

**BOSTWICK PARK WATER
CONSERVANCY DISTRICT**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2016 and 2015



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INDEPENDENT AUDITOR'S REPORT

DONALD R. MORELAND & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bostwick Park Water Conservancy District
Montrose, Colorado 81401

We have audited the accompanying financial statements of Bostwick Park Water Conservancy District, as of and for the years ended December 31, 2016 and 2015, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 consolidated 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 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 Bostwick Park Water Conservancy District as of December 31, 2016 and 2015, and respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Bostwick Park Water Conservancy District
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Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bostwick Park Water Conservancy District's financial statements as a whole. The supplementary information - revenues and expenditures - budget and actual is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information - revenues and expenditures - budget and actual is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Donald R. Moreland & Associates, P.C.

Montrose, Colorado
May 8, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Bostwick Park Water Conservancy District, we offer readers of the Bostwick Park Water Conservancy District's financial statements this narrative overview and analysis of the financial activities of the Bostwick Park Water Conservancy District for the fiscal years ended December 31, 2016 and 2015.

Financial Highlights

- The assets of the Bostwick Park Water Conservancy District (also referred to as the District) exceeded its liabilities at December 31, 2016 and 2015 by \$3,080,734 and \$3,166,966, respectively (net position). Of this amount, \$752,180 and \$1,274,141, respectively (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased (decreased) by \$(86,232) and \$290,521 for the years ended December 31, 2016 and 2015, respectively.
- District revenues and expenses remained relatively consistent with prior years, with the exception of increased reimbursement revenue, increased personnel costs, repairs and maintenance and depreciation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Bostwick Park Water Conservancy District's basic financial statements. The Bostwick Park Water Conservancy District's basic financial statements are presented as a special purpose government engaged only in business type activities - providing irrigation water and managing the Silverjack Reservoir.

The *statement of net position* presents information on all of the Bostwick Park Water Conservancy District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Bostwick Park Water Conservancy District is improving or deteriorating.

The *statement of revenues, expenses and changes in fund net position* presents information showing how the District's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* report the District's cash flows from operating, noncapital financing, capital and related financing and investing activities. Also presented are beginning and end of year cash and cash equivalents.

The basic financial statements can be found on pages 7 through 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 through 17 of the report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the Bostwick Park Water Conservancy District's budgetary comparisons for revenues and expenditures. Supplementary information can be found on page 18 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the Bostwick Park Water Conservancy District, assets exceeded liabilities by \$3,080,734 and \$3,166,966, respectively, at December 31, 2016 and 2015.

Approximately 72 percent of the District's net position at December 31, 2016 reflects its investment in capital assets (e.g., land, buildings, equipment, project works, canals, reservoirs and water rights), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to agricultural water users and citizens; consequently, these assets are not available for future spending.

Bostwick Park Water Conservancy District Net Position

	<u>2016</u>	<u>2015</u>
Current assets	\$ 980,856	1,510,415
Restricted assets	100,000	100,000
Capital assets	<u>2,459,081</u>	<u>2,046,732</u>
Total assets	<u>3,539,937</u>	<u>3,657,147</u>
Current liabilities	40,698	54,025
Long-term debt	<u>207,147</u>	<u>230,527</u>
Total liabilities	<u>247,845</u>	<u>284,552</u>
Deferred inflows of resources	<u>211,358</u>	<u>205,629</u>
Total deferred inflows of resources	<u>211,358</u>	<u>205,629</u>
Net position:		
Net investment in capital assets	2,228,554	1,792,825
Restricted	100,000	100,000
Unrestricted	<u>752,180</u>	<u>1,274,141</u>
Total net position	<u>\$3,080,734</u>	<u>3,166,966</u>

At the end of the current fiscal year, the Bostwick Park Water Conservancy District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

Under the GASB 34 reporting model the audit shows the District's net position increased (decreased) by \$(86,232,) and \$290,521, respectively, during the fiscal years ended December 31, 2016 and 2015.

