

**SNAKE RIVER WATER DISTRICT
DILLON, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2014



Crady, Puca & Associates

Certified Public Accountants & Consultants

**SNAKE RIVER WATER DISTRICT
DILLON, COLORADO**

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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, 2014, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 District, as of December 31, 2014, 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 opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate 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 2013 financial statements and in our report dated May 13, 2014, we expressed an unmodified opinion on those statements. In our opinion, the information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crady, Puca & Associates

Centennial, CO 80112
May 12, 2015

Management’s Discussion and Analysis *2014*

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 ending on December 31, 2014.

This MD&A includes the following sections:

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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 while making significant capital improvements identified in the District-approved Water Utility Master Plan.

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

1. As of the end of 2014, the District's Total Net Position increased, over the prior year, by \$849,756 bringing the District's Total Net Position to \$19,938,385.
2. Current assets increased from \$5,540,466 in 2013 to \$7,523,938 at the end of 2014.
3. The District's overall assets increased from \$19,129,022 in 2013 to \$20,073,225 in 2014.

While increasing the District's current assets, the District also made substantial capital improvements in 2014. Water lines, pumps, storage facilities, buildings, and other Capital Assets of the District increased from \$11,947,708 in 2013 to \$12,544,231 in 2014, largely reflecting the improvements in the District's new "Advanced Meter Infrastructure" project. This project essentially replaces all of the meters in the District with new more accurate meters that transmit data to a central computer. Other capital improvements in 2014 included: the purchase of materials for coating the Base I tank; initial work on locating a new base II tank and identifying improvements for a new treatment facility at base III.

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 TetraTech in 2012. This plan identified eight major improvements at a cost of over \$9,000,000. Fortunately, the cost of a number of these projects is estimated to be \$1,477,296 less than the 2012 projected cost. A review of these savings is presented in Section VII below.

At the Snake River Water District Board's regular meeting in November 2014 the Board reviewed anticipated future capital expenditures along with a model projecting future funding streams, and concluded that no fee increase was necessary for 2015. While the Board concluded that no fee increase was necessary for 2015, 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 (estimated to be \$4,151,441 on 12-31-15) and the funding stream the District has in place for capital improvements, any future increase in user rates should be minimal.

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. Expenses not utilized by December 31st are retained in cash & cash equivalents 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, 2014 and 2013. 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>2014</u>	<u>2013</u>
Assets		
Current Assets	\$ 7,523,938	\$ 5,540,466
Capital Assets, net	12,544,231	11,947,708
Other Assets	5,056	1,640,848
Total Assets	<u>20,073,225</u>	<u>19,129,022</u>
Liabilities		
Current Liabilities	13,325	38,878
Other Liabilities	121,515	1,515
Total Liabilities	<u>134,840</u>	<u>40,393</u>
Net Position		
Invested in Capital Assets	12,544,231	11,947,708
Restricted	5,940	5,940
Unrestricted	7,388,214	7,134,981
Total Net Position	<u>\$ 19,938,385</u>	<u>\$ 19,088,629</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2014</u>	<u>2013</u>
Operating Revenues	\$ 1,201,081	\$ 1,215,466
Less Operating Expenses	(615,547)	(599,586)
Less Depreciation	(354,361)	(367,035)
Net Income from Operations	<u>231,173</u>	<u>248,845</u>
Non-operating Revenue	183,958	238,900
Capital Contributions	<u>434,625</u>	<u>5,673,540</u>
Increase in Net Position	849,756	6,161,285
Net Position, Beginning of Year	<u>19,088,629</u>	<u>12,927,344</u>
Net Position, End of Year	<u><u>\$ 19,938,385</u></u>	<u><u>\$ 19,088,629</u></u>

IV. Overall Financial Analysis

Assets

Current assets of the District are principally cash and prepaid expenses. Current assets increased from \$5,540,466 in 2013 to \$7,523,938 at the end of 2014. The bulk of this increase can be attributed to an increase in cash and cash equivalents of \$1,131,921 as well as the reclassification of two Certificates of Deposit from long-term to short-term investments due to their pending maturities in 2015.

