

**SILVER SPRINGS MUTUAL WATER CO.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**SILVER SPRINGS MUTUAL WATER CO.**

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DECEMBER 31, 2017 AND 2016

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Members of  
Silver Springs Mutual Water Co.  
Silver Springs, Nevada

**Report on the Financial Statements**

We have audited the accompanying financial statements of Silver Springs Mutual Water Co. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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 Silver Springs Mutual Water Co. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the 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 audits 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2018, on our consideration of Silver Springs Mutual Water Co.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Silver Springs Mutual Water Co.'s internal control over financial reporting and compliance.

KPM & Company WP

Reno, Nevada  
March 6, 2018



**SILVER SPRINGS MUTUAL WATER CO.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and time certificates of deposit	\$ 568,113	\$ 351,615
Accounts receivable, net of allowance for doubtful accounts of \$10,000 at December 31, 2017 and 2016	78,566	62,389
Grants receivable	423,674	-
Prepaid expenses	9,209	7,787
Total current assets	1,079,562	421,791
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>	6,838,504	6,527,374
<b>OTHER ASSETS</b>		
Restricted cash		
Customer deposits	47,236	40,179
Debt service reserve	26,244	17,496
Short lived assets reserve	395,551	365,789
Loan costs, net of accumulated amortization of \$399 and \$301 for 2017 and 2016, respectively	3,511	3,609
	472,542	427,073
Total assets	\$ 8,390,608	\$ 7,376,238
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 35,937	\$ 35,069
Accounts payable	435,692	8,307
Accrued payroll taxes	3,633	2,633
Accrued leave	12,992	11,066
Accrued wages	2,601	2,076
Customer deposits	46,785	40,179
Total current liabilities	537,640	99,330
<b>LONG-TERM DEBT, net of current portion</b>	2,037,893	2,073,955
Total liabilities	2,575,533	2,173,285
<b>NET ASSETS</b>		
Unrestricted		
Designated by the governing board for emergencies and water system improvements	628,606	401,318
Investment in property, plant and equipment, net of related debt and contributions in aid of construction	3,710,341	3,814,588
Reserves required by loan and grant funding source		
Debt service	26,244	17,496
Short lived assets	395,551	365,789
Contributions in aid of construction	1,054,333	603,762
Total unrestricted net assets	5,815,075	5,202,953
Total liabilities and net assets	\$ 8,390,608	\$ 7,376,238

See accompanying notes

**SILVER SPRINGS MUTUAL WATER CO.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>UNRESTRICTED SUPPORT AND REVENUE</b>		
Program service fees		
Water sales	\$ 887,800	\$ 752,067
Application and hookup fees	12,475	30,365
Meter installations	3,331	16,161
Late fees	42,149	24,446
Service charges	8,240	7,010
Contract services	36,000	36,000
Contributions in aid of construction	450,571	156,394
Interest	3,933	3,476
Miscellaneous	7,942	7,237
	1,452,441	1,033,156
<b>EXPENSES AND OTHER LOSSES</b>		
Program services	705,664	704,796
General and administrative	134,655	131,432
Loss on sale of assets	-	2,760
	840,319	838,988
Change in unrestricted net assets	612,122	194,168
<b>UNRESTRICTED NET ASSETS</b> , beginning of year	5,202,953	5,008,785
<b>UNRESTRICTED NET ASSETS</b> , end of year	\$ 5,815,075	\$ 5,202,953

