

**SNAKE RIVER WATER DISTRICT  
DILLON, COLORADO**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS'  
REPORT**

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**DECEMBER 31, 2019**



**Crady, Puca & Associates**

*Certified Public Accountants & Consultants*

**SNAKE RIVER WATER DISTRICT  
DILLON, COLORADO**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Snake River Water District  
Dillon, Colorado

We have audited the accompanying financial statements of the Snake River Water District (District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Snake River Water District, as of December 31, 2019, 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 xii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Prior year summarized comparative information*

The prior year summarized comparative information has been derived from the District's 2018 financial statements, and in our report dated May 14, 2019, we expressed an unmodified opinion on those statements. The information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Crady, Puca & Associates*

Aurora, CO 80016  
May 12, 2020

# *Management's Discussion and Analysis*

## *2019*

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, 2019.

This MD&A includes the following sections:

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

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

## **I. Financial Highlights**

The Snake River Water District continues its history of successful financial management. Some of the more notable indicators of the District's financial health include:

1. At the end of 2019, the District's Total Net Position increased, over the prior year, by \$1,511,503 bringing the District's Total Net Position to \$26,345,298.
2. The District's overall assets increased from \$25,062,481 in 2018 to \$27,525,114 in 2019.

The District budgeted \$2,892,268 in capital expenditures for system improvements in 2020, which is primarily comprised of expenses for constructing the new Base 3 Water Treatment Facility. Additionally, the Base 2 Water Plant is being upgraded with new equipment in order to implement corrosion control solutions. These projects are necessary to assure continued water quality supply and to facilitate additional treatment processes to meet CDPHE standards. Total revised cost projections for the Base 3 water treatment facility are approximately \$9,900,000. The new facility should be operational in summer 2020. The costs are approximately \$6,000,000 more than originally estimated in 2012.

At the Snake River Water District Board's regular meeting in November 2019 the Board reviewed anticipated future capital expenditures, large repairs in an aging infrastructure, and projections of revenue. After conducting public forums for input and feedback, the Board passed a resolution to increase tap and connection fees. Administrator Price and Superintendent Mentch drafted a ten-year capital improvement plan including high-priority projects for replacing failing infrastructure and adding new major components of the water system. Mr. Price conducted a selection process for an outside consulting firm to provide a water fee rate study. This study will be completed in summer 2020.

Management and the SRWD Board of Directors support financial projections for the annual budget which follow economic trends. Budgets are prepared with projected capital improvements and maintenance outlay for the year. Funds not utilized by December 31<sup>st</sup> are retained in cash & investments for future capital projects.

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

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

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

*Statement of Revenues, Expenses and Changes in Net Position* (see page vii) identifies the District's income and expenses for the years ended December 31, 2019 and 2018. 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

	2019	2018	Increase (Decrease)
<b>Assets</b>			
Current Assets	\$ 10,116,243	\$ 9,400,953	\$ 715,290
Capital Assets, net	17,297,846	12,193,463	5,104,383
Other Assets	111,025	3,468,065	(3,357,040)
<b>Total Assets</b>	<u>27,525,114</u>	<u>25,062,481</u>	<u>2,462,633</u>
<b>Liabilities</b>			
Current Liabilities	1,176,216	227,171	949,045
Noncurrent Liabilities	3,600	1,515	2,085
Total Liabilities	<u>1,179,816</u>	<u>228,686</u>	<u>951,130</u>
<b>Net Position</b>			
Invested in Capital Assets	17,297,846	12,193,463	5,104,383
Restricted	9,960	7,310	2,650
Unrestricted	9,037,492	12,633,022	(3,595,530)
<b>Total Net Position</b>	<u>\$ 26,345,298</u>	<u>\$ 24,833,795</u>	<u>\$ 1,511,503</u>

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

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
<b>Operating Revenues</b>	\$ 1,284,246	\$ 1,345,619	\$ (61,373)
Less: Operating Expenses	775,332	721,770	53,562
Less: Depreciation	<u>269,129</u>	<u>308,723</u>	<u>(39,594)</u>
<b>Net Income from Operations</b>	239,785	315,126	(75,341)
Non-operating Revenues (expenses)	1,200,203	2,286,714	(1,086,511)
Capital Contributions	<u>71,515</u>	<u>175,900</u>	<u>(104,385)</u>
<b>Increase in Net Position</b>	1,511,503	2,777,740	(1,266,237)
<b>Net Position, Beginning of Year, as previously reported</b>	24,833,795	21,726,323	3,107,472
Prior period adjustment	<u>-</u>	<u>329,732</u>	<u>(329,732)</u>
<b>Net Position, Beginning of Year, as restated</b>	<u>24,833,795</u>	<u>22,056,055</u>	<u>2,777,740</u>
<b>Net Position, End of Year</b>	<u>\$26,345,298</u>	<u>\$ 24,833,795</u>	<u>\$ 1,511,503</u>

