

**SNAKE RIVER WATER DISTRICT
DILLON, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2020



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, 2020, 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, 2020, 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 2019 financial statements, and in our report dated May 12, 2020, we expressed an unmodified opinion on those statements. The information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crady, Puca & Associates

Aurora, CO 80016

May 11, 2021

Management's Discussion and Analysis

2020

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, 2020.

This MD&A includes the following sections:

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

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

I. Financial Highlights

The Snake River Water District is facing a more challenging financial future because of the costs of repairing and replacing aging physical assets and responding to new or more stringent regulatory requirements. To address these challenges the District during 2020 engaged financial and engineering consultants to develop a 10-year capital investment and asset replacement Master Plan and a financial and water rate increase plan that would provide the funding necessary for these investments and replacements.

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

1. At the end of 2020, the District's Total Net Position increased, over the prior year, by \$699,923 bringing the District's Total Net Position to \$27,045,221.
2. The new Base 3 Water Treatment Facility went into service September 1, 2020, and the fixed asset cost of \$8,441,760 was reclassified from Construction in Progress at year-end.
3. Unexpectedly large maintenance costs, some relating to water main breaks, and the costs of the aforementioned Master Plan resulted in the District for the first time in many years having an Operating Loss after Depreciation.
4. The additional maintenance costs and Master Plan expenses were not originally included in the 2020 budget adopted in 2019, nor were the full 2020 expenditures for the Base 3 Water Treatment Facility. For the first time in many years the District amended its 2020 budget subsequent to its initial adoption.

Management and the SRWD Board of Directors use financial projections for the annual budget which follow economic trends. Budgets are prepared with projected capital improvements and maintenance outlay for the year. Funds not utilized by December 31st 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, 2020 and 2019. 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

	2020	2019	Increase (Decrease)
Assets			
Current Assets	\$ 7,041,236	\$ 10,116,243	\$ (3,075,007)
Capital Assets, net	20,044,967	17,297,846	2,747,121
Other Assets	96,025	111,025	(15,000)
Total Assets	<u>27,182,228</u>	<u>27,525,114</u>	<u>(342,886)</u>
Liabilities			
Current Liabilities	133,407	1,176,216	(1,042,809)
Noncurrent Liabilities	3,600	3,600	-
Total Liabilities	<u>137,007</u>	<u>1,179,816</u>	<u>(1,042,809)</u>
Net Position			
Invested in Capital Assets	20,044,967	17,297,846	2,747,121
Restricted	9,960	9,960	-
Unrestricted	6,990,294	9,037,492	(2,047,198)
Total Net Position	<u>\$ 27,045,221</u>	<u>\$ 26,345,298</u>	<u>\$ 699,923</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Operating Revenues	\$ 1,343,943	\$ 1,284,246	\$ 59,697
Less: Operating Expenses	1,041,625	775,332	266,293
Less: Depreciation	<u>364,212</u>	<u>269,129</u>	<u>95,083</u>
Net Income from Operations	(61,894)	239,785	(301,679)
Non-operating Revenues (expenses)	685,174	1,200,203	(515,029)
Capital Contributions	<u>76,643</u>	<u>71,515</u>	<u>5,128</u>
Increase in Net Position	699,923	1,511,503	(811,580)
Net Position, Beginning of Year	<u>26,345,298</u>	<u>24,833,795</u>	<u>1,511,503</u>
Net Position, End of Year	<u>\$ 27,045,221</u>	<u>\$ 26,345,298</u>	<u>\$ 699,923</u>

IV. Overall Financial Analysis

Assets

Current assets of the District are principally cash, short-term deposits, and investments. Current assets decreased from \$10,116,243 in 2019 to \$7,041,236 in 2020. This decrease of \$3,075,007 is largely attributable to expenditures related to the Base 3 water plant construction.

Total net capital assets increased by \$2,747,121. This increase was due primarily to the Base 3 Water Facility. There were capital contributions from water main extension projects of \$76,643. The depreciation expense for 2020 was \$364,212.

The District's overall assets decreased from \$27,525,114 in 2019 to \$27,182,228 in 2020.

Liabilities

Total liabilities decreased from \$1,179,816 in 2019 to \$137,007 in 2020. The decrease of \$1,042,809 is mostly due to \$749,553 in lower year-end accrued expenses and \$376,452 retainage payable attributable to the Base 3 project that was fully paid to the contractor in 2020.