See accompanying notes

**SILVER SPRINGS MUTUAL WATER CO.**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Designated by the Governing Board	Investment in Property, Plant, and Equipment, Net	Debt Service Reserve	Short Lived Assets Reserve	Contributions in Aid of Construction	Total Unrestricted Net Assets
<b>December 31, 2015</b>	\$ 266,911	\$ 3,964,273	\$ 8,748	\$ 321,485	\$ 447,368	\$ 5,008,785
Add: 2016 changes in net assets	<u>134,407</u>	<u>(149,685)</u>	<u>8,748</u>	<u>44,304</u>	<u>156,394</u>	<u>194,168</u>
<b>December 31, 2016</b>	401,318	3,814,588	17,496	365,789	603,762	5,202,953
Add: 2017 changes in net assets	<u>227,288</u>	<u>(104,247)</u>	<u>8,748</u>	<u>29,762</u>	<u>450,571</u>	<u>612,122</u>
<b>December 31, 2017</b>	<u>\$ 628,606</u>	<u>\$ 3,710,341</u>	<u>\$ 26,244</u>	<u>\$ 395,551</u>	<u>\$ 1,054,333</u>	<u>\$ 5,815,075</u>

See accompanying notes

**SILVER SPRINGS MUTUAL WATER CO.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 612,122	\$ 194,168
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	209,197	206,249
Amortization	98	98
Loss on sale of assets	-	2,760
Changes in certain components of working capital		
(Increase) decrease in:		
Accounts receivable	(16,177)	(17,358)
Grants receivable	(423,674)	-
Prepaid expenses	(1,422)	10,542
Increase (decrease) in:		
Accounts payable	427,385	(5,282)
Accrued payroll taxes	1,000	2,424
Accrued leave	1,926	2,725
Accrued wages	525	(9,398)
Customer deposits	6,606	5,529
Net cash flows from operating activities	817,586	392,457
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(520,327)	(181,393)
Net cash flows from investing activities	(520,327)	(181,393)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	(35,194)	(34,325)
Increase in restricted cash, customer deposits	(7,057)	(8,285)
Increase in restricted cash for debt service and short lived assets reserves	(38,510)	(53,052)
Net cash flows from financing activities	(80,761)	(95,662)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	216,498	115,402
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	351,615	236,213
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 568,113	\$ 351,615
<b>SUPPLEMENTAL CASH FLOW DATA</b>		
Cash paid during the year for interest	\$ 52,323	\$ 53,132
<b>SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Trade-in value on purchase of property, plant and equipment	\$ -	\$ 500

See accompanying notes



**NOTES TO FINANCIAL STATEMENTS**

**SILVER SPRINGS MUTUAL WATER CO.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Organization was incorporated under the laws of the State of Nevada under the previous name, Lyon County Silver Springs Water Co., Inc. Effective March 1993, the Organization changed its name to Silver Springs Mutual Water Co. Silver Springs Mutual Water Co. is a nonprofit corporation which provides water to Silver Springs' property owners.

**Basis of Accounting**

The Organization presents its financial statements on the accrual basis, which recognizes revenue as earned and expenses as incurred.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

**Statement of Cash Flows**

The statement of cash flows is prepared on the basis of unrestricted cash on hand and in banks. Cash equivalents consist of checking accounts, money market accounts and time certificates of deposit with short-term maturities.

**Accounts Receivable**

Accounts receivable consist of amounts due from customers for water service. The allowance for doubtful accounts is based upon management's estimate of uncollectibility taking into consideration past payment history.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Donated property is recorded at its estimated value at the date received. The Organization's policy is to capitalize property and equipment with an estimated useful life in excess of one year and a value of \$5,000 or more.

The Organization follows the policy of capitalizing interest as a component of the cost of property, plant and equipment constructed for its own use. However, in accordance with generally accepted accounting principles, the Organization does not capitalize interest for construction projects paid for with grant funds but does capitalize interest for projects that are paid with loan funds. During the years ended December 31, 2017 and 2016, total interest incurred was \$53,132 and \$53,981, respectively. For 2017 and 2016, all of the interest incurred was charged to operations.

**Depreciation**

Depreciation expense incurred with regards to source of supply plant, pumping plant, transmission and distribution plant, and structures and improvements is included in the direct costs associated with each of the corresponding operations.