Water lines, pumps, storage facilities, buildings, and other Capital Assets of the District increased from \$11,947,708 in 2013 to \$12,544,231 in 2014, largely reflecting the improvements in the District's new "Advanced Meter Infrastructure" project which totaled \$454,000. This project essentially replaces all of the meters in the District with new more accurate meters that transmit data to a central computer. This project will greatly improve customer service, monitoring, understanding of water consumption patterns and overall administration of the District's water distribution.

In addition, the District received two capital contributions of water mains totaling \$434,625 in 2014.

The District's overall assets increased from \$19,129,022 in 2013 to \$20,073,225 in 2014.

Liabilities

Total liabilities, consisting primarily of accounts payable and \$120,000 in prepaid tap fees, associated with Dercum's Dash, increased the District's overall liabilities from \$40,393 in 2013 to \$134,840 in 2014.

Revenue

Total operating revenue for 2014 declined by \$14,385 due to a decrease in water consumption from 2013. Non-operating revenue received by the District decreased between 2013 and 2014 by \$54,942, with the District receiving \$183,958 in non-operating revenue in 2014. This reduction in revenue is directly attributable to receiving a one-time payment in 2013 of \$61,200 that was paid to the District in-lieu-of the Dercum's Dash developers providing new water rights to service their new Development. In 2013, the District also received \$29,076 in development review fees, of which there were none in 2014. These decreases were offset by an increase in system development fees of \$40,064 which was due to an increase in development in the County.

Capital contributions declined \$5,238,915 from 2013. In 2014, the District received water main contributions of \$434,625 whereas in 2013, the District received \$5,689,312 in water rights through the Colorado River Cooperative Agreement (CRCA).

Expenses

Total operating expenses for the District in 2014 were \$15,961 more than in 2013. Significant increases in operating expenses included:

- water treatment contract \$12,900
- repairs and maintenance \$18,892
- administrative contract \$17,581

Fortunately, these increases were partially offset with savings in the following:

- Computer consulting \$5,294
- Water rights engineering \$6,600
- Insurance \$3,642
- Legal fees \$18,549
- Miscellaneous \$4,931

Increase in Net Position

Subtracting total expenses from total revenues equals the change in net position. The increase in the District's net position in 2014 was \$849,756. In 2013, the District realized an increase in Net Position of \$6,161,285, of which \$5,689,312 can be attributed to additional contributed water rights secured by the District through the Colorado River Cooperative Agreement.

The District's overall net position at the end of 2014 increased to \$19,938,385 from \$19,088,629 at the end of 2013.

V. Analysis of Budgetary Variations

Final expenditures for 2014 are presented on page 13 of this Audit Report along with the 2014 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. While System Investment Fees (tap fees) received in 2014 were \$17,284 more than budgeted, water fees paid were \$22,268 less than budgeted and interest received was also \$6,181 less than budgeted. The net revenues received by the District in 2014 were \$1,385,039 or \$10,205 less than budgeted. Considerations affecting these variances include:
 - a. Development in the County and the District occurred at a more rapid rate than expected resulting in more System Investment Fees being received.
 - b. Water consumption and consequently water user fees were less than anticipated.
 - c. The budget for 2014 anticipated interest rates to be similar to the rate realized in 2013 and did not adequately anticipate the decline in interest rates.
2. Operations and Maintenance expenses for 2014 were \$25,740 less than budgeted. Savings in this area included: none of the \$20,000 in contingency dollars were spent in 2014 and engineering costs were \$16,095 less than budgeted. These savings were partially offset by utility expenditures along with chemicals, lab fees and supplies being more than budgeted. Utilities were over budget by \$8,350 due partially to the anticipated cost of electricity. The 2014 budget anticipated electrical costs to be 2% over the 2013 projected cost of electricity. Unfortunately, the projected expenditure for electricity in 2013 was significantly less than what was paid in 2013, thereby resulting in an unrealistically low budget request for utilities in 2014. Chemicals and lab fees also exceeded the budgeted amount by \$3,148, principally due to an increase in lab costs, especially those related to the Groundwater Under the Direct Influence of Surface Water (or GWUDI) analysis for Base III.
3. Administrative and General Expenses in 2014 were \$240,690 less than the \$1,359,388 budgeted. Major savings in Administrative and General Expenses included: \$26,370 in Water Project Engineering, \$17,210 in Legal Fees, \$20,000 in unspent Contingency and \$160,566 in Capital Outlay. The bulk of these savings were in Water Line Breaks and Repairs (\$15,445 was spent of the \$100,000 budgeted) and not spending any of the budgeted (\$61,583) Capital Contingency Funds.

