

**SNAKE RIVER WATER DISTRICT  
DILLON, COLORADO**

---

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS'  
REPORT**

---

**DECEMBER 31, 2021**



**Crady, Puca & Associates**

*Certified Public Accountants & Consultants*

**SNAKE RIVER WATER DISTRICT  
DILLON, COLORADO**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditors' Report</b> .....	i-ii
<b>Management's Discussion and Analysis</b> .....	iii-xii
<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>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



Crady, Puca & Associates

Certified Public Accountants & Consultants

---

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the Snake River Water District  
Dillon, Colorado

### Opinions

We have audited the accompanying financial statements of the business-type activities of the Snake River Water District as of and for the year ended December 31, 2021, and related notes to the financial statements, which collectively comprise Snake River Water District's basic financial statements as listed in the table of contents.

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 Snake River Water District as of December 31, 2021, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Snake River Water District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Snake River Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Snake River Water District 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Snake River Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited the District's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **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 xii be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis), page 14 and the Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Net Position, page 15, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Crady, Puca & Associates*

Aurora, Colorado  
May 10, 2022

# *Management's Discussion and Analysis*

## *2021*

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, 2021.

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 is facing a more challenging financial future because of the costs of repairing and replacing aging physical assets and responding to new or more stringent regulatory requirements. The Board adopted a new 10-year Master Plan and a Capital Improvement Plan to provide the funding necessary for these investments and replacements.

Some of the more notable indicators of the District's financial health include:

1. At the end of 2021, the District's Total Net Position increased, over the prior year, by \$761,932 bringing the District's Total Net Position to \$27,807,153.
2. The District had an Operating Income before Depreciation of \$364,426.
3. The Total Cash Balances increased by \$755,329.
- 4.

Management and the SRWD Board of Directors use 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, 2021 and 2020. 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>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
<b>Assets</b>			
Current Assets	\$ 7,798,215	\$ 7,041,236	\$ 756,979
Capital Assets, net	20,065,968	20,044,967	21,001
Other Assets	-	96,025	(96,025)
<b>Total Assets</b>	<u>27,864,183</u>	<u>27,182,228</u>	<u>681,955</u>
<b>Liabilities</b>			
Current Liabilities	53,430	133,407	(79,977)
Noncurrent Liabilities	3,600	3,600	-
<b>Total Liabilities</b>	<u>57,030</u>	<u>137,007</u>	<u>(79,977)</u>
<b>Net Position</b>			
Invested in Capital Assets	20,065,968	20,044,967	21,001
Restricted	9,960	9,960	-
Unrestricted	7,731,225	6,990,294	740,931
<b>Total Net Position</b>	<u>\$ 27,807,153</u>	<u>\$ 27,045,221</u>	<u>\$ 761,932</u>

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

	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>
<b>Operating Revenues</b>	\$ 1,355,038	\$ 1,343,943	\$ 11,095
Less: Operating Expenses	990,613	1,041,625	(51,012)
Less: Depreciation	569,426	364,212	205,214
<b>Net Income from Operations</b>	(205,001)	(61,894)	(143,107)
Non-operating Revenues (expenses)	502,633	685,174	(182,541)
Capital Contributions	464,300	76,643	387,657
<b>Increase in Net Position</b>	761,932	699,923	62,009
<b>Net Position, Beginning of Year</b>	27,045,221	26,345,298	699,923
<b>Net Position, End of Year</b>	\$ 27,807,153	\$ 27,045,221	\$ 761,932

## **IV. Overall Financial Analysis**

### *Assets*

Current assets of the District are principally cash, short-term deposits, and investments. Current assets increased from \$7,041,236 in 2020 to \$7,798,215 in 2021. This increase of \$756,979 is largely attributable to \$449,580 in System Investment Fees and operating net income being above expectations by approximately \$355,000.

Total net capital assets increased by \$21,001. This increase was due primarily to investments in system improvements. There was one capital contribution from water main extension projects of \$464,300. The depreciation expense for 2021 was \$569,426, a 56% increase over 2020's depreciation of \$364,212 due to the Base 3 project being in service for a full year.

The District's overall assets increased from \$27,182,228 in 2020 to \$27,864,183 in 2021.

### *Liabilities*

Total liabilities decreased from \$137,007 in 2020 to \$57,030 in 2021. The decrease of \$79,977 is mostly due to \$108,195 in lower year-end accounts payable.