Bostwick Park Water Conservancy District Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues:		
Operating revenue	\$ 125,615	48,424
Non-operating revenue	235,170	443,605
Total revenues	<u>360,785</u>	<u>492,029</u>
Expenses:		
Operating expenses:		
Administrative and general	290,411	102,682
Office building	12,522	10,887
Depreciation	139,981	83,905
Non-operating expenses	4,103	4,034
Total expenses	<u>447,017</u>	<u>201,508</u>
Change in net position	(86,232)	290,521
Net position - beginning of year	<u>3,166,966</u>	<u>2,876,445</u>
Net position - end of year	<u>\$3,080,734</u>	<u>3,166,966</u>

Total expenses have remained relatively consistent from 2015 to 2016, with the exception of increased office building expenses and depreciation. Non-operating revenue incurred a large decrease mainly due to the Basin States Program grant through the United States Bureau of Reclamation to improve the water distribution system as part of the Colorado River Salinity Reduction Program.

Budgetary highlights

Changes between actual revenues and budgeted amounts were primarily due to decreased revenue from federal grants and increased reimbursement revenue.

Changes between actual expenses and budgeted amounts were primarily due to decreased capital outlay and increased personnel costs and maintenance expense.

Capital Asset and Debt Administration

Capital assets. The Bostwick Park Water Conservancy District's investment in capital assets as of December 31, 2016 and 2015 amounted to \$2,459,081 and \$2,046,732, respectively, (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, project works, canals, reservoirs and water rights.

The major capital asset events during the years ended December 31, 2016 and 2015 was the following:

- Siphon Lateral improvements as part of the Colorado River Salinity Reduction Program, other canal and reservoir improvements, building construction and improvements and the purchase of equipment.

Bostwick Park Water Conservancy District Capital Assets
(net of depreciation)

	<u>2016</u>	<u>2015</u>
Water rights	\$ 19,494	19,494
Easement	100,000	100,000
Project works	318,946	343,628
Canals and reservoirs	1,448,673	1,277,632
Buildings	300,942	242,221
Equipment	<u>271,026</u>	<u>63,757</u>
Total capital assets	<u>\$2,459,081</u>	<u>2,046,732</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

Economic Factors and Next Year's Budgets and Rates

- The District has applied for grants through the Basin States Program operated by the United States Bureau of Reclamation for the replacement of portions of the delivery system and to install salinity control measures to reduce salinity in the Colorado River and its tributaries.
- The District will continue to assist the Cimarron Canal and Reservoir Company to improve and enlarge the water distribution system to alleviate possible drought related conditions.

Request for information

This financial report is designed to provide a general overview of the Bostwick Park Water Conservancy District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Bostwick Park Water Conservancy District, 400 South Third, Montrose, Colorado, 81401.

FINANCIAL STATEMENTS

BOSTWICK PARK WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 263,934	359,634
Certificates of deposits	413,587	905,129
Due from other governments	19,550	19,762
Receivables, property taxes	211,358	205,629
Receivables, water	2,689	4,236
Receivable, related party	60,337	
Accrued interest	93	9,343
Prepaid insurance	9,308	6,682
TOTAL CURRENT ASSETS	<u>980,856</u>	<u>1,510,415</u>
RESTRICTED ASSETS		
Certificates of deposit	100,000	100,000
PROPERTY AND EQUIPMENT		
Water rights	19,494	19,494
Easement	100,000	100,000
Project works	1,239,162	1,219,230
Canals and reservoirs	1,523,618	1,298,183
Buildings	445,537	372,328
Equipment	551,157	318,624
	<u>3,878,968</u>	<u>3,327,859</u>
Accumulated depreciation	(1,419,887)	(1,281,127)
PROPERTY AND EQUIPMENT - NET	<u>2,459,081</u>	<u>2,046,732</u>
TOTAL ASSETS	<u>3,539,937</u>	<u>3,657,147</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	15,318	9,948
Accounts payable, related party		20,245
Payroll taxes withheld and accrued	2,000	452
Long term debt due in one year	23,380	23,380
TOTAL CURRENT LIABILITIES	<u>40,698</u>	<u>54,025</u>
LONG-TERM DEBT - NET	207,147	230,527
TOTAL LIABILITIES	<u>247,845</u>	<u>284,552</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue, property taxes	211,358	205,629
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>211,358</u>	<u>205,629</u>
NET POSITION		
Net investment in capital assets	2,228,554	1,792,825
Restricted - operations and maintenance	100,000	100,000
Unrestricted	752,180	1,274,141
TOTAL NET POSITION \$	<u>3,080,734</u>	<u>3,166,966</u>