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 of Directors appropriated \$150,000 in 2014 bringing the total capital reserve for end of 2014 to \$2,740,000. At the Board's regular meeting in November 2013, they appropriated \$676,921 to fund the following capital improvements: Advanced Meter Infrastructure, Water Line Breaks and Other Extraordinary Repairs, Iron / Manganese Feasibility Study for Base III wells, Initial Siting of a New Water Storage Tank for Base II, Feasibility analysis of Key Base Well Improvements, and Exterior coatings on the Base I tank.

The District's net investment in capital assets as of December 31, 2013 was \$11,947,708 and \$12,544,231 in 2014. The District's accumulated depreciation increased from \$7,405,219 in 2013 to \$7,759,579 in 2014.

In 2014, the District added \$933,654 in capital improvements, which was offset by \$354,361 in depreciation expense. The major improvements include the Advanced Meter Infrastructure and the water mains which were contributed.

	<u>2014</u>	<u>2013</u>
Collection, storage and distribution system	\$ 11,238,027	\$ 10,335,257
Buildings and improvements	1,148,174	1,119,548
General equipment	169,104	166,846
Computer software	147,610	147,610
Office furniture and equipment	47,277	47,277
	<u>12,750,192</u>	<u>11,816,538</u>
Less: accumulated depreciation	<u>(7,759,579)</u>	<u>(7,405,219)</u>
	4,990,613	4,411,319
Land and water rights	<u>7,553,618</u>	<u>7,536,389</u>
Net capital assets	<u><u>\$ 12,544,231</u></u>	<u><u>\$ 11,947,708</u></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 TetraTech in 2012. This plan identified eight major improvements at a cost of over \$9,000,000. Fortunately, the cost of a number of these projects is significantly less than the 2012 projected cost, including:

1. Water Rights. The 2012 cost estimate to acquire additional water rights was \$875,000. As a result of the Colorado Cooperative River Agreement and the District's work with Glenn Porzak to secure a court decree on our Augmentation Plan the District's costs in 2013 and 2014 were just over \$114,000 or \$760,981 under what was suggested in the utility master plan.
2. Portable Generator for Base II. The cost estimate from the 2012 utility study was \$144,000. In 2013 it was determined that a more cost effective approach would be to hook up temporary connections to allow a portable generator to be leased and connected to Base II if necessary. The cost of this improvement was \$34,102, resulting in a savings over the estimate of \$109,898.
3. Advanced Metering Infrastructure. The 2012 cost estimate for this program was \$1,167,000. Current estimated costs for this project are \$560,583, resulting in a savings over the estimate of \$606,417.

The total savings, over the estimated cost in the Water Utility Master Plan, is \$1,477,296.

While it is difficult to project capital expenditures into the future, using the TetraTech capital expenditures model, it appears there will be a remaining balance of over \$2,500,000 in 2020 even with a moderately aggressive capital improvements program.

Given these projections, the savings realized in the projects listed above and the overall financial health of the Snake River Water District, no fee increase was proposed for 2015. The District will 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. Recognizing the District's generous capital reserves (estimated to be \$4,151,441 on 12-31-15) and the funding stream the District has in place for capital improvements, any future increase in user rates should be minimal.

In response to recommendations in the 2013 audit and a request from the District's Treasurer, the District initiated efforts in 2014 to improve the return on its rather substantial portfolio. An initial step in this effort was to develop an Investment Policy for the District. On December 1, 2014 the Board adopted such a policy. This policy provides guidance regarding investment objectives, delegation of authority, type of securities, diversification and selection of banks and

broker/dealers. A number of these policies have already been initiated and a significant improvement in the District's return on investment has already been realized.

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. Please visit www.snakeriverwater.com for the Agenda posting and scheduled meeting dates.

