - P.O. Box 2595, Dillon, CO 80435 - (970) 468-0328 - [executivedirector@snakeriverwater.com](mailto:executivedirector@snakeriverwater.com). Please visit [www.snakeriverwater.com](http://www.snakeriverwater.com) for the Agenda posting and scheduled meeting dates.

**SNAKE RIVER WATER DISTRICT****Statement of Net Position****December 31, 2017****(With Summarized Financial Information as of December 31, 2016)**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,878,207	\$ 2,923,429
Accounts receivable	9,256	2,806
Accrued interest receivable	16,726	9,929
Prepaid expenses	10,236	7,142
Deposits and investments	3,738,017	1,741,591
Total current assets	<u>6,652,442</u>	<u>4,684,897</u>
Noncurrent assets:		
Deposits and investments	<u>3,306,037</u>	<u>4,272,240</u>
Capital assets:		
Capital assets, not being depreciated	7,597,111	7,597,111
Capital assets, being depreciated, net	4,280,733	4,550,368
	<u>11,877,844</u>	<u>12,147,479</u>
Deposits	<u>5,056</u>	<u>5,056</u>
Total noncurrent assets	<u>15,188,937</u>	<u>16,424,775</u>
<b>Total assets</b>	<u>21,841,379</u>	<u>21,109,672</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	<u>5,541</u>	<u>69,659</u>
Other liabilities:		
Prepaid tap fees	108,000	120,000
Security deposits payable	1,515	1,515
Total other liabilities	<u>109,515</u>	<u>121,515</u>
<b>Total liabilities</b>	<u>115,056</u>	<u>191,174</u>
<b>NET POSITION</b>		
Net investment in capital assets	11,877,844	12,147,479
Restricted	5,940	5,940
Unrestricted	9,842,539	8,765,079
<b>Total net position</b>	<u>\$ 21,726,323</u>	<u>\$ 20,918,498</u>

The accompanying notes are an integral part of this statement.

**SNAKE RIVER WATER DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2017**  
**(With Summarized Financial Information for the Year Ended December 31, 2016)**

	<b>2017</b>	<b>2016</b>
<b>Operating revenues:</b>		
Water fees	\$ 1,230,408	\$ 1,198,133
<b>Total operating revenues</b>	<b>1,230,408</b>	<b>1,198,133</b>
<b>Operating expenses:</b>		
Operations and maintenance:		
Water treatment contract	222,225	215,738
Repairs and maintenance	140,871	119,158
Utilities	52,851	57,670
Chemicals, lab fees and supplies	10,891	6,116
Engineering and design	14,085	46,392
Total operations and maintenance	<b>440,923</b>	<b>445,074</b>
General and administration:		
Administration contract	184,604	181,876
Auditing and accounting	9,045	11,163
Computer support	5,153	9,919
Water rights engineering	3,022	3,500
Insurance	23,190	20,840
Legal fees	9,331	8,926
Forest Service and water rights leases	8,434	8,287
Office supplies and expense	8,963	7,772
Election expense	-	76
Miscellaneous	3,700	2,810
Board expenses	4,998	3,602
Total general and administration	<b>260,440</b>	<b>258,771</b>
<b>Total operating expenses</b>	<b>701,363</b>	<b>703,845</b>
<b>Operating income before depreciation</b>	<b>529,045</b>	<b>494,288</b>
Depreciation	269,635	376,306
<b>Operating income</b>	<b>259,410</b>	<b>117,982</b>
<b>Non-operating revenues:</b>		
Investment income	81,411	74,738
System investment fees	427,760	252,000
Rental income	26,919	29,203
Miscellaneous	12,325	7,218
<b>Total non-operating revenues</b>	<b>548,415</b>	<b>363,159</b>
<b>Income before capital contributions</b>	<b>807,825</b>	<b>481,141</b>
Capital contributions of assets	-	129,992
<b>Change in net position</b>	<b>807,825</b>	<b>611,133</b>
<b>Net position, beginning of year</b>	<b>20,918,498</b>	<b>20,307,365</b>
<b>Net position, end of year</b>	<b>\$ 21,726,323</b>	<b>\$ 20,918,498</b>

The accompanying notes are an integral part of this statement.