## **IV. Overall Financial Analysis**

### *Assets*

Current assets of the District are principally cash, short-term deposits, and investments. Current assets increased from \$9,400,953 in 2018 to \$10,116,243 in 2019. This increase of \$715,290 is largely attributable to a grant of \$475,000 for the Base 3 Water Facility and tap fees of \$456,370.

Total net capital assets increased by \$5,104,383. This increase was due primarily to the ongoing construction of the new Base 3 water treatment facility for which approximately \$5.0M was incurred in 2019. There were capital contributions from water main extension projects of \$71,515. The depreciation expense for 2019 was \$269,129. There was a loss on the retirement of assets of \$63,117.

The District's overall assets increased from \$25,062,481 in 2018 to \$27,525,114.

### *Liabilities*

Total liabilities increased from \$228,686 in 2018 to \$1,179,816 in 2019. The increase of \$951,130 is due to additional year-end accrued expenses and accounts payable attributable to the Base 3 project expenditures.

### *Revenue*

Total operating revenue for fiscal year 2019 decreased by \$61,373 to \$1,284,246 from \$1,345,619 in 2018 due to a decrease in water consumption. Non-operating revenue received by the District decreased by \$1,086,511 in 2019 with the District receiving \$1,200,203 in non-operating revenue in 2019 compared to \$2,286,715 in 2018. This decrease in non-operating revenue is principally attributable to an extraordinary spike in tap fees in 2018.

### *Expenses*

Total operating expenses for the District were \$775,332 in 2019, up from \$721,770 in 2018. The \$53,562 increase was mostly attributable to higher maintenance costs and utilities. A few expensive water main breaks occurred in 2019, and the District's Operations Superintendent anticipates increased expenses for maintenance and repairs in the future because of failures in the aging water main infrastructure.

### *Increase in Net Position*

The increase in the District's net position in 2019 was \$1,511,503, bringing the District's total net position as of December 31, 2019 to \$26,345,298.

## V. Analysis of Budgetary Variations

Final expenditures for 2019 are presented on page 14 of this Audit Report along with the 2019 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 2019 was Capital Improvement Expenditures. The budget of \$6,671,750 comprised three system improvement projects. The actual expenses were \$1,407,918 (21%) under budget, and that variance is primarily attributable to the Base 3 project schedule and cash flow forecast; thus, those expenses will occur in 2020.
2. The next largest variance from budget was Contribution of Assets which were \$392,785 (85%) below budget. It was expected that the new the Wintergreen development would have completed sooner and submitted their water mains for acceptance in 2019.
3. Investment Income was \$218,723 (276%) above budget. More cash was available for investing than anticipated because capital expenses were below expectations and rates were much higher than the previous year.
4. System Investment Fees (Tap Fees) were \$156,370 (52%) above budget. This is attributed to new construction in the District.
5. Grant revenue was not anticipated at time of budget process and therefore not budgeted for.
6. None of the budgeted contingency funds for either operations/maintenance or administration were used.

## VI. Capital Assets

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

The District addresses asset replacement funding and reports on the funds available during the budget process. The Board, in adopting the budget for 2019, approved Fund Projections for 2019. Highlights of these projections relating to capital assets included:

- i) \$6,671,750 to be spent on major capital improvements in 2019 including a new Base 3 water treatment facility and a new Base 2 tank.
- ii) \$1,500,000 being held in the emergency reserve account
- iii) \$4,285,035 estimated as the 2019 year-end balance to fund future capital/system improvements.

The District's total depreciable capital assets as of December 31, 2019 was \$12,142,235 and was \$13,404,532 in 2018. The District disposed of assets with original costs totaling \$1,262,297 and related accumulated depreciation resulting in a loss on disposal of \$63,117. The dispositions consist primarily of the original Base 3 Pumping Station when it was removed from service and demolished. The District's accumulated depreciation decreased from \$9,034,890 in 2018 to \$8,033,324 in 2019.