SNAKE RIVER WATER DISTRICT**Statement of Net Position****December 31, 2014****(With Summarized Financial Information as of December 31, 2013)**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,643,663	\$ 5,511,742
User fees receivable	4,896	2,993
Prepaid expenses	27,624	25,731
Investments - certificates of deposit	847,755	-
Total current assets	<u>7,523,938</u>	<u>5,540,466</u>
Noncurrent assets:		
Investments - certificates of deposit	-	1,635,792
Capital assets:		
Land and water rights	7,553,618	7,536,389
Other, net of accumulated depreciation	4,990,613	4,411,319
	<u>12,544,231</u>	<u>11,947,708</u>
Deposits	5,056	5,056
Total noncurrent assets	<u>12,549,287</u>	<u>13,588,556</u>
Total assets	<u>20,073,225</u>	<u>19,129,022</u>
LIABILITIES		
Current liabilities:		
Accounts payable	13,325	38,878
Other liabilities:		
Prepaid tap fees	120,000	-
Security deposits payable	1,515	1,515
Total other liabilities	<u>121,515</u>	<u>1,515</u>
Total liabilities	<u>134,840</u>	<u>40,393</u>
Net position:		
Net investment in capital assets	12,544,231	11,947,708
Restricted	5,940	5,940
Unrestricted	7,388,214	7,134,981
Total net position	<u>\$ 19,938,385</u>	<u>\$ 19,088,629</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, 2014****(With Summarized Financial Information for the Year Ended December 31, 2013)**

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Water fees	\$ 1,201,081	\$ 1,215,466
Total operating revenues	<u>1,201,081</u>	<u>1,215,466</u>
Operating expenses:		
Operations and maintenance:		
Water treatment contract	207,600	194,700
Repairs and maintenance	73,857	54,965
Utilities	66,350	62,517
Chemicals, lab fees and supplies	10,013	4,690
Legal fees	-	5,843
Engineering	9,745	12,175
Total operations and maintenance	<u>367,565</u>	<u>334,890</u>
General and administration:		
Administration contract	175,000	157,482
Auditing and accounting	8,100	7,900
Computer consulting	6,828	12,122
Engineering	5,130	11,730
Insurance	18,797	22,429
Legal fees	9,540	28,089
Forest Service and water rights leases	8,284	8,282
Office supplies and expense	7,456	6,546
Miscellaneous	5,185	10,116
Board expenses	3,662	-
Total general and administration	<u>247,982</u>	<u>264,696</u>
Total operating expenses	<u>615,547</u>	<u>599,586</u>
Operating income before depreciation	585,534	615,880
Depreciation	354,361	367,035
Operating income	<u>231,173</u>	<u>248,845</u>
Non-operating revenues:		
Interest	24,819	30,278
System investment fees	132,360	92,296
Rental income	26,779	26,050
Revenue in lieu	-	61,200
Miscellaneous	-	29,076
Total non-operating revenues	<u>183,958</u>	<u>238,900</u>
Income before capital contributions	<u>415,131</u>	<u>487,745</u>
Capital contributions of assets	434,625	5,673,540
Change in net position	849,756	6,161,285
Net position, beginning of year	<u>19,088,629</u>	<u>12,927,344</u>
Net position, end of year	<u>\$ 19,938,385</u>	<u>\$ 19,088,629</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, 2014****(With Summarized Financial Information for the Year Ended December 31, 2013)**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,199,178	\$ 1,221,580
Cash paid to suppliers of goods and services	<u>(642,993)</u>	<u>(598,192)</u>
Net cash provided by operating activities	<u>556,185</u>	<u>623,388</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(516,355)	(120,667)
System investment fees	<u>252,360</u>	<u>92,296</u>
Net cash (used in) capital financing activities	<u>(263,995)</u>	<u>(28,371)</u>
Cash flows from non-capital financing activities:		
Other non-operating revenues	<u>26,779</u>	<u>116,326</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	788,133	799,270
Interest on cash and investments	<u>24,819</u>	<u>30,278</u>
Net cash provided by investing activities	<u>812,952</u>	<u>829,548</u>
Net increase in cash and cash equivalents	1,131,921	1,540,891
Cash and cash equivalents, beginning of year	<u>5,511,742</u>	<u>3,970,851</u>
Cash and cash equivalents, end of year	<u>\$ 6,643,663</u>	<u>\$ 5,511,742</u>
Reconciliation of operating income to net cash provided by operations		
Operating income	<u>\$ 231,173</u>	<u>\$ 248,845</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	354,361	367,035
(Increase) decrease in:		
Accounts receivable	(1,903)	6,114
Prepaid expenses	(1,893)	(5,879)
(Decrease) increase in:		
Accounts payable	<u>(25,553)</u>	<u>7,273</u>
Total adjustments	<u>325,012</u>	<u>374,543</u>
Net cash provided by operating activities	<u>\$ 556,185</u>	<u>\$ 623,388</u>
Noncash capital activities:		
Contributions of assets	<u>\$ 434,625</u>	<u>\$ 5,673,540</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 five 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 has no component units as defined by the GASB, Statement No 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*.