Revenue

Total operating revenue for fiscal year 2020 increased by \$59,697 to \$1,343,943 from \$1,284,246 in 2019 due to growth in District EQRs and a drier year causing more summer irrigation. Non-operating revenue received by the District decreased by \$515,029 in 2020 with the District receiving \$685,174 in non-operating revenue in 2020 compared to \$1,200,203 in 2019. This decrease in non-operating revenue is principally attributable to a decrease in investment income in 2020 of \$238,789 and a one-time \$475,000 grant in 2019.

Expenses

Total operating expenses for the District were \$1,041,625 in 2020, up from \$775,332 in 2019. The \$266,293 increase included \$135,117 higher operations and maintenance costs and \$68,330 master plan expenses. A few expensive water main breaks occurred in 2020, 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 2020 was \$699,923, bringing the District's total net position as of December 31, 2020 to \$27,045,221.

V. Analysis of Budgetary Variations

Final expenditures for 2020 are presented on page 14 of this Audit Report along with the 2020 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 2020 was Contribution of Assets. The budget of \$489,300 was \$412,657 above the actual of \$76,643. It was anticipated that the Wintergreen development would submit their water assets for acceptance by the District in 2020, but they did not provide a bill of sale until 2021.
2. The next largest variance from budget was Grant Revenue which was \$25,000 (93%) below budget. This is a timing issue. All of the DOLA grant was paid to the District earlier than expected in 2019, and the 2020 budget was written several months before the grant funds were received. Only the \$25,000 for retainage remained.
3. System Investment Fees (Tap Fees) were \$570,105 which was \$320,105 (128%) above budget. This is attributed to new construction and significant remodeling in the District.
4. Depreciation Expense was \$364,212 which was \$139,314 (28%) below budget. The lack of contributed assets reduced depreciation.

VI. Capital Assets

All funds invested by the District are in compliance with Colorado Revised Statutes, Article 75 Section 24-75-601.1 - *Legal Investments of Public Funds*.

The District addresses asset replacement funding and reports on the funds available during the budget process. The Board, in adopting the budget and budget amendment for 2020, approved Fund Projections for 2020. Highlights of these projections relating to capital included:

- i) \$3,111,332 to be spent on major capital improvements in 2020 including a new Base 3 water plant, corrosion control, and a new Base 2 tank.
- ii) \$1,500,000 being held in the emergency reserve account.
- iii) \$4,599,426 estimated as the 2020 year-end balance to fund future capital/system improvements.

The District's total net capital assets as of December 31, 2020 was \$20,044,967 in 2020 and was \$17,297,846 in 2019, which is an increase of \$2,747,121. There were \$5,528,385 of Construction in Progress assets at the end of 2019 that went into service during 2020. An additional \$2,983,395 of expenditures were placed into CIP which were then reclassified into fixed assets at year-end.

The District's total depreciable capital assets as of December 31, 2020 was \$20,737,336 in 2020 and was \$12,142,235 in 2019. The District's accumulated depreciation increased from \$8,033,324 in 2019 to \$8,352,919 in 2020.

	2020	2019	Increase (Decrease)
Collection, storage and distribution system	\$ 15,880,428	\$ 10,772,205	\$ 5,108,223
Buildings and improvements	4,611,747	1,131,547	3,480,200
General equipment	68,694	68,694	-
Computer software and equipment	176,467	169,789	6,678
	<u>20,737,336</u>	<u>12,142,235</u>	<u>8,595,101</u>
Less: accumulated depreciation	<u>(8,352,919)</u>	<u>(8,033,324)</u>	<u>319,595</u>
Net depreciable capital assets	12,384,417	4,108,911	8,275,506
Land and water rights	7,660,550	7,660,550	-
Construction in Progress	<u>-</u>	<u>5,528,385</u>	<u>(5,528,385)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>\$ 20,044,967</u>	<u>\$ 17,297,846</u>	<u>\$ 2,747,121</u>

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

The largest District expenditures for 2020 were related to the new Base 3 water plant. Construction began in May 2019, and the new plant was placed in service September 1, 2020. \$8,441,760 was reclassified from Construction in Progress at year-end to the fixed asset accounts of Building and Improvements and Collection/Trans/Distribution.

In 2020, the Board hired FCS to conduct a rate study based on capital needs of the District. The rate study used estimated costs of \$19,300,000 over ten years from a draft ten-year capital improvement project plan submitted by the Operations Superintendent and Administrator in 2019. After receiving the rate study, the Board hired AE2S to conduct an engineering study and produce a new Water Utility Master Plan containing a capital improvement plan with estimated costs for ten years. AE2S presented the Master Plan at the February 9, 2021 meeting, and subsequently provided the final plan documents on March 17, 2021. The total capital needs expressed in the Master Plan are \$38,492,000.