	<b>2019</b>	<b>2018</b>	<b>Increase (Decrease)</b>
Collection, storage and distribution system	\$ 10,772,205	\$ 11,896,396	\$ (1,124,191)
Buildings and improvements	1,131,547	1,131,547	-
General equipment	68,694	169,104	(100,410)
Computer software and equipment	169,789	207,485	(37,696)
	<u>12,142,235</u>	<u>13,404,532</u>	<u>(1,262,297)</u>
Less: accumulated depreciation	<u>(8,033,324)</u>	<u>(9,034,890)</u>	<u>(1,001,566)</u>
Net depreciable capital assets	4,108,911	4,369,642	(260,731)
Land and water rights	7,660,550	7,553,618	106,932
Construction in Progress	<u>5,528,385</u>	<u>270,203</u>	<u>5,258,182</u>
			-
Net capital assets	<u>\$ 17,297,846</u>	<u>\$ 12,193,463</u>	<u>\$ 5,104,383</u>

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

The largest District expenditures for 2019 and 2020 are related to the new Base 3 water plant. Construction began in May 2019, and the new plant is anticipated to be placed in service by August 2020. The project is currently within the original budget of \$9,900,000. Cash flow for the project has been behind the forecasts provided by the general contractor, so 2019 expenditures for the plant were about \$1,400,000 below budget. The general contractor attributes most of this amount to delays in invoicing for large equipment. Those expenditures will occur in 2020 to complete the project, so the District's 2020 actual to budget will reflect that lag time for invoicing. The budget also includes a contingency which has yet to be used and will hopefully not be needed to finish the project. Additionally, the Administrator secured a \$500,000 grant from the Department of Local Affairs that had a significant impact on 2019 finances because it was unexpected and not in the budget.

The District passed a resolution at the February 12, 2019 meeting to increase tap and connection fees. At the same meeting, the Board instructed the Administrator to create a strategy for a water user fee increase. These actions are intended to position the District to have adequate funding needed to complete planned capital improvements, as well as maintain an investment balance in the future to cover major repairs in the water infrastructure.

The Operations Superintendent and Administrator developed a draft ten-year capital improvement project plan and submitted it to the Board at the August 2019 meeting. The plan included nine projects with an estimated cost of \$19,300,000 over ten years. It did not include the Base 3 project because it is already underway and in the budget. Some projects were in the 2012 Water Utility Master Plan, some projects will reduce risk and improve redundancy of the existing water system, some projects will proactively replace portions of the failing infrastructure, and one project is a potential CDPHE compliance upgrade.

The Board approved using this draft plan to conduct a rate study in 2020 that will analyze capital needs and forecast revenues for the District. This rate study was included in the 2020 budget, and a company (FCS) was selected. The analysis and scenarios will be submitted to the Board for consideration in regard to the Administrator's strategy for a water user fee increase.

At the February 11, 2020 meeting, the Board instructed the Administrator and the District's attorney to formulate an RFP which will solicit proposals from water engineering firms to update the eight-year-old Water Utility Master Plan. The RFP was published on May 1, 2020. It is expected that the Administrator and Superintendent will review proposals and submit finalists to the Board.

## **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, 2019****(With Summarized Financial Information as of December 31, 2018)**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,915,174	\$ 5,571,461
Accounts receivable	16,667	22,687
Accrued interest receivable	10,518	18,785
Grant receivable	182,667	-
Prepaid expenses	-	10,719
Deposits and investments	3,991,217	3,777,301
Total current assets	<u>10,116,243</u>	<u>9,400,953</u>
Noncurrent assets:		
Deposits and investments	-	3,463,009
Capital assets:		
Capital assets, not being depreciated	13,188,935	7,823,821
Capital assets, being depreciated, net	4,108,911	4,369,642
	<u>17,297,846</u>	<u>12,193,463</u>
Deposits	111,025	5,056
Total noncurrent assets	<u>17,408,871</u>	<u>15,661,528</u>
<b>Total assets</b>	<u>27,525,114</u>	<u>25,062,481</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	799,764	227,171
Retainage payable	376,452	-
Total current liabilities	<u>1,176,216</u>	<u>227,171</u>
Noncurrent liabilities:		
Security deposits payable	3,600	1,515
Total noncurrent liabilities	<u>3,600</u>	<u>1,515</u>
<b>Total liabilities</b>	<u>1,179,816</u>	<u>228,686</u>
<b>NET POSITION</b>		
Net investment in capital assets	17,297,846	12,193,463
Restricted	9,960	7,310
Unrestricted	9,037,492	12,633,022
<b>Total net position</b>	<u>\$ 26,345,298</u>	<u>\$ 24,833,795</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, 2019**  
**(With Summarized Financial Information for the Year Ended December 31, 2018)**