See Notes to Financial Statements.

BOSTWICK PARK WATER CONSERVANCY DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the years ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<u>OPERATING REVENUES</u>		
Water assessments	\$ 27,643	27,643
Property rent	21,780	20,044
Reimbursement	75,581	
Miscellaneous	611	737
TOTAL OPERATING REVENUES	<u>125,615</u>	<u>48,424</u>
<u>OPERATING EXPENSES</u>		
Salaries	59,271	21,575
Payroll taxes	4,712	1,651
Employee benefits	5,389	
Director reimbursement	25,953	26,244
Canal maintenance	81,378	
Equipment fuel and repairs	40,959	2,183
Repairs and maintenance	6,289	
Equipment rental	5,954	
Waste disposal	4,794	
Cost reimbursement		6,498
Licenses and fees	1,341	106
Postage	311	151
Office	2,072	2,958
Rent	200	1,810
Utilities	3,164	1,802
Communications	6,553	2,938
Website	499	865
Professional fees	20,596	21,500
Insurance and bonds	15,353	10,218
Advertising and public notices	996	79
Silverjack dam expenses	3,243	1,650
Miscellaneous	598	454
Travel	786	
Depreciation	132,891	77,972
Office building:		
Utilities	4,566	4,182
Janitorial	4,800	4,000
Repairs and maintenance	1,475	1,028
Supplies	672	696
Insurance	1,009	981
Depreciation	7,090	5,933
TOTAL OPERATING EXPENSES	<u>442,914</u>	<u>197,474</u>
OPERATING INCOME (LOSS)	<u>(317,299)</u>	<u>(149,050)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Property and specific ownership tax	229,356	225,816
Income from investments	5,814	6,861
Federal grant		210,928
Treasurer's fees	(4,103)	(4,034)
NET NON-OPERATING REVENUES (EXPENSES)	<u>231,067</u>	<u>439,571</u>
CHANGE IN NET POSITION	(86,232)	290,521
NET POSITION		
BEGINNING OF YEAR	<u>3,166,966</u>	<u>2,876,445</u>
END OF YEAR	<u>\$ 3,080,734</u>	<u>3,166,966</u>

See Notes to Financial Statements.

HOSTWICK PARK WATER CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from users	\$ 45,139	30,471
Payments to suppliers	(229,164)	(82,248)
Payments to employees	(67,824)	(23,290)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(251,849)</u>	<u>(75,067)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Property and specific ownership tax - net	<u>225,253</u>	<u>221,782</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Purchase and construction of property and equipment	(552,330)	(1,001,773)
Payment of long-term debt	(23,380)	(23,380)
Proceeds from grants		693,335
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(575,710)</u>	<u>(331,818)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Certificate of deposit purchase	(513,587)	(1,005,129)
Certificate of deposit redemption	1,005,129	1,212,448
Interest received on certificates of deposit and demand accounts	<u>15,064</u>	<u>4,668</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>506,606</u>	<u>211,987</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(95,700)	26,884
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>359,634</u>	<u>332,750</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 263,934</u>	<u>359,634</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ (317,299)	(149,050)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	139,981	83,905
Federal grant		(482,407)
Changes in assets and liabilities:		
Decrease (increase) due from other governments	212	464,889
Decrease (increase) in water receivable	1,547	1,378
Decrease (increase) in receivable, other		5,000
Decrease (increase) in receivable, related party	(60,337)	
Decrease (increase) in prepaid insurance	(2,626)	(799)
Increase (decrease) in accounts payable	5,370	6,367
Increase (decrease) in account payable, related party	(20,245)	(4,286)
Increase (decrease) in payroll taxes withheld and accrued	<u>1,548</u>	<u>(64)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES \$	<u>(251,849)</u>	<u>(75,067)</u>
<u>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Fixed asset additions in accounts payable at end of year	\$ 7,427	2,681