### *Revenue*

Total operating revenue for fiscal year 2021 increased by \$11,095 to \$1,355,038 from \$1,343,943 in 2020 due to growth in District EQRs. Non-operating revenue received by the District decreased by \$182,541 in 2021 with the District receiving \$502,633 in non-operating revenue in 2021 compared to \$685,174 in 2020. This decrease in non-operating revenue is principally attributable to a 21% decrease in tap fees of \$120,525 and a 95% decrease in investment income of \$56,001 from 2020 to 2021.

### *Expenses*

Total operating expenses for the District were \$990,613 in 2021, which is down from \$1,041,625 in 2020. The \$51,012 decrease included \$103,325 in lower maintenance costs. The District experienced lower costs associated with repairs attributable to leaks in aging infrastructure.

### *Increase in Net Position*

The increase in the District's net position in 2021 was \$761,932, bringing the District's total net position as of December 31, 2021 to \$27,807,153.

## V. Analysis of Budgetary Variations

Final expenditures for 2021 are presented on page 14 of this Audit Report along with the 2021 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 2021 was Contribution of Assets. The budget of \$33,000 was \$431,300 (1,307%) below the actual of \$464,300. It was anticipated that the Wintergreen development would submit their water assets for acceptance by the District in 2020, but they did not provide a bill of sale until March 2021.
2. The next largest variance from budget was Maintenance, Parts, and Materials. The actual expenses were \$249,333 (59%) below budget. The 2021 budget included a major rehabilitation project for the Pilot Lode Tank, but the project was postponed because the special materials needed to coat the inside of the tank were not available when needed. The tank cannot be coated during cold weather, so the tank project is scheduled for summer 2022.
3. System Improvements expenditures were \$126,127 which was \$158,873 (56%) below budget. The engineering and design was conducted for some of the projects defined in the 10-year Master Plan, but several projects were not started for priority and/or capacity reasons.
4. Depreciation Expense was \$569,426 which was \$89,496 (14%) below budget. Changes to the expected life of certain water assets and a belated bill of sale for contributed assets reduced depreciation.
5. AWIA Compliance Expense was \$36,375 which was unbudgeted. The EPA required a risk assessment and a new emergency plan to be created, so the District hired an engineering firm to conduct the consulting project.
6. The District's rate study concluded that water user fees need to be increased by 12% per year for the next ten years, which is 177% over the ten-year period. The expenses for messaging and public relations used in communicating this rate increase were \$24,508, which were not budgeted.

## VI. Capital Assets

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 2021, approved Fund Projections for 2021. Highlights of these projections relating to capital included:

- i) \$285,000 to be spent on major capital improvements in 2021, primarily the engineering and design work for the highest priorities defined by the 10-year Master Plan.
- ii) \$1,500,000 being held in the emergency reserve account.
- iii) \$6,045,924 estimated as the 2021 year-end balance to fund future capital/system improvements.

The District's total net capital assets as of December 31, 2021 was \$20,065,968 and was \$20,044,967 in 2020, which is an increase of \$21,001. There were no Construction in Progress assets at the end of 2020 that went into service during 2021. \$71,455 of expenditures were placed into CIP, which is mostly for the Base 3 to Base 2 Pumping Station engineering costs that will be constructed in 2022.

The District's total depreciable capital assets as of December 31, 2021 was \$21,256,308 and was \$20,737,336 in 2020, an increase of \$518,972. The District's accumulated depreciation increased from \$8,352,919 to \$8,922,345 in 2021.

	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>
Collection, storage and distribution system	\$ 16,344,728	\$ 15,880,428	\$ 464,300
Buildings and improvements	4,666,419	4,611,747	54,672
General equipment	68,694	68,694	-
Computer software and equipment	176,467	176,467	-
	<u>21,256,308</u>	<u>20,737,336</u>	<u>518,972</u>
Less: accumulated depreciation	<u>(8,922,345)</u>	<u>(8,352,919)</u>	<u>569,426</u>
Net depreciable capital assets	12,333,963	12,384,417	(50,454)
Land and water rights	7,660,550	7,660,550	-
Construction in Progress	<u>71,455</u>	<u>-</u>	<u>71,455</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u><u>\$ 20,065,968</u></u>	<u><u>\$ 20,044,967</u></u>	<u><u>\$ 21,001</u></u>