	<u>2019</u>	<u>2018</u>
<b>Operating revenues:</b>		
Water fees	\$ 1,284,246	\$ 1,345,619
Total operating revenues	<u>1,284,246</u>	<u>1,345,619</u>
<b>Operating expenses:</b>		
Operations and maintenance:		
Water treatment contract	237,595	229,118
Repairs and maintenance	175,454	138,518
Utilities	69,883	61,779
Chemicals, lab fees and supplies	12,777	18,509
Engineering and design	5,699	2,497
Total operations and maintenance	<u>501,408</u>	<u>450,421</u>
General and administration:		
Administration contract	197,369	190,326
Audit fees	8,278	8,747
Computer support	9,235	7,016
Water rights engineering	3,840	8,935
Insurance	24,441	23,543
Legal fees	6,080	9,030
Forest Service and water rights leases	8,731	8,258
Office supplies and expense	8,951	8,695
Election expense	-	53
Miscellaneous	3,229	2,950
Board expenses	3,770	3,796
Total general and administration	<u>273,924</u>	<u>271,349</u>
Total operating expenses	<u>775,332</u>	<u>721,770</u>
Operating income before depreciation	508,914	623,849
Depreciation	269,129	308,723
<b>Operating income</b>	<u>239,785</u>	<u>315,126</u>
<b>Non-operating revenues (expenses):</b>		
Investment income	298,027	191,681
System investment fees	456,370	2,042,700
Grant revenue	475,000	-
Rental income	31,181	30,372
Loss on asset disposal	(63,117)	-
Other income	2,742	21,961
Total non-operating revenues (expenses)	<u>1,200,203</u>	<u>2,286,714</u>
<b>Income before capital contributions</b>	1,439,988	2,601,840
Capital contributions of assets	71,515	175,900
<b>Change in net position</b>	1,511,503	2,777,740
Net position, beginning of year, as previously reported	24,833,795	21,726,323
Prior period adjustment	-	329,732
Net position, beginning of year, restated	<u>24,833,795</u>	<u>22,056,055</u>
<b>Net position, end of year</b>	<u>\$ 26,345,298</u>	<u>\$ 24,833,795</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, 2019****(With Summarized Financial Information for the Year Ended December 31, 2018)**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 1,290,266	\$ 1,332,188
Cash paid to suppliers of goods and services	(773,351)	(674,191)
Net cash provided by operating activities	<u>516,915</u>	<u>657,997</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(4,407,331)	(53,142)
Proceeds from DOLA grant	292,333	-
Deposits paid related to capital projects	(105,969)	-
System investment fees	456,370	2,042,700
Net cash provided by (used in) capital financing activities	<u>(3,764,597)</u>	<u>1,989,558</u>
<b>Cash flows from non-capital financing activities:</b>		
Other non-operating revenues	<u>36,008</u>	<u>52,333</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	3,515,000	3,473,000
Purchases of investments	(221,759)	(3,667,991)
Interest on cash and investments	262,146	188,357
Net cash provided by (used in) investing activities	<u>3,555,387</u>	<u>(6,634)</u>
Net increase in cash and cash equivalents	343,713	2,693,254
Cash and cash equivalents, beginning of year	<u>5,571,461</u>	<u>2,878,207</u>
Cash and cash equivalents, end of year	<u>\$ 5,915,174</u>	<u>\$ 5,571,461</u>
<b>Reconciliation of operating income to net cash provided by operations</b>		
Operating income	<u>\$ 239,785</u>	<u>\$ 315,126</u>
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation expense	269,129	308,723
(Increase) decrease in:		
Accounts receivable	6,020	(13,431)
Prepaid expenses	10,719	(483)
(Decrease) increase in:		
Accounts payable	(8,738)	48,062
Total adjustments	<u>277,130</u>	<u>342,871</u>
Net cash provided by operating activities	<u>\$ 516,915</u>	<u>\$ 657,997</u>
<b>Noncash capital activities:</b>		
Contributions of assets	\$ 71,515	\$ 175,900
Capital assets acquired with accounts and retainage payable	(957,783)	(173,568)
Loss on asset disposal	(63,117)	-
<b>Noncash investing activities:</b>		
Fair value increase on investments	\$ 44,147	\$ 1,265

The accompanying notes are an integral part of this statement.