The Board directed FCS to produce a new financial analysis based on the revised capital needs estimate from AE2S. FCS' financial model applied capital cost inflation and construction cost escalation factors that resulted in estimated ten-year total costs of \$62.2 million. FCS recommends maximizing debt proceeds to cover 68% of the total capital spending projected over the forecasted period. They believe the District will be able to secure loans from the Colorado State Revolving Fund (SRF) in-lieu-of Revenue Bonds. They recommend this form of financing because it provides greater flexibility to the borrower in that debt repayments are not incurred until after project completion. Additionally, loans from the SRF provide more favorable repayment terms through lower interest rates. FCS' estimates a total \$42.5 million of debt issued and \$36.4 million outstanding by the end of 2030. The District currently has no debt service obligations. However, the proposed SRF loan payments will accumulate to \$2.7 million annually by 2030 based on assumed interest rates of 2.5% with 20-year repayment terms.

To cover the proposed debt service obligations and fund the remainder of the capital plan, FCS estimates the District will need to increase rates by a total of 177% over the 10-year forecast period, an average of 12% per year. The water user fee increases will produce noticeable impacts on the District's typical monthly bills, which FCS estimates will increase from \$65 per quarter in 2021, to \$180 per quarter by 2030.

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:

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

SNAKE RIVER WATER DISTRICT**Statement of Net Position****December 31, 2020****(With Summarized Financial Information as of December 31, 2019)**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,285,674	\$ 5,915,174
Accounts receivable	10,138	16,667
Accrued interest receivable	3,929	10,518
Grant receivable	-	182,667
Deposits and investments	741,495	3,991,217
Total current assets	<u>7,041,236</u>	<u>10,116,243</u>
Noncurrent assets:		
Capital assets:		
Capital assets, not being depreciated	7,660,550	13,188,935
Capital assets, being depreciated, net	12,384,417	4,108,911
	<u>20,044,967</u>	<u>17,297,846</u>
Deposits	96,025	111,025
Total noncurrent assets	<u>20,140,992</u>	<u>17,408,871</u>
Total assets	<u>27,182,228</u>	<u>27,525,114</u>
LIABILITIES		
Current liabilities:		
Accounts payable	133,407	799,764
Retainage payable	-	376,452
Total current liabilities	<u>133,407</u>	<u>1,176,216</u>
Noncurrent liabilities:		
Security deposits payable	3,600	3,600
Total noncurrent liabilities	<u>3,600</u>	<u>3,600</u>
Total liabilities	<u>137,007</u>	<u>1,179,816</u>
NET POSITION		
Net investment in capital assets	20,044,967	17,297,846
Restricted	9,960	9,960
Unrestricted	6,990,294	9,037,492
Total net position	<u>\$ 27,045,221</u>	<u>\$ 26,345,298</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, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Water fees	\$ 1,343,943	\$ 1,284,246
Total operating revenues	<u>1,343,943</u>	<u>1,284,246</u>
Operating expenses:		
Operations and maintenance:		
Water treatment contract	245,555	237,595
Repairs and maintenance	273,992	175,454
Utilities	75,046	69,883
Chemicals, lab fees and supplies	33,648	12,777
Engineering and design	8,284	5,699
Total operations and maintenance	<u>636,525</u>	<u>501,408</u>
General and administration:		
Administration contract	213,980	197,369
Audit fees	9,197	8,278
Master Plan expenses	68,330	-
Computer support	23,349	9,235
Water rights engineering	12,970	3,840
Insurance	29,656	24,441
Legal fees	12,065	6,080
Forest Service and water rights leases	8,579	8,731
Office supplies and expense	8,694	8,951
Election expense	75	-
Miscellaneous	2,740	3,229
Board expenses	15,465	3,770
Total general and administration	<u>405,100</u>	<u>273,924</u>
Total operating expenses	<u>1,041,625</u>	<u>775,332</u>
Operating income before depreciation	302,318	508,914
Depreciation	364,212	269,129
Operating income (loss)	<u>(61,894)</u>	<u>239,785</u>
Non-operating revenues (expenses):		
Investment income	59,238	298,027
System investment fees	570,105	456,370
Grant revenue	25,000	475,000
Rental income	30,831	31,181
Loss on asset disposal	-	(63,117)
Other income	-	2,742
Total non-operating revenues (expenses)	<u>685,174</u>	<u>1,200,203</u>
Income before capital contributions	<u>623,280</u>	<u>1,439,988</u>
Capital contributions of assets	76,643	71,515
Change in net position	<u>699,923</u>	<u>1,511,503</u>
Net position, beginning of year	<u>26,345,298</u>	<u>24,833,795</u>
Net position, end of year	<u>\$ 27,045,221</u>	<u>\$ 26,345,298</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, 2020****(With Summarized Financial Information for the Year Ended December 31, 2019)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,350,472	\$ 1,290,266
Cash paid to suppliers of goods and services	(985,240)	(773,351)
Net cash provided by operating activities	<u>365,232</u>	<u>516,915</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,133,884)	(4,407,331)
Proceeds from DOLA grant	207,667	292,333
Deposits paid related to capital projects	15,000	(105,969)
System investment fees	570,105	456,370
Net cash used in capital financing activities	<u>(3,341,112)</u>	<u>(3,764,597)</u>
Cash flows from non-capital financing activities:		
Other non-operating revenues	<u>30,831</u>	<u>36,008</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	3,739,722	3,515,000
Purchases of investments	(490,000)	(221,759)
Interest on cash and investments	65,827	262,146
Net cash provided by investing activities	<u>3,315,549</u>	<u>3,555,387</u>
Net increase in cash and cash equivalents	370,500	343,713
Cash and cash equivalents, beginning of year	<u>5,915,174</u>	<u>5,571,461</u>
Cash and cash equivalents, end of year	<u>\$ 6,285,674</u>	<u>\$ 5,915,174</u>
Reconciliation of operating income to net cash provided by operations		
Operating income (loss)	\$ (61,894)	\$ 239,785
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	364,212	269,129
(Increase) decrease in:		
Accounts receivable	6,529	6,020
Prepaid expenses	-	10,719
(Decrease) increase in:		
Accounts payable	56,385	(8,738)
Total adjustments	<u>427,126</u>	<u>277,130</u>
Net cash provided by operating activities	<u>\$ 365,232</u>	<u>\$ 516,915</u>
Noncash capital activities:		
Contributions of assets	\$ 76,643	\$ 71,515
Capital assets acquired with accounts and retainage payable	32,156	\$ 1,131,351
Loss on asset disposal	-	(63,117)
Noncash investing activities:		
Fair value increase on investments	\$ (7,815)	\$ 44,147