**SNAKE RIVER WATER DISTRICT****Statement of Cash Flows**

For the Year Ended December 31, 2017

**(With Summarized Financial Information for the Year Ended December 31, 2016)**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 1,223,958	\$ 1,209,026
Cash paid to suppliers of goods and services	(768,575)	(666,397)
Net cash provided by operating activities	<u>455,383</u>	<u>542,629</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	-	(77,067)
System investment fees	428,085	259,218
Net cash provided by capital financing activities	<u>428,085</u>	<u>182,151</u>
<b>Cash flows from non-capital financing activities:</b>		
Other non-operating revenues	26,919	29,203
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	1,780,000	1,549,601
Purchases of investments	(2,825,064)	(2,603,146)
Interest on cash and investments	89,455	65,387
Net cash (used in) investing activities	<u>(955,609)</u>	<u>(988,158)</u>
Net decrease in cash and cash equivalents	(45,222)	(234,175)
Cash and cash equivalents, beginning of year	2,923,429	3,157,604
Cash and cash equivalents, end of year	<u>\$ 2,878,207</u>	<u>\$ 2,923,429</u>
<b>Reconciliation of operating income to net cash provided by operations</b>		
Operating income	\$ 259,410	\$ 117,982
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation expense	269,635	376,306
(Increase) decrease in:		
Accounts receivable	(6,450)	10,893
Prepaid expenses	(3,094)	3,692
(Decrease) increase in:		
Accounts payable	(64,118)	33,756
Total adjustments	<u>195,973</u>	<u>424,647</u>
Net cash provided by operating activities	<u>\$ 455,383</u>	<u>\$ 542,629</u>
<b>Noncash capital activities:</b>		
Contributions of assets	\$ -	\$ 129,992
<b>Noncash investing activities:</b>		
Fair value increase (decrease) on investments	<u>\$ (14,841)</u>	<u>\$ 8,490</u>

The accompanying notes are an integral part of this statement.

**1. Summary of Significant Accounting Policies**

The accounting and reporting policies of the Snake River Water District, Dillon, Colorado, (the District), conform to accounting principles generally accepted in the United States of America (US GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies consistently applied in the preparation of the accompanying financial statements.

**Reporting Entity**

The District is a statutory, single-purpose, Special District governed by a seven-member Board of Directors pursuant to provisions of the Colorado Special District Act, C.R.S. Title 32. Qualified electors in the District elect the members of the Board. As required by US GAAP, these financial statements present the activities of the District which is legally separate and financially independent of other state and local governments.

The District provides domestic and fire protection water for its service area, which is located in the Keystone Base Area of Summit County, Colorado. The boundaries of the District include portions of T5S R76W with portions of Section 13, 14, 18, 19, 20, 22, 23, and 24. These are further defined by the Snake River Water District Boundary Map dated January 5, 2007.

The District complies with GASB 61, *“The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”* and GASB Statement No. 39, *“Determining Whether Certain Organizations Are Component Units”*. These statements establish standards for defining and reporting on the financial reporting entity. It defines component units as legally separate entities for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

In November 2012, the District’s Board passed a resolution recognizing the District as a “water activity enterprise” under Article X, Section 20 of the Colorado Constitution.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The District’s financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. Enterprise funds are used by governments to report any activity for which a fee is charged to external users for goods or services.

The District’s water is provided on a metered rate to its users.

**1. Summary of Significant Accounting Policies (continued)**

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

The District distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations, the delivery of water. Operating expenses for the District include costs of sales and services, operating expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition, including system investment (tap) fees and interest income are reported as non-operating revenues and expenses.

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

**Assets, Liabilities and Net Position**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less, and which are not held as part of an investment portfolio, to be cash equivalents.

**Investments**

Investments are reported at fair value and are classified as current or non-current based on their maturity date.

**Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**Receivables**

Accounts receivable consists primarily of Water User Fees earned as of December 31, 2017. The District considers all receivables collectible as of December 31, 2017, therefore no allowance has been recorded.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

**1. Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities and Net Position (continued)**

**Capital Assets**

Capital assets include land, water rights, buildings and improvements, water collection, storage and distribution system, general equipment, computer software, and equipment. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Capital expenditures for projects are capitalized as constructed.