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

The District invested \$126,127 in 2021 for completion of the new Base 3 water plant and for engineering and design work for the forthcoming Base 3 to Base 2 Pumping Station. The new 10-year Master Plan defines the priorities of investments for capital improvements needed by the District. The Master Plan includes a \$12 million investment to rebuild the Base 2 water treatment plant in order to provide a filtration necessary to treat ground water under the direct influence of surface water (GWUDI). The Colorado Department of Public Health and Environment required the District to monitor and test for GWUDI in 2021. The result of the lab tests and study was that the Base 2 wells in question would not be reclassified as surface water; thus, the treatment at Base 2 would not require modification. This finding by the state government reduces the necessary capital investments significantly and allows the District to potentially accelerate the construction of a new storage tank defined in the Master Plan.

The District conducted a rate study to evaluate the capital needs of the District and how to fund the investments. The rate study used the total capital needs expressed in the Master Plan of \$38,492,000. However, with the CDPHE determination that the District's wells are not being reclassified, the modified capital needs will be approximately \$26.5 million. It is expected that the financial model created during the rate study will be updated to reflect changes such as inflation and the GWUDI determination.

The Board continues to consider options for borrowing the funds needed to pay for construction costs, and they tasked the Administrator with a research project. Two significant federal government programs were passed during 2021: American Rescue Plan Act (ARPA) and Bipartisan Infrastructure Law (BIL). ARPA funds flowed directly from the US Treasury to counties and cities. SRWD is not a municipality, so any funds from ARPA that could help Keystone or our District would be allocated from the Summit County government, but the County Commissioners decided to not fund any water or wastewater projects. The BIL is funding water projects, and the money is expected to be put into each state's State Revolving Fund (SRF) which will be administered by CDPHE. Thus, the most money available at the lowest rate will be the SRF – especially earmarked for projects like those defined in the Master Plan. The Administrator plans to submit the necessary applications and documentation to the CDPHE system requesting SRF loans. Based on discussions with a CDPHE representative, the application will be for \$15.3 million through 2024. The process will take at least through the end of 2022, and the federal government has not appropriated any of the funds yet. It is anticipated that the appropriation will occur in the second half of 2022.

## **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:

Scott Price  
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, 2021****(With Summarized Financial Information as of December 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,782,499	\$ 6,285,674
Accounts receivable	15,716	10,138
Accrued interest receivable	-	3,929
Deposits and investments	-	741,495
Total current assets	<u>7,798,215</u>	<u>7,041,236</u>
Noncurrent assets:		
Capital assets:		
Capital assets, not being depreciated	7,732,005	7,660,550
Capital assets, being depreciated, net	12,333,963	12,384,417
	<u>20,065,968</u>	<u>20,044,967</u>
Deposits	-	96,025
Total noncurrent assets	<u>20,065,968</u>	<u>20,140,992</u>
<b>Total assets</b>	<u>27,864,183</u>	<u>27,182,228</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	53,430	133,407
Total current liabilities	<u>53,430</u>	<u>133,407</u>
Noncurrent liabilities:		
Security deposits payable	3,600	3,600
Total noncurrent liabilities	<u>3,600</u>	<u>3,600</u>
<b>Total liabilities</b>	<u>57,030</u>	<u>137,007</u>
<b>NET POSITION</b>		
Net investment in capital assets	20,065,968	20,044,967
Restricted	9,960	9,960
Unrestricted	7,731,225	6,990,294
<b>Total net position</b>	<u>\$ 27,807,153</u>	<u>\$ 27,045,221</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, 2021****(With Summarized Financial Information for the Year Ended December 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>Operating revenues:</b>		
Water fees	\$ 1,355,038	\$ 1,343,943
Total operating revenues	<u>1,355,038</u>	<u>1,343,943</u>
<b>Operating expenses:</b>		
Operations and maintenance:		
Water treatment contract	253,167	245,555
Repairs and maintenance	170,666	273,992
Utilities	93,848	75,046
Chemicals, lab fees and supplies	46,231	33,648
Engineering and design	5,836	8,284
Total operations and maintenance	<u>569,748</u>	<u>636,525</u>
General and administration:		
Administration contract	210,304	213,980
Audit fees	8,500	9,197
Master Plan expenses	27,861	68,330
Rate study and water compliance expenses	60,883	-
Computer support	12,705	23,349
Water rights engineering	11,031	12,970
Insurance	48,617	29,656
Legal fees	13,916	12,065
Forest Service and water rights leases	8,768	8,579
Office supplies and expense	10,287	8,694
Election expense	-	75.00
Miscellaneous	2,837	2,740
Board expenses	5,156	15,465
Total general and administration	<u>420,865</u>	<u>405,100</u>
Total operating expenses	<u>990,613</u>	<u>1,041,625</u>
Operating income before depreciation	364,425	302,318
Depreciation	569,426	364,212
<b>Operating (loss)</b>	<u>(205,001)</u>	<u>(61,894)</u>
<b>Non-operating revenues:</b>		
Investment income	3,237	59,238
System investment fees	449,580	570,105
Grant revenue	-	25,000
Rental income	31,546	30,831
Other income	18,270	-
Total non-operating revenues	<u>502,633</u>	<u>685,174</u>
<b>Income before capital contributions</b>	297,632	623,280
Capital contributions of assets	464,300	76,643
<b>Change in net position</b>	761,932	699,923
Net position, beginning of year	<u>27,045,221</u>	<u>26,345,298</u>
<b>Net position, end of year</b>	<u>\$ 27,807,153</u>	<u>\$ 27,045,221</u>