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, 2020. The District considers all receivables collectible as of December 31, 2020; therefore, no allowance has been recorded.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position (continued)

Prepaid Items

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

Capital Assets

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

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

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

Net Position

The District classifies net position into three components:

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

Estimates

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

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position (continued)

Property Taxes

Currently, the Board levies no property taxes.

Comparative Data

The financial statements contain certain prior year summarized comparative information. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2019, 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, 2020 year-end net position for emergencies as required under TABOR of \$9,960, which is the approximate required reserve as of December 31, 2020.

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, 2020

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, 2020:

Cash and cash equivalents	\$ <u>6,285,674</u>
Current assets:	
Money market fund	190
Certificates of deposit – non-negotiable	249,634
Certificates of deposit - negotiable	<u>491,671</u>
Total current	<u>741,495</u>
Total deposits and investments	\$ <u><u>7,027,169</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, 2020, 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, 2020

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, 2020, the District had \$6,229,726 invested in COLOTRUST PRIME.

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, 2020, 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.

The District held the following investments as defined by GASB 40 as of December 31, 2020:

Investment Type	Maturities			Total Fair Value	% of Portfolio held
	Less Than 1 Year	1-3 Years	3-5 Years		
Certificates of Deposit - negotiable	\$ 491,671	\$ --	\$ --	\$ 491,671	100.0%
	\$ 491,671	\$ --	\$ --	\$ 491,671	100.0%

The above investments of \$491,671, which include negotiable certificates of deposit, are categorized as Level 2 investments, and are valued using a matrix pricing technique.

SNAKE RIVER WATER DISTRICT
Notes to Financial Statements
December 31, 2020

3. Detailed Notes Concerning the Fund (continued)

Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and water rights	\$ 7,660,550	\$ --	\$ --	\$ 7,660,550
Construction in progress	5,528,385	--	(5,528,385)	--
Total capital assets, not being depreciated	<u>13,188,935</u>	<u>--</u>	<u>(5,528,385)</u>	<u>7,660,550</u>
Capital assets being depreciated:				
Collection, storage and distribution system	10,772,205	5,108,224	--	15,880,429
Buildings and improvements	1,131,547	3,480,200	--	4,611,747
General equipment	68,694	--	--	68,694
Computer software and equipment	169,789	51,294	(44,615)	176,468
	<u>12,142,235</u>	<u>8,639,718</u>	<u>(44,615)</u>	<u>20,737,338</u>
Less accumulated depreciation for:				
Collection, storage and distribution system	(7,338,035)	(295,886)	--	(7,633,921)
Buildings and improvements	(475,292)	(60,383)	--	(535,675)
General equipment	(55,052)	(3,410)	--	(58,462)
Computer software and equipment	(164,945)	(4,533)	44,615	(124,863)
	<u>(8,033,324)</u>	<u>(364,212)</u>	<u>44,615</u>	<u>(8,352,921)</u>
Total capital assets being depreciated, net	<u>4,108,911</u>	<u>8,275,506</u>	<u>--</u>	<u>12,384,417</u>
Total capital assets, net	\$ <u>17,297,846</u>	\$ <u>8,275,506</u>	\$ <u>(5,528,385)</u>	\$ <u>20,044,967</u>