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

BOSTWICK PARK WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The Bostwick Park Water Conservancy District is incorporated as a conservancy district under the laws of the State of Colorado with a judicially appointed board of six directors. The District provides irrigation water and manages the Silverjack Reservoir. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the District consist only of the enterprise fund of the District, a stand-alone government. Based on criteria set forth by GASB, there are no component units for which the District is financially accountable. The more significant of the District's accounting policies are described below.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 unrestricted resources as they are needed.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Proprietary Fund Financial Statements. The proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place.

BOSTWICK PARK WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2016 and 20145

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET ASSETS

Cash and cash equivalents. The District considers all cash on hand, demand deposits and short-term highly liquid investments with an original maturity of three months or less to be cash equivalents

Receivables. The District considers all accounts receivable collectible and, accordingly, provides no allowance for doubtful accounts.

Restricted assets. These assets consist of certificates of deposit restricted as to use by covenants of the government contract payable.

Property taxes receivable. Property taxes are levied on December 22 and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a receivable at December 31, net of an estimated uncollectible portion.

Capital assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Capital assets acquired from the United States under the contract dated March 18, 1966, are stated at the contract cost amounts. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation is calculated using the straight-line method over the estimated useful lives. Capital assets acquired by capital lease are depreciated over the estimated useful lives and are included in depreciation expense. The estimated useful lives are as follows:

Project works	10 - 53 years
Canals	25 years
Buildings	20 - 25 years
Equipment	5 - 10 years

The cost of water rights include acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Long-term debt. The District has recorded the full original amount of the \$206,160 and \$24,367 contracts payable to the United States, described in Note 6, without recognition of imputed interest.

Reclassifications. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

BOSTWICK PARK WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2016 and 2015

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budget.

- a. The District's treasurer submits a proposed operating budget to the Board and a public hearing is held prior to December for the following calendar year. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to January 1, the budget is enacted by passage of a resolution. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that grants are budgeted as revenues, principal payments, and capital outlays are budgeted as expenditures, and no provision is made for depreciation. Budgeted expenditures are appropriated in total for the District and the level of control is in total.
- c. The Board of Directors may authorize supplemental appropriations during the year. During 2016 and 2015, no supplemental appropriations were adopted.
- d. Appropriations lapse at the end of the year.

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by the banking institution. 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 at least equal the aggregate uninsured deposits.

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2016 and 2015 none of the District's bank balances of \$784,636 and \$1,390,709, respectively, were exposed to custodial credit risk as \$513,272 and \$557,682, respectively, were insured and \$271,364 and \$833,027, respectively, were collateralized by securities pledged by the financial institution.

BOSTWICK PARK WATER CONSERVANCY DISTRICT
 NOTES TO FINANCIAL STATEMENTS (continued)
 December 31, 2016 and 2015

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

At December 31, 2016 and 2015 the carrying amount of the District's deposits were presented on the balance sheet as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 263,934	359,634
Certificates of deposit	413,587	905,129
Restricted Assets -		
Certificates of deposit	<u>100,000</u>	<u>100,000</u>
	<u>\$ 777,521</u>	<u>1,364,763</u>

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts.