The accompanying notes are an integral part of this statement.

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

For the Year Ended December 31, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 1,349,460	\$ 1,350,472
Cash paid to suppliers of goods and services	(1,059,527)	(985,240)
Net cash provided by operating activities	<u>289,933</u>	<u>365,232</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(137,190)	(4,133,884)
Proceeds from DOLA grant	-	207,667
Deposits received related to capital projects	96,025	15,000
System investment fees	449,580	570,105
Net cash provided by (used in) capital financing activities	<u>408,415</u>	<u>(3,341,112)</u>
<b>Cash flows from non-capital financing activities:</b>		
Other non-operating revenues	<u>49,816</u>	<u>30,831</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	741,495	3,739,722
Purchases of investments	-	(490,000)
Interest on cash and investments	7,166	65,827
Net cash provided by investing activities	<u>748,661</u>	<u>3,315,549</u>
Net increase in cash and cash equivalents	1,496,825	370,500
Cash and cash equivalents, beginning of year	<u>6,285,674</u>	<u>5,915,174</u>
Cash and cash equivalents, end of year	<u>\$ 7,782,499</u>	<u>\$ 6,285,674</u>
<b>Reconciliation of operating income to net cash provided by operations</b>		
Operating (loss)	<u>\$ (205,001)</u>	<u>\$ (61,894)</u>
<b>Adjustments to reconcile operating (loss) to net cash provided by operating activities:</b>		
Depreciation expense	569,426	364,212
(Increase) decrease in:		
Accounts receivable	(5,578)	6,529
(Decrease) increase in:		
Accounts payable	(68,914)	56,385
Total adjustments	<u>494,934</u>	<u>427,126</u>
Net cash provided by operating activities	<u>\$ 289,933</u>	<u>\$ 365,232</u>
<b>Noncash capital activities:</b>		
Contributions of assets	\$ 464,300	\$ 76,643
Capital assets acquired with accounts payable	21,093	\$ 32,156
<b>Noncash investing activities:</b>		
Fair value (increase) decrease on investments	\$ 7,722	\$ (7,815)

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 accounting pronouncements which provide guidance for defining and reporting on the financial reporting entity. It defines component units as legally separate entities for which the elected 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. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

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

The District has no employees, and all operations and administrative functions are contracted.

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.

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.

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

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

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

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 investment 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**

Certain investments are reported at fair value and are classified as current or non-current based on their maturity date. Investments held in the local government investment pool are reported at net asset value as allowed under US GAAP.

**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 investments 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. As of December 31, 2021, the District did not hold any investments required to be reported under fair value.

**Receivables**

Accounts receivable consists primarily of Water User Fees earned as of December 31, 2021. The District considers all receivables collectible as of December 31, 2021; therefore, no allowance has been recorded.

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

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

**Prepaid Items**

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

**Capital Assets**

Capital assets include land, water rights, construction in progress, 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, water rights and construction in progress, 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	5-10

**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 US GAAP requires District 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 the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

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

**Property Taxes**

Currently, the Board levies no property taxes.