Capital assets, excluding land and water rights, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Collection, storage and distribution system	10-50
Buildings and improvements	10-40
General equipment	5-10
Computer software and equipment	3-10

**Net Position**

The District classifies net position into three components:

- Net position invested in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position - consists of assets that are restricted by the District's creditors, by state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted net position – all remaining items of net position are reported in this category.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Property Taxes**

Currently, the Board levies no property taxes.

**1. Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities and Net Position (continued)**

**Comparative Data**

The financial statements contain certain prior year comparative information. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**2. Stewardship, Compliance and Accountability**

**Budgetary Information**

The District's budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) with the following exception: capital outlays are treated as expenses for budget purposes. State law requires the District to adopt annual appropriated budgets for all funds.

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

Prior to October 15 of each year, the District Administrator (not an elected official) submits a proposed operating budget for the fiscal year commencing the following January 1 to the Board of Directors (elected officials). The operating budget, for the fund, includes proposed expenses and the means of financing them.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

**SNAKE RIVER WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2017**

---

**3. Detailed Notes Concerning the Fund**

**Deposits and Investments**

Deposits and investments are classified in the accompanying financial statements as follows as of December 31, 2017:

Cash and cash equivalents	\$ <u>2,878,207</u>
Current assets:	
Money market fund	22,271
Certificates of deposit – non-negotiable	249,710
Certificates of deposit - negotiable	3,207,513
U.S. Government Obligations and GSEs	<u>258,523</u>
Total current	<u>3,738,017</u>
Noncurrent assets:	
Certificates of deposit – negotiable	1,529,352
U.S. Government Obligations and GSEs	<u>1,776,685</u>
Total non-current	<u>3,306,037</u>
Total deposits and investments	\$ <u>9,922,261</u>

**Custodial Credit Risk:** The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 collateral must be equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

**Investments**

As of December 1, 2014, the District adopted a formal investment policy, which is more restrictive than the Colorado Revised Statutes, that specifies investment instruments meeting defined rating and risk criteria in which the District may invest. The allowed investment instruments may include but are not limited to:

- Obligations of the U.S. and certain U.S. government agencies securities
- Certain money market funds
- Certain certificates of deposit
- Local government investment pools

**SNAKE RIVER WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2017**

**3. Detailed Notes Concerning the Fund (continued)**

**Deposits and Investments (continued)**

Investments (continued)

As of December 31, 2017, the District had invested \$2,032,441 in the Colorado Local Government Liquid Asset Trust (COLOTRUST PLUS+), a local government investment vehicle established for local governmental entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating COLOTRUST PLUS+. Investments of COLOTRUST PLUS+ are limited to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by participating governments. COLOTRUST PLUS+ records its investments at fair value and the District records its investment in COLOTRUST PLUS+ using the net asset value method and therefore has been classified as cash and cash equivalents in the Statement of Net Position. There are no unfunded commitments and there is no redemption notice period.

**Interest Rate Risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District limits its investments to those with lower risk for market fluctuations. In addition, the District's investment policy limits investment maturities to five years or less.

**Credit Risk:** Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2017, COLOTRUST PLUS+ had a Standard and Poor's rating of AAAm. The District's two money market funds are not rated, one of which is included in cash and cash equivalents in the above table.

As of December 31, 2017, the District's investments in U.S. government agency securities were rated AA+ by Standard and Poor's. The Tennessee Valley Authority bonds were not rated.

The District held the following investments as defined by GASB 40 as of December 31, 2017:

Investment Type	Maturities			Total Fair Value	% of Portfolio held
	Less Than 1 Year	1-3 Years	3-5 Years		
Certificates of					
Deposit - negotiable	\$ 3,207,513	\$ 1,529,352	\$ -	\$ 4,736,865	69.9%
Federal Farm Credit Banks	--	494,360	--	494,360	7.3%
Federal Home Loan Bank	--	294,690	--	294,690	4.4%
Tennessee Valley Authority	258,523	--	--	258,523	3.8%
Federal Home Loan Mortgage Corp	--	987,635	--	987,635	14.6%
	<u>\$ 3,466,037</u>	<u>\$ 3,306,037</u>	<u>\$ -</u>	<u>\$ 6,772,073</u>	<u>100.0%</u>

The above investments of \$6,772,073 which include negotiable certificates of deposit and U.S. sponsored mortgage-backed securities, are categorized as Level 2 investments and are valued using a matrix pricing technique.