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, 2020, 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, 2020, the designated portion of unrestricted net position related to this capital improvements reserve was \$4,599,426.

SNAKE RIVER WATER DISTRICT
Notes to Financial Statements
December 31, 2020

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, 2020, the designated portion of unrestricted net position related to this maintenance reserve was \$24,385.

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 expired 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>	
2021	\$ 25,287
2022	25,308
2023	26,067
2024	26,849
2025	<u>4,497</u>
Total	\$ <u>108,008</u>

Rental income and maintenance for the year ended December 31, 2020 was \$30,831.

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, 2020, the District incurred \$245,555 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, 2020, the District incurred \$213,980 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 2020.

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, 2020.

6. Related parties

During 2018, the District hired RS May & Associates as its construction manager for the Base III Treatment Plant project. RS May & Associates is owned by Randy May who is a member of the Board of Directors. During the year ended December 31, 2020, the District incurred and paid \$86,331 in project management fees.

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, 2020, the District received \$12,998 in lease payments from the Company.

OTHER SUPPLEMENTARY INFORMATION

SNAKE RIVER WATER DISTRICT
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:				
Water fees	\$ 1,260,800	\$ 1,260,800	\$ 1,343,943	83,143
Investment income	75,000	75,000	59,238	(15,762)
System investment fees	250,000	250,000	570,105	320,105
Rental income	31,800	31,800	30,831	(969)
Development review fees	15,000	15,000	-	(15,000)
Grant revenue	350,000	350,000	25,000	(325,000)
Capital contributions of assets	489,300	489,300	76,643	(412,657)
Total Revenues	<u>2,471,900</u>	<u>2,471,900</u>	<u>2,105,760</u>	<u>(366,140)</u>
Expenditures:				
Operations and maintenance:				
Water treatment contract	245,554	245,554	245,555	(1)
Repairs and maintenance	200,000	273,992	273,992	-
Utilities	71,070	71,070	75,046	(3,976)
Chemicals, lab fees and supplies	21,500	21,500	33,648	(12,148)
Engineering and design	5,000	5,000	8,284	(3,284)
Total operations and maintenance	<u>543,124</u>	<u>617,116</u>	<u>636,525</u>	<u>(19,409)</u>
General and administration:				
Administration contract	213,980	213,980	213,980	-
Audit fees	8,600	8,600	9,197	(597)
Master Plan Expenses	-	68,330	68,330	-
Computer support	10,500	10,500	23,349	(12,849)
Water rights engineering	22,500	22,500	12,970	9,530
Insurance	25,500	25,500	29,656	(4,156)
Legal fees	9,000	9,000	12,065	(3,065)
Forest Service and water rights leases	8,876	8,876	8,579	297
Office supplies and expense	9,500	9,500	8,694	806
Election	500	500	75	425
Miscellaneous	5,000	5,000	2,740	2,260
Board expenses	22,000	22,000	15,465	6,535
Total general and administration	<u>335,956</u>	<u>404,286</u>	<u>405,100</u>	<u>(814)</u>
Contingency	83,909	83,909	-	83,909
Depreciation	503,526	503,526	364,212	139,314
Capital outlay	2,892,268	3,111,332	3,111,332	-
Total Expenditures	<u>4,358,783</u>	<u>4,720,169</u>	<u>4,517,169</u>	<u>203,000</u>
Revenues over (under) expenditures	<u>\$ (1,886,883)</u>	<u>\$ (2,248,269)</u>	<u>\$ (2,411,409)</u>	<u>\$ (163,140)</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, 2020

Revenue (budgetary basis)	<u>\$ 2,105,760</u>
Revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>2,105,760</u>
Expenditures (budgetary basis)	4,517,169
Capital outlay	<u>(3,111,332)</u>
Expenses per Statement of Revenues, Expenses and Changes in Net Position	<u>1,405,837</u>
Change in net position per Statement of Revenues, Expenses and Changes in Net Position	<u><u>\$ 699,923</u></u>

The accompanying notes are an integral part of this statement.