**Comparative Data**

The financial statements contain certain prior year summarized comparative information. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications made in prior year have no impact on total net position or in change in net position.

**New accounting pronouncement**

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of the Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for lease payments and receipts. The Statement is effective for the reporting periods beginning after December 31, 2021. The District has not yet determined the effect of this pronouncement.

**2. Stewardship, Compliance and Accountability**

**Budgetary Information**

The District's budget is adopted on a basis consistent with US GAAP with the following exceptions: capital outlays are treated as expenses for budget purposes and the budget excludes gain/loss on asset disposals. 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.

**2. Stewardship, Compliance and Accountability (continued)**

**Budgetary Information (continued)**

The budget and appropriating resolution are adopted prior to December 31.

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.

**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, 2021 year-end net position for emergencies as required under TABOR of \$9,960, which is the approximate required reserve as of December 31, 2021.

The District's management believes it is in compliance with the provisions of TABOR, as it is currently understood. However, TABOR is complex and subject to interpretation. Many of the provisions may not become fully understood without judicial review.

**SNAKE RIVER WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2021**

---

**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, 2021:

Cash and cash equivalents \$ 7,782,499

The following is a summary of deposits and investments held by the District at December 31, 2021:

<u>Type</u>	<u>Rating per Standard &amp; Poor</u>	<u>Rating per Fitch</u>	<u>Total as of December 31, 2021</u>
Deposits with financial institutions	n/a	n/a	\$ 25,004
Money market funds	Unrated	Unrated	23,470
COLOTRUST PLUS+	AAAm		1,688,089
COLOTRUST EDGE		AAAf/S1	6,045,936
Total			\$ <u>7,782,499</u>

**Deposits**

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.

**Investments**

As of December 31, 2021, the District had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), a local government investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, two of which are COLOTRUST PLUS+ and COLOTRUST EDGE. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner.

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

**Investments (continued)**

Both portfolios may invest in U.S Treasury bills and notes and repurchase agreements collateralized by U.S Treasury securities. Both portfolios may also invest in certain obligations of U.S. government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. 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. COLOTRUST PLUS+ purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less.

COLOTRUST EDGE records its investments at fair value and the District records its investment in COLOTRUST EDGE using the net asset value method. COLOTRUST EDGE has a variable net asset value that offers weekly liquidity. It is suitable for strategic reserves/non-operating funds and has a NAV that is managed to approximate a \$10.00 transactional share price. At December 31, 2021, COLOTRUST EDGE possessed a weighted average maturity of 202 days and a weighted average life of 221 days. There are no unfunded commitments.

**Custodial Credit Risk:** As of December 31, 2021, all of the District's deposits and investments were insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

**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. 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, 2021**

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

**Capital Assets**

Capital asset activity for the year ended December 31, 2021, 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	\$ 7,660,550	\$ --	\$ --	\$ 7,660,550
Construction in progress	--	71,455	--	71,455
Total capital assets, not being depreciated	<u>7,660,550</u>	<u>71,455</u>	<u>--</u>	<u>7,732,005</u>
Capital assets being depreciated:				
Collection, storage and distribution system	15,880,429	464,300	--	16,344,729
Buildings and improvements	4,611,747	54,672	--	4,666,419
General equipment	68,694	--	--	68,694
Computer software and equipment	176,468	--	--	176,468
	<u>20,737,338</u>	<u>518,972</u>	<u>--</u>	<u>21,256,310</u>
Less accumulated depreciation for:				
Collection, storage and distribution system	(7,633,921)	(435,992)	--	(8,069,913)
Buildings and improvements	(535,675)	(119,297)	--	(654,972)
General equipment	(58,462)	(3,410)	--	(61,872)
Computer software and equipment	(124,863)	(10,727)	--	(135,590)
	<u>(8,352,921)</u>	<u>(569,426)</u>	<u>--</u>	<u>(8,922,347)</u>
Total capital assets being depreciated, net	<u>12,384,417</u>	<u>(50,454)</u>	<u>--</u>	<u>12,333,963</u>
<b>Total capital assets, net</b>	<b>\$ <u>20,044,967</u></b>	<b>\$ <u>21,001</u></b>	<b>\$ <u>--</u></b>	<b>\$ <u>20,065,968</u></b>

**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, 2021, the Emergency Reserve Account remains at \$1,500,000.

In 2015, the Board 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, 2021, the designated portion of unrestricted net position related to this capital improvements reserve was \$5,340,357.