The District had no investments during the years ended December 31, 2016 and 2015.

3 - RESERVE FUND FOR OPERATIONS AND MAINTENANCE

Pursuant to the contract between the United States of America and Bostwick Park Water Conservancy District for Advancement and Subsequent Repayment of Funds Expended for Emergency Work dated September 27, 1984, the District is required to accumulate a reserve fund of \$45,000 for extraordinary operation and maintenance as defined in the agreement. In 2001 the reserve fund was increased to \$100,000. Expenditures from the fund must have the prior review and approval of the Bureau of Reclamation. The District was in compliance with the contract at December 31, 2016 and 2015.

BOSTWICK PARK WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2016 and 2015

4 - **CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2016 and 2015, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
2016				
Capital assets not being depreciated:				
Water rights	\$ 19,494			19,494
Easement	100,000			100,000
Total capital assets not being depreciated	<u>\$ 119,494</u>			<u>119,494</u>
Capital assets being depreciated:				
Project works	1,219,230	19,932		1,239,162
Canals and reservoirs	1,298,183	225,435		1,523,618
Buildings	372,328	74,430	1,221	445,537
Equipment	318,624	232,533		551,157
Total capital assets being depreciated	<u>3,208,365</u>	<u>552,330</u>	<u>1,221</u>	<u>3,759,474</u>
Less accumulated depreciation for:				
Project works	875,602	44,614		920,216
Canals and reservoirs	20,551	54,394		74,945
Buildings	130,107	15,709	1,221	144,595
Equipment	254,867	25,264		280,131
Total accumulated depreciation	<u>1,281,127</u>	<u>139,981</u>	<u>1,221</u>	<u>1,419,887</u>
Total capital assets, net	<u>\$2,046,732</u>	<u>412,349</u>		<u>2,459,081</u>
2015				
Capital assets not being depreciated:				
Water rights	\$ 19,494			19,494
Easement	100,000			100,000
Total capital assets not being depreciated	<u>\$ 119,494</u>			<u>119,494</u>
Capital assets being depreciated:				
Project works	1,215,467	3,763		1,219,230
Canals and reservoirs	715,365	582,818		1,298,183
Buildings	153,075	219,253		372,328
Equipment	311,637	6,987		318,624
Total capital assets being depreciated	<u>2,395,544</u>	<u>812,821</u>		<u>3,208,365</u>
Less accumulated depreciation for:				
Project works	831,419	44,183		875,602
Canals	7,494	13,057		20,551
Buildings	117,958	12,149		130,107
Equipment	240,351	14,516		254,867
Total accumulated depreciation	<u>1,197,222</u>	<u>83,905</u>		<u>1,281,127</u>
Total capital assets, net	<u>\$1,317,816</u>	<u>728,916</u>		<u>2,046,732</u>

BOSTWICK PARK WATER CONSERVANCY DISTRICT
 NOTES TO FINANCIAL STATEMENTS (continued)
 December 31, 2016 and 2015

5 - SHORT-TERM DEBT

The District had no short-term debt during the years ended December 31, 2016 and 2015.

6 - LONG-TERM DEBT

On March 18, 1966, the District entered into a contract with the United States providing for the construction, operation and maintenance of the Bostwick Park Project as a participating project under the Colorado River Storage Project Act. The total original amount of the contract of \$859,000 is to be paid in equal annual installments over a period of 50 years without interest, except a .50% per month charge on payments delinquent in excess of 30 days.

On September 27, 1984, the District entered into a contract with the United States providing for the advancement and subsequent repayment of funds expended for emergency work. The total original amount of the contract of \$222,767 is to be paid in equal annual installments of \$6,200 with the first installment due on December 31, 1985 and continuing each year thereafter without interest, except a late payment charge of not less than .50% per month on delinquent payments. Upon final repayment of this obligation, the \$6,200 annual payment will be applied to the contract dated March 18, 1966 or to an improved maintenance program approved by the United States.