**1. Summary of Significant Accounting Policies**

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

**Reporting Entity**

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

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

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

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

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

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

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

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

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

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

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

**Receivables**

Accounts receivable consists primarily of Water User Fees earned as of December 31, 2019. Grant receivable is the result of a cost-reimbursable government grant received during the year ended December 31, 2019. As costs are incurred under the grant, revenue is recognized. The District considers all receivables collectible as of December 31, 2019; 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	3-10

**Net Position**

The District classifies net position into three components:

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

**Estimates**

The preparation of financial statements in conformity with 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, 2018, 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; 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)**

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, 2018 year-end net position for emergencies as required under TABOR of \$9,960, which is the approximate required reserve as of December 31, 2019.

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, 2019**

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**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, 2019:

Cash and cash equivalents	\$ <u>5,915,174</u>
Current assets:	
Money market fund	499,731
Certificates of deposit – non-negotiable	245,000
Certificates of deposit - negotiable	2,447,327
U.S. Government Obligations and GSEs	<u>799,159</u>
Total current	<u>3,991,217</u>
Total deposits and investments	\$ <u><u>9,906,391</u></u>

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

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

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

**Investments**

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

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

As of December 31, 2019, 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. The Colorado Division of Securities administers and enforces the requirements of creating and operating COLOTRUST. COLOTRUST offers shares in two portfolios: COLOTRUST PRIME and COLOTRUST PLUS+.

**SNAKE RIVER WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2019**

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

**Deposits and Investments (continued)**

Investments (continued)

Both portfolios may invest in U.S Treasury bills and notes and repurchase agreements collateralized by U.S Treasury securities. COLOTRUST PLUS+ 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. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by participating governments. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method and therefore has been classified as cash and cash equivalents in the Statement of Net Position. There are no unfunded commitments and there is no redemption notice period. As of December 31, 2019, the District had \$3,269,503 and \$2,124,134 invested in COLOTRUST PRIME and COLOTRUST PLUS+, respectively.

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

**Credit Risk:** Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2019, COLOTRUST had a Standard and Poor's rating of AAAM. The District's two money market funds are not rated, one of which is included in cash and cash equivalents in the above table.

As of December 31, 2019, the District's investments in U.S. government agency securities were rated AA+ by Standard and Poor's.

The District held the following investments as defined by GASB 40 as of December 31, 2019:

Investment Type	Maturities			Total Fair Value	% of Portfolio held
	Less Than 1 Year	1-3 Years	3-5 Years		
Certificates of Deposit - negotiable	\$ 2,447,327	\$ --	\$ --	\$ 2,447,327	75.4%
Federal Home Loan Bank	299,619	--	--	299,619	9.2%
Federal Home Loan Mortgage Corp	499,540	--	--	499,540	15.4%
	<u>\$ 3,246,486</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,246,486</u>	<u>100.0%</u>

The above investments of \$3,246,486, which include negotiable certificates of deposit and U.S. sponsored mortgage-backed securities, are categorized as Level 2 investments and are valued using a matrix pricing technique.

**SNAKE RIVER WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2019**

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

**Capital Assets**

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and water rights	\$ 7,553,618	\$ 106,932	\$ --	\$ 7,660,550
Construction in progress	270,203	5,268,182	(10,000)	5,528,385
Total capital assets, not being depreciated	<u>7,823,821</u>	<u>5,375,114</u>	<u>(10,000)</u>	<u>13,188,935</u>
Capital assets being depreciated:				
Collection, storage and distribution system	11,896,396	71,515	(1,195,706)	10,772,205
Buildings and improvements	1,131,547	--	--	1,131,547
General equipment	169,104	--	(100,410)	68,694
Computer software and equipment	207,485	--	(37,696)	169,789
	<u>13,404,532</u>	<u>71,515</u>	<u>(1,333,812)</u>	<u>12,142,235</u>
Less accumulated depreciation for:				
Collection, storage and distribution system	(8,238,806)	(231,818)	1,132,589	(7,338,035)
Buildings and improvements	(443,911)	(31,381)	--	(475,292)
General equipment	(152,052)	(3,410)	100,410	(55,052)
Computer software and equipment	(200,121)	(2,520)	37,696	(164,945)
	<u>(9,034,890)</u>	<u>(269,129)</u>	<u>1,270,695</u>	<u>(8,033,324)</u>
Total capital assets being depreciated, net	<u>4,369,642</u>	<u>(197,614)</u>	<u>(63,117)</u>	<u>4,108,911</u>
<b>Total capital assets, net</b>	<b>\$ <u>12,193,463</u></b>	<b>\$ <u>5,177,500</u></b>	<b>\$ <u>(73,117)</u></b>	<b>\$ <u>17,297,846</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, 2019, 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, 2019, the designated portion of unrestricted net position related to this capital improvements reserve was \$6,723,266.