**SNAKE RIVER WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2021**

---

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

**Net Position (continued)**

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, 2021, the designated portion of unrestricted net position related to this maintenance reserve was \$27,998.

**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 18 additional 5-year terms. The third lease has been renewed for its final 5-year term as of February 2021. The sub-lessees pay a minimum monthly rent plus maintenance reserves. Future minimum rental income amounts, including reserves, are as follows:

Year ending <u>December 31,</u>	
2022	\$ 30,721
2023	32,609
2024	34,627
2025	9,587
2026	<u>752</u>
Total	\$ <u>108,296</u>

Rental income and maintenance for the year ended December 31, 2021, was \$31,546.

**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, 2021, the District incurred \$253,167 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, 2021, the District incurred \$210,304 in compliance with the terms of this agreement.

**5. Other Information (continued)**

**Revenue Concentration**

Vail Resorts, Inc. operates the Keystone resort and ski area. Properties owned and managed by them are estimated to represent approximately 54% of the water fees collected by the District during 2021.

**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, 2021.

**6. Related parties**

During 2018, the District hired RS May & Associates as its construction manager for the Base III Treatment Plant project. RS May & Associates is owned by Randy May who is a member of the Board of Directors. During the year ended December 31, 2021, the District incurred \$44,966 in project management fees, of which \$8,680 is payable at yearend and included in accounts payable.

One of the District's board members is the Executive Director of Keystone Neighborhood Co. (the Company) which subleases a portion of the Maintenance Building from the District. See Note 4. During the year ended December 31, 2021, the District received \$13,401 in lease payments from the Company.

## **SUPPLEMENTARY INFORMATION**

**SNAKE RIVER WATER DISTRICT**

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

**For the Year Ended December 31, 2021**

	Original & Final Budget	Actual	Variance With Final
<b>Revenues:</b>			
Water fees	\$ 1,335,200	\$ 1,355,038	19,838
Investment income	10,000	3,237	(6,763)
System investment fees	429,000	449,580	20,580
Rental income	32,000	31,546	(454)
Development review fees	3,000	18,270	15,270
Capital contributions of assets	33,000	464,300	431,300
<b>Total Revenues</b>	<b>1,842,200</b>	<b>2,321,971</b>	<b>479,771</b>
<b>Expenditures:</b>			
Operations and maintenance:			
Water treatment contract	253,167	253,167	-
Repairs and maintenance	420,000	170,666	249,334
Utilities	113,413	93,848	19,565
Chemicals, lab fees and supplies	45,000	46,231	(1,231)
Engineering and design	7,000	5,836	1,164
811 Notification System	5,000	565	4,435
<b>Total operations and maintenance</b>	<b>843,580</b>	<b>570,313</b>	<b>273,267</b>
General and administration:			
Administration contract	210,304	210,304	-
Audit fees	9,200	8,500	700
Master Plan Expenses	20,000	27,861	(7,861)
Rate study and water compliance expenses	-	60,883	(60,883)
Computer support	12,000	12,705	(705)
Water rights engineering	16,000	11,031	4,969
Insurance	33,000	48,617	(15,617)
Legal fees	9,500	13,916	(4,416)
Forest Service and water rights leases	8,875	8,768	107
Office supplies and expense	8,500	10,287	(1,787)
Miscellaneous	3,500	2,272	1,228
Board expenses	8,000	5,156	2,844
<b>Total general and administration</b>	<b>338,879</b>	<b>420,300</b>	<b>(81,421)</b>
Contingency	143,798	-	143,798
Depreciation	658,922	569,426	89,496
Capital outlay	285,000	126,127	158,873
<b>Total Expenditures</b>	<b>2,270,179</b>	<b>1,686,166</b>	<b>584,013</b>
<b>Revenues over (under) expenditures</b>	<b>\$ (427,979)</b>	<b>\$ 635,805</b>	<b>\$ 1,063,784</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, 2021**

---

Revenue (budgetary basis)	<u>\$ 2,321,971</u>
Revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>2,321,971</u>
Expenditures (budgetary basis)	1,686,166
Capital outlay	<u>(126,127)</u>
Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>1,560,039</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 761,932</u></u>

The accompanying notes are an integral part of this statement.