**3. Detailed Notes Concerning the Fund (continued)**

**Unearned Revenue**

The District defers revenue recognition in connection with resources that have been received, but not yet earned. Per an agreement associated with a land exchange, one developer is required to pay the District a system investment (tap) fee of \$6,000 per Equivalent Rating (EQR). In 2014, the District received a prepayment of tap fees from a developer of \$137,100. As of December 31, 2017, unearned revenue remaining for prepaid tap fees amounted to \$108,000.

**Net Position**

A Capital Asset Acquisition study was completed by management in 2005 to analyze 20-year historical asset acquisitions and plan for future acquisitions. At that time, the District had established an asset replacement and reserve policy. In 2016, this policy was further clarified by Board resolution by establishing the Emergency Reserve Account which designated \$1,500,000 in unrestricted net position to be set aside for large, unanticipated repairs to the District's infrastructure. As of December 31, 2017, the Emergency Reserve Account remains at \$1,500,000.

The Board also designated \$5,192,216 for capital improvements. The capital improvements reserve will be increased annually by net operating and non-operating income before depreciation expense and will be decreased by capital outlay costs. As of December 31, 2017, the designated portion of unrestricted net position related to this capital improvements reserve was \$7,632,292.

In addition, the District established a maintenance reserve for building improvements for each of the buildings the District subleases (see note 4 for a description of the subleases). As of December 31, 2017, the designated portion of unrestricted net position related to this maintenance reserve was \$24,949.

**SNAKE RIVER WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2017**

**3. Detailed Notes Concerning the Fund (continued)**

**Capital Assets**

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and water rights	\$ 7,553,618	\$ --	\$ --	\$ 7,553,618
Construction in progress	43,493	--	--	43,493
Total capital assets, not being depreciated	<u>7,597,111</u>	<u>--</u>	<u>--</u>	<u>7,597,111</u>
Capital assets being depreciated:				
Collection, storage and distribution system	11,498,764	--	--	11,498,764
Buildings and improvements	1,131,547	--	--	1,131,547
General equipment	169,104	--	--	169,104
Computer software and equipment	207,485	--	--	207,485
	<u>13,006,900</u>	<u>--</u>	<u>--</u>	<u>13,006,900</u>
Less accumulated depreciation for:				
Collection, storage and distribution system	(7,744,784)	(229,793)	--	(7,974,577)
Buildings and improvements	(381,149)	(31,381)	--	(412,530)
General equipment	(145,232)	(3,410)	--	(148,642)
Computer software and equipment	(185,367)	(5,051)	--	(190,418)
	<u>(8,456,532)</u>	<u>(269,635)</u>	<u>--</u>	<u>(8,726,167)</u>
Total capital assets being depreciated, net	<u>4,550,368</u>	<u>(269,635)</u>	<u>--</u>	<u>4,280,733</u>
<b>Total capital assets, net</b>	<b>\$ <u>12,147,479</u></b>	<b>\$ <u>(269,635)</u></b>	<b>\$ <u>--</u></b>	<b>\$ <u>11,877,844</u></b>

**4. Operating Leases**

The District subleases space in its maintenance building under three operating leases, all of which have 5-year terms. Two of the leases renew automatically for 19 additional 5-year terms. The third lease, which expires in 2020, has the option of one more 5-year renewal. The sub-lessees pay a minimum monthly rent plus maintenance reserves. Future minimum rental income amounts, including reserves are as follows:

<u>Year ending December 31,</u>	
2018	\$ 26,627
2019	27,342
2020	8,155
2021	<u>716</u>
Total	<u>\$ 62,840</u>

Rental income and maintenance for the year ended December 31, 2017 was \$26,919.

**5. Other Information**

**Contractual Services Agreements**

The District is obligated under an agreement with an outside party for the maintenance, repair and general operations of its facilities to include wells, pumping and plant equipment, water and service lines, and controls. The agreement automatically renews for successive one-year terms. However, either party may terminate this agreement, for any reason, with ninety days written notice to the other party. For the year ended December 31, 2017, the District incurred \$222,225 in compliance with the terms of this agreement.