**SILVER SPRINGS MUTUAL WATER CO.**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017 AND 2016

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**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Depreciation** (Continued)

The Organization uses the straight-line depreciation with the estimated useful lives as follows:

	<u>Useful Life</u>
Wells, springs, and pumps	5-50
Transmission and distribution plant	5-40
Reservoirs, tanks, meters, and installation	5-50
Structures, improvements, and hydrants	5-50
Arsenic treatment plant	50
Excavation equipment	20
Other equipment	3-12
Transportation equipment	5
Office and computer equipment	5
Solar equipment	25

**Income Tax**

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(12) as a mutual or cooperative local utility organization. Management annually reviews its tax positions, which are summarized as follows:

- It has not engaged in activities that would jeopardize its tax-exempt status.
- It has not engaged in activities that may result in unrelated business income tax.
- It has determined that there are no material uncertain tax positions that require recognition in the financial statements.

Accordingly, no provision for income taxes has been made. In addition, the Organization does not expect any material change in uncertain tax positions within the next twelve months.

**Contributed Services**

The Organization is required to recognize the contributions of services if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are those provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers and other professionals and craftsmen.

Members of the Board of Directors donate significant amounts of time to the activities of the Organization. The services donated do not meet the criteria for recognition as defined above. Accordingly, the financial statements do not reflect the value of these services.

**Contributions in Aid of Construction**

Capital amounts received from non-rate payers to provide for the expansion, improvement, or replacement of the Organization's water facilities is reflected on the statements of activities as a component of unrestricted support and revenue and on the statements of financial position as a component of unrestricted net assets.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SILVER SPRINGS MUTUAL WATER CO.**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017 AND 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

Subsequent events have been evaluated through March 6, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

**Reclassifications**

Certain items on the 2016 financial statements have been reclassified to conform to the 2017 presentation.

**NOTE 2 - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following at December 31:

	2017	2016
Land	\$ 50,660	\$ 50,660
Wells, springs, and pumps	603,149	603,149
Transmission and distribution plant	2,383,394	2,368,434
Reservoirs, tanks, meters, and installations	1,055,160	1,055,216
Structures, improvements, and hydrants	641,987	615,502
Arsenic treatment plant	3,676,990	3,675,486
Other equipment	34,692	25,831
Transportation and excavation equipment	171,991	171,991
Solar equipment	273,847	273,847
Office and computer equipment	43,848	40,656
	8,935,718	8,880,772
Less: accumulated depreciation	(2,721,262)	(2,526,875)
	6,214,456	6,353,897
Construction in progress	624,048	173,477
	\$ 6,838,504	\$ 6,527,374

**NOTE 3 - RESTRICTED CASH**

**Restricted Cash – Customer Deposits**

Cash is restricted in the amount necessary to repay customer deposits, which are a liability to the Organization and refundable to the customers.

**Restricted Cash – Required Debt Reserve and Short-Lived Asset Reserve**

The United States Department of Agriculture (USDA) has required, based on outstanding loan balances and prior grant awards, that the Organization maintain two reserves.

The first reserve is a debt service reserve. Payments to the debt service reserve commenced January 2015 upon completion of the current project. Monthly payments of \$729 will be made until the debt service reserve is fully funded at a total of \$87,516. As of December 31, 2017 and 2016, the required debt service reserve was fully funded with the required monthly payments.

The second is a short-lived assets reserve that is calculated at \$5,817 per month for 2017 and 2016. The short-lived assets reserve can be utilized to purchase assets with lives in excess of one year other than those directly related to the transmission and distribution system. As of December 31, 2017 and 2016, the required short-lived asset reserve was fully funded.

**SILVER SPRINGS MUTUAL WATER CO.**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017 AND 2016

**NOTE 4 - CONCENTRATION OF CREDIT RISK**

Credit is granted to customers, substantially all of whom are located in Silver Springs, Nevada.

The Organization is significantly dependent on grants and loans from the USDA passed through the State of Nevada for major construction activities around infrastructure and operations. The grants and loans are subject to spending restrictions.