The government contracts payable at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Contract payable in annual installments of \$17,180	\$206,160	233,040
Contract payable in annual installments of \$6,200	<u>24,367</u>	<u>30,567</u>
	230,527	253,907
Less amounts due in one year	<u>23,380</u>	<u>23,380</u>
	LONG-TERM DEBT - NET <u>\$207,147</u>	<u>230,527</u>

Long-term debt is payable as follows:

2017	\$ 23,380
2018	23,380
2019	23,380
2020	23,380
2021	23,380
2022 - 2025	113,627

BOSTWICK PARK WATER CONSERVANCY DISTRICT
 NOTES TO FINANCIAL STATEMENTS (continued)
 December 31, 2016 and 2015

6 - LONG-TERM DEBT (continued)

Long-term liability activity for the years ended December 31, 2016 and 2015 was as follows:

	BALANCE BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE END OF YEAR	DUE WITHIN ONE YEAR
2016					
1966 contract payable	\$223,340		17,180	206,160	17,180
1984 contract payable	<u>30,567</u>		<u>6,200</u>	<u>24,367</u>	<u>6,200</u>
	<u>\$253,907</u>		<u>23,380</u>	<u>230,527</u>	<u>23,380</u>
2015					
1966 contract payable	\$240,520		17,180	223,340	17,180
1984 contract payable	<u>36,767</u>		<u>6,200</u>	<u>30,567</u>	<u>6,200</u>
	<u>\$277,287</u>		<u>23,380</u>	<u>253,907</u>	<u>23,380</u>

7 - RELATED PARTY TRANSACTIONS

The Bostwick Park Water Conservancy District (District) has an agreement for the carriage and distribution of irrigation water with the Cimarron Canal and Reservoir Company (Company) dated March 18, 1966 whereby the cost of operation, maintenance, and repair of all Company and District project works is to be borne mutually in the ratio of 35 percent by the Company and 65 percent by the District. In years prior to 2013, the cost was borne mutually in the ratio of 65% by the Company and 35% by the District. The agreement was amended in 2013 to more accurately reflect the cost of operation.

In 2013, the District acquired an undivided co-interest in the Company ditch-easement rights in exchange for a \$50,000 reduction of the Company payable and a \$50,000 note payable in five equal annual installments of \$10,000 without interest. Future annual installments are as follows:

2017	\$10,000
2018	10,000

The District leases a residence and certain outbuildings to the Company under an operating lease. Annual lease payments are \$5,000 through 2024 with an option for an additional ten year term. Net buildings on operating leases totaled \$151,855 at December 31, 2016 and 2015. The buildings are depreciated on a straight-line basis over ten to twenty-five years. The accumulated depreciation on these buildings was \$129,218 and \$124,199 at December 31, 2016 and 2015, respectively. The corresponding annual depreciation expense was \$6,241 in 2016 and 2015.

BOSTWICK PARK WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2016 and 2015

7 - RELATED PARTY TRANSACTIONS (continued)

The District by assignment from the Company also leases real estate under a noncancellable operating lease. The lease is for a period of thirty years and expires January 1, 2024. Annual lease payments are \$200. Future minimum lease payments total \$1,600 at December 31, 2016 are scheduled as follows:

2017	\$200
2018	200
2019	200
2020	200
2021	200
2022 - 2024	600

At December 31, 2016 and 2015, the District had a net receivable (payable) to the Company in the amount of \$60,337 and \$(20,245), respectively.

The District will transfer title to the siphon at the Vernal Mesa Ditch Slide Point and the attendant easement to the Company on December 31, 2019.

8 - TAX, SPENDING AND DEBT LIMITATIONS

The Colorado Constitution, Article X, Section 20, has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Section is complex and subject to judicial interpretation. It is the opinion of management and the legal counsel that the District's water activity is an enterprise within the meaning of Article X, Section 20, and is not subject to the revenue limitations nor required to establish the emergency reserves, but is subject to the property tax limitations contained therein.