The District is obligated under an agreement with an outside party to provide administrative and executive services to the District. The agreement automatically renews for successive one-year terms. However, either party may terminate this agreement, for any reason, with ninety days written notice to the other party. For the year ended December 31, 2017, the District incurred \$184,604 in compliance with the terms of this agreement.

**Revenue Concentration**

Vail Resorts, Inc. operates the Keystone resort and ski area. Properties owned by them are estimated to represent approximately 60% of the water fees collected by the District during 2017.

**Risk Management**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; and natural disasters for which the District carries commercial insurance.

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, general liability and public official's liability coverage. The District's management services contractors, Water Works West, LLC and Mountain Legacy Services, LLC, carry worker's compensation on all their employees. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. 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. No distributions were made during the year ended December 31, 2017.

**5. Other Information (continued)**

**Tax, Spending and Debt Limitations**

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains, tax, spending, and revenue and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's "fiscal year spending" adjusted for allowable increases based upon inflation and local growth. "Fiscal year spending" is generally defined as expenditures plus reserve increase with certain exceptions. Revenue in excess of the "fiscal year spending" limit must be refunded unless the voters approve retention of such revenue.

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of "fiscal year spending" (excluding bonded debt service). Local governments are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved a portion of its December 31, 2017 year-end net position for emergencies as required under TABOR of \$5,940, which is the approximate required reserve as of December 31, 2017.

The District's management believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

**6. Subsequent Event**

On April 2, 2018, the District entered into a letter of intent with Vail Resorts regarding the acquisition of a parcel of land for \$105,000 which is needed for the new Base 3 water treatment plant. It is expected the District will be able to acquire the property in July 2018.

**OTHER SUPPLEMENTARY INFORMATION**

**SNAKE RIVER WATER DISTRICT**

**Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)**

**For the Year Ended December 31, 2017**

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
Water fees	\$ 1,219,349	\$ 1,230,408	\$ 11,059
Investment income	81,466	81,411	(55)
System investment fees	120,000	427,760	307,760
Rental income	29,320	26,919	(2,401)
Miscellaneous	4,000	12,325	8,325
<b>Total Revenues</b>	<b>1,454,135</b>	<b>1,778,823</b>	<b>324,688</b>
<b>Expenditures:</b>			
Operations and maintenance:			
Water treatment contract	222,229	222,225	4
Repairs and maintenance	105,000	140,871	(35,871)
Utilities	60,000	52,851	7,149
Chemicals, lab fees and supplies	10,900	10,891	9
Engineering and design	60,000	14,085	45,915
<b>Total operations and maintenance</b>	<b>458,129</b>	<b>440,923</b>	<b>17,206</b>
General and administration:			
Administration contract	184,604	184,604	-
Auditing and accounting	8,675	9,045	(370)
Computer support	10,000	5,153	4,847
Water rights engineering	7,000	3,022	3,978
Insurance	24,000	23,190	810
Legal fees	8,500	9,331	(831)
Forest Service and water rights leases	8,287	8,434	(147)
Office supplies and expense	8,000	8,963	(963)
Miscellaneous	5,000	3,700	1,300
Board expenses	7,000	4,998	2,002
<b>Total general and administration</b>	<b>271,066</b>	<b>260,440</b>	<b>10,626</b>
Contingency	54,000	-	54,000
Capital outlay	1,380,000	-	1,380,000
<b>Total Expenditures</b>	<b>2,163,195</b>	<b>701,363</b>	<b>1,461,832</b>
<b>Revenues over (under) expenditures</b>	<b>\$ (709,060)</b>	<b>\$ 1,077,460</b>	<b>\$ (1,786,520)</b>

The accompanying notes are an integral part of this statement.

**SNAKE RIVER WATER DISTRICT**  
**Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes**  
**in Net Position**  
**For the Year Ended December 31, 2017**

---

Revenue (budgetary basis)	\$ 1,778,823
Capital contributions of assets	-
Revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>1,778,823</u>
Expenditures (budgetary basis)	701,363
Depreciation	269,635
Capital outlay	-
Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>970,998</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 807,825</u></u>

The accompanying notes are an integral part of this statement.