**SNAKE RIVER WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2019**

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**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, 2019, the designated portion of unrestricted net position related to this maintenance reserve was \$31,489.

**4. Operating Leases**

The District subleases space in its maintenance building under three operating leases, all of which have 5-year terms. Two of the leases renew automatically for 19 additional 5-year terms. The third lease, which expires in February 2020, has been renewed for its final 5-year term. 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>	
2020	\$ 28,299
2021	25,493
2022	25,520
2023	26,285
2024 and thereafter	<u>31,609</u>
Total	\$ <u>137,206</u>

Rental income and maintenance for the year ended December 31, 2019 was \$31,181.

**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, 2019, the District incurred \$237,595 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, 2019, the District incurred \$197,369 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 by them are estimated to represent approximately 60% of the water fees collected by the District during 2019.

**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, 2019.

**5. 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, 2019, the District incurred \$90,107 in project management fees and \$55,727 in project reimbursables, of which \$7,530 is payable at year end and included in accounts payable in the Statement of Net Position as of December 31, 2019.

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, 2019, the District received \$12,507 in lease payments from the Company.

**6. Construction commitments**

As of December 31, 2019, the District had \$2,968,252 remaining on its signed construction contract, relating to the new Base III water treatment facility.

**OTHER SUPPLEMENTARY INFORMATION**

**SNAKE RIVER WATER DISTRICT**  
**Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)**  
**For the Year Ended December 31, 2019**

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
Water fees	\$ 1,244,300	\$ 1,284,246	\$ 39,946
Investment income	79,304	298,027	218,723
System investment fees	300,000	456,370	156,370
Rental income	31,024	31,181	157
Development review fees	20,000	2,742	(17,258)
Grant revenue	-	475,000	475,000
Capital contributions of assets	464,300	71,515	(392,785)
Total Revenues	<u>2,138,928</u>	<u>2,619,081</u>	<u>480,153</u>
<b>Expenditures:</b>			
Operations and maintenance:			
Water treatment contract	237,595	237,595	-
Repairs and maintenance	200,000	175,454	24,546
Utilities	66,000	69,883	(3,883)
Chemicals, lab fees and supplies	18,400	12,777	5,623
Engineering and design	2,000	5,699	(3,699)
Total operations and maintenance	<u>523,995</u>	<u>501,408</u>	<u>22,587</u>
General and administration:			
Administration contract	197,369	197,369	-
Audit fees	9,266	8,278	988
Computer support	10,601	9,235	1,366
Water rights engineering	3,000	3,840	(840)
Insurance	25,000	24,441	559
Legal fees	9,000	6,080	2,920
Forest Service and water rights leases	8,258	8,731	(473)
Office supplies and expense	9,100	8,951	149
Miscellaneous	5,185	3,229	1,956
Board expenses	4,000	3,770	230
Total general and administration	<u>280,779</u>	<u>273,924</u>	<u>6,855</u>
Contingency	73,962	-	73,962
Depreciation	302,927	269,129	33,798
Capital outlay	<u>6,671,750</u>	<u>5,365,114</u>	<u>1,306,636</u>
Total Expenditures	<u>7,853,413</u>	<u>6,409,575</u>	<u>1,443,838</u>
<b>Revenues over (under) expenditures</b>	<u>\$ (5,714,485)</u>	<u>\$ (3,790,494)</u>	<u>\$ 1,923,991</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, 2019**

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Revenue (budgetary basis)	<u>\$ 2,619,081</u>
Revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>2,619,081</u>
Expenditures (budgetary basis)	6,409,575
Loss on asset disposal	63,117
Capital outlay	<u>(5,365,114)</u>
Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>1,107,578</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 1,511,503</u></u>

The accompanying notes are an integral part of this statement.