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 basic financial statements of the District include fund financial statements for a proprietary fund. The District is a special purpose government engaged in only business-type activities. For these types of governments, only enterprise fund statements are presented.

The District's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. 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.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position.

1. Summary of Significant Accounting Policies (continued)

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

The *business-type* fund 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.

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 to be cash equivalents.

Investments

Investments are reported at fair value.

Receivables

Accounts receivable consists primarily of Water User Fees earned as of December 31, 2014. The District considers all receivables collectible as of December 31, 2014.

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, buildings and improvements, water collection, storage and distribution system, general equipment, computer software, and office furniture 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.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position (continued)

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 and software	5-10
Office furniture 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.

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, investments, accounts receivable, prepaid expenses and accounts payable. The District estimates that the fair value of all financial instruments as of December 31, 2014 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

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, 2013, from which the summarized information was derived.

Reclassifications

Certain amounts have been reclassified in the prior year for comparative purposes.

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.

3. Detailed Notes Concerning the Fund

Deposits and Investments – Custodial Credit Risk

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.

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:

- Obligations of the U.S. and certain U.S. government agencies securities
- Certain money market funds
- Certain certificates of deposit with maturities not exceeding one year
- Local government investment pools

As of December 31, 2014, the District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) local government investment pool. As an investment pool, this firm operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. It invests in securities that are specified by CRS 24-75-701. It operates similar to a money market mutual fund with a share value equal to \$1.00 and as such has been classified as cash and cash equivalents in the Statement of Net Position. As of December 31, 2014, the balance in COLOTRUST was \$32,270.

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 savings accounts, certificates of deposit, money market funds and investment pools where each share is equal to one dollar thus the District avoids interest rate risk. In addition, the District's investment policy limits investment maturities to five years or less.

3. Detailed Notes Concerning the Fund (continued)

Deposits and Investments (continued)

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, 2014, COLOTRUST had a Standard and Poor's rating of AAAM. The District's two money market funds are not rated.

As of December 31, 2014, the District's investments consisted of two Certificates of Deposit for a total of \$847,755 which have varying maturity dates through October 2015. All other instruments are considered cash and cash equivalents due to their high liquidity.

Unearned Revenue

Governmental funds defer 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, 2014, unearned revenue remaining for prepaid tap fees amounted to \$120,000.

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. The District established an asset replacement and reserve policy, designating \$1,000,000 in net position during 2005 and will continue to budget an amount each year to replenish the reserve amount and prepare for asset repair and replacement. In 2014, \$150,000 was appropriated. As of December 31, 2014, the designated portion of unrestricted net position was \$2,740,000.

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, 2014, the designated portion of unrestricted net position related to this maintenance reserve was \$15,751.

SNAKE RIVER WATER DISTRICT
Notes to Financial Statements
December 31, 2014

3. Detailed Notes Concerning the Fund (continued)

Capital Assets

Capital asset activity for the year ended December 31, 2014 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	\$ 7,536,389	\$ 17,229	\$ --	\$ 7,553,618
Capital assets being depreciated:				
Collection, storage and distribution system	10,335,257	902,771	--	11,238,028
Buildings and improvements	1,119,548	28,626	--	1,148,174
General equipment	166,846	2,258	--	169,104
Computer software	147,610	--	--	147,610
Office furniture and equipment	47,277	--	--	47,277
	<u>11,816,538</u>	<u>933,655</u>	<u>--</u>	<u>12,750,193</u>
Less accumulated depreciation for:				
Collection, storage and distribution system	(6,835,722)	(303,839)	--	(7,139,561)
Buildings and improvements	(287,907)	(30,896)	--	(318,803)
General equipment	(133,318)	(4,506)	--	(137,824)
Computer software	(108,312)	(11,473)	--	(119,785)
Office furniture and equipment	(39,960)	(3,647)	--	(43,607)
	<u>(7,405,219)</u>	<u>(354,361)</u>	<u>--</u>	<u>(7,759,580)</u>
Total capital assets being depreciated, net	<u>4,411,319</u>	<u>579,294</u>	<u>--</u>	<u>4,990,613</u>
Total capital assets, net	\$ <u>11,947,708</u>	\$ <u>596,523</u>	\$ <u>--</u>	\$ <u>12,544,231</u>