**NOTE 5 - LONG-TERM DEBT**

Long-term debt consisted of the following at December 31:

	2017	2016
Line of credit with USDA of \$2,177,000; interest only payment was made on December 6, 2014; thereafter monthly principal and interest payments of \$7,293 with interest at the rate of 2.5%; due in full in December 2053; note is secured by an assignment of security interest in all income due or to become due and all assessments imposed or to be imposed by the Organization	\$ 2,073,830	\$ 2,109,024
Less: current maturities	(35,937)	(35,069)
	\$ 2,037,893	\$ 2,073,955

Future maturities of long-term debt consisted of the following at December 31, 2017:

2018	\$	35,937
2019		36,848
2020		37,782
2021		38,740
2022		39,723
Thereafter		1,884,800
	\$	2,073,830

**NOTE 6 - PENSION PLAN**

The Organization maintains a defined contribution pension plan under Internal Revenue Code Section 401(k) covering substantially all employees. The employees have the option to select regular and Roth contributions. Employer contributions to the plan by the Organization are calculated based on the employees' participation in the plan at a 3% to 4% match, as applicable, for all eligible employees, totaling \$9,461 and \$7,725 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 7 - COMMITMENTS**

At December 31, 2017, the Organization was in the process of completing the Deodar Well utilizing a combination of State of Nevada Drinking Water State Revolving Funds proceeds and its own funds. The total cost of the project is estimated to be \$627,990. Construction is currently in progress. At December 31, 2017, the Organization had committed to construction costs of \$222,980. Of the remaining construction costs, the Organization will pay \$77,439 and the remainder of funds will be reimbursed from State of Nevada Drinking Water State Revolving Funds proceeds.

**SUPPLEMENTARY INFORMATION**

**SILVER SPRINGS MUTUAL WATER CO.**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016		
	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Advertising	\$ -	\$ 390	\$ 390	\$ -	\$ 265	\$ 265
Amortization	98	-	98	98	-	98
Automobile	9,811	-	9,811	8,029	-	8,029
Bad debts	626	-	626	1,209	-	1,209
Depreciation	207,566	1,631	209,197	204,540	1,709	206,249
Dues and subscriptions	761	-	761	720	-	720
Education and training	1,025	-	1,025	2,093	-	2,093
Insurance	15,901	3,975	19,876	19,974	4,993	24,967
Insurance - medical	32,444	21,630	54,074	35,765	23,844	59,609
Interest	52,263	-	52,263	53,132	-	53,132
Legal and accounting	16,489	-	16,489	35,603	-	35,603
Licenses and permits	4,357	-	4,357	10,257	-	10,257
Miscellaneous	4,908	-	4,908	6,977	-	6,977
Office supplies and expenses	7,448	4,965	12,413	10,212	6,808	17,020
Operating supplies	16,209	-	16,209	22,027	-	22,027
Other professional fees	13,706	-	13,706	22,853	-	22,853
Payroll taxes and retirement	22,003	14,668	36,671	19,246	12,830	32,076
Power and pumping	43,875	-	43,875	43,042	-	43,042
Property taxes	1,681	-	1,681	1,729	-	1,729
Rent	-	302	302	-	-	-
Repairs and maintenance	35,697	-	35,697	25,805	3,205	29,010
Salaries	206,146	85,041	291,187	170,503	76,037	246,540
Telephone	8,214	2,053	10,267	6,966	1,741	8,707
Tools	985	-	985	373	-	373
Water samples and quality testing	3,451	-	3,451	3,643	-	3,643
	<u>\$ 705,664</u>	<u>\$ 134,655</u>	<u>\$ 840,319</u>	<u>\$ 704,796</u>	<u>\$ 131,432</u>	<u>\$ 836,228</u>

See accompanying notes

**REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors and Members of  
Silver Springs Mutual Water Co.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Silver Springs Mutual Water Co. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Silver Springs Mutual Water Co.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Silver Springs Mutual Water Co.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Silver Springs Mutual Water Co.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kohn & Company*

Reno, Nevada  
March 6, 2018