4. Operating Leases

The District subleases space in its maintenance building under three operating leases. 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>	
2015	\$ 7,415
2016	<u>681</u>
Total	\$ <u>8,096</u>

Rental income and maintenance for the year ended December 31, 2014 was \$26,779.

5. Other Information

Contract Services

The District has no employees and contracts for all management services on an annual basis. For the year ended December 31, 2014, the District incurred \$207,600 under its water operations contract and \$175,000 under its administrative services contract.

Revenue Concentration

Vail Resorts, Inc. operates the Keystone resort and ski area. Properties owned by them are estimated to represent approximately 20% of the water fees collected by the District during 2014.

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, 2014.

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.

5. Other Information (continued)

Tax, Spending and Debt Limitations (continued)

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, 2014 year-end net position for emergencies as required under TABOR of \$5,940, which is the approximate required reserve as of December 31, 2014.

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.

Related Parties

The District (lessee) has negotiated a 100 year ground lease with Vail Summit Resorts, Inc. (lessor), the parent company of Keystone Resort. In consideration of inclusion of the lessor's property into the District, the lessor will lease the property to the lessee without charge. A maintenance building is located on the .554 acres leased.

Vail Summit Resorts, Inc. is the sub-lessee in two of the three leases in Note 4. For the year ended December 31, 2014, total rent and maintenance reserves paid under these leases was \$13,860.

6. Date of Management's Review

Management has evaluated subsequent events through May 12, 2015, the date on which the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

SNAKE RIVER WATER DISTRICT
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2014

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Water fees	\$ 1,223,349	\$ 1,201,081	\$ (22,268)
Interest	31,000	24,819	(6,181)
System investment fees	115,076	132,360	17,284
Rental income	25,819	26,779	960
Total Revenues	<u>1,395,244</u>	<u>1,385,039</u>	<u>(10,205)</u>
Expenditures:			
Operations and maintenance:			
Water treatment contract	207,600	207,600	-
Repairs and maintenance	75,000	73,857	1,143
Utilities	58,000	66,350	(8,350)
Chemicals, lab fees and supplies	6,865	10,013	(3,148)
Engineering	25,840	9,745	16,095
Contingency	20,000	-	20,000
Total operations and maintenance	<u>393,305</u>	<u>367,565</u>	<u>25,740</u>
General and administration:			
Administration contract	175,000	175,000	-
Auditing and accounting	8,100	8,100	-
Computer consulting	6,000	6,828	(828)
Engineering	31,500	5,130	26,370
Insurance	23,888	18,797	5,091
Legal fees	26,750	9,540	17,210
Forest Service and water rights leases	9,144	8,284	860
Office supplies and expense	9,000	7,456	1,544
Miscellaneous	8,750	5,185	3,565
Board expenses	7,000	3,662	3,338
Contingency	20,000	-	20,000
Depreciation	357,335	354,361	2,974
Capital outlay	676,921	516,355	160,566
Total general and administration	<u>1,359,388</u>	<u>1,118,698</u>	<u>240,690</u>
Total Expenditures	<u>1,752,693</u>	<u>1,486,263</u>	<u>266,430</u>
Revenues over (under) expenditures	<u>\$ (357,449)</u>	<u>\$ (101,224)</u>	<u>\$ (256,225)</u>

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, 2014

Revenue (budgetary basis)	\$ 1,385,039
Capital contributions of assets	<u>434,625</u>
Revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>1,819,664</u>
Expenditures (budgetary basis)	1,486,263
Capital outlay	<u>(516,355)</u>
Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>969,908</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 849,756</u></u>

The accompanying notes are an integral part of this statement.