9 - RISK MANAGEMENT

The District is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Such exposure, except for the distribution system, is covered by purchase of commercial insurance, including worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10 - COMMITMENTS

The District has entered into contracts for the System Optimization Plan and the System Lateral Pipeline Project totaling \$65,000, at December 31, 2014. At December 31, 2016, \$42,065 of the contracts had been completed.

SUPPLEMENTARY INFORMATION
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

BOSTWICK PARK WATER CONSERVANCY DISTRICT

SUPPLEMENTARY INFORMATION - REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

For the years ended December 31, 2016 and 2015

	2016		
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
PROPRIETARY			
REVENUES			
Water assessments	\$ 27,643	27,643	-
Property rent	24,230	21,750	(2,450)
Reimbursement		75,551	75,551
Income from investments	5,000	5,814	814
Federal grants	3,095,000		(3,095,000)
Other revenue	300	611	311
TOTAL PROPRIETARY REVENUES	3,152,173	131,429	(3,020,744)
EXPENDITURES			
Salaries	22,000	59,271	(37,271)
Payroll taxes	1,683	4,712	(3,029)
Employee benefits		5,389	(5,389)
Director reimbursement	25,000	25,953	(953)
Contract services	5,000		5,000
Canal maintenance	20,000	61,378	(41,378)
Equipment fuel and repairs	21,000	40,959	(19,959)
Repairs and maintenance	2,000	6,289	(4,289)
Equipment rental		5,954	(5,954)
Waste disposal		4,794	(4,794)
Licenses and fees		1,341	(1,341)
Postage		311	(311)
Office	1,800	2,072	(272)
Rent	200	200	-
Utilities	2,750	3,154	(414)
Communications	2,750	6,553	(3,803)
Website		495	(495)
Professional fees	17,000	20,596	(3,596)
Insurance and bonds	12,000	15,353	(3,353)
Advertising and public notices	100	996	(896)
Travel	300	796	(496)
Office building expenses	20,000	12,522	7,478
Capital outlay	3,095,000	552,330	2,542,670
Miscellaneous	2,000	598	1,402
TOTAL PROPRIETARY EXPENDITURES	3,250,783	852,020	2,398,763
EXCESS OF PROPRIETARY REVENUES OVER (UNDER) EXPENDITURES	(98,610)	(720,591)	(621,981)
GOVERNMENT			
REVENUES			
Property and specific ownership taxes	229,629	229,356	(273)
EXPENDITURES			
Silverjack dam expenses	15,000	3,243	11,757
Treasurer's fees	6,500	4,103	2,397
Debt retirement	23,380	23,360	-
Contingency	100,000		100,000
TOTAL GOVERNMENT EXPENDITURES	144,880	30,726	114,154
EXCESS OF GOVERNMENT REVENUES OVER GOVERNMENT EXPENDITURES	84,749	198,630	113,881
TOTAL DISTRICT REVENUES	3,381,802	360,785	(3,021,017)
TOTAL DISTRICT EXPENDITURES	3,395,663	882,746	2,512,917
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES \$	(13,861)	(521,961)	(508,100)
RECONCILIATION OF EXCESS OF REVENUES OVER (UNDER) EXPENDITURES TO CHANGE IN FUND NET POSITION:			
Depreciation		(139,981)	
Capital outlay		552,330	
Debt retirement		23,380	
		(66,231)	

2015		
ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
27,643	27,643	-
24,230	20,044	(4,186)
6,918	6,861	(57)
3,708,033	210,928	(3,497,105)
300	737	437
<u>3,767,124</u>	<u>266,213</u>	<u>(3,500,911)</u>
15,000	21,575	(6,575)
1,148	1,651	(503)
24,000	26,244	(2,244)
5,000		5,000
20,000	6,498	13,502
21,000	2,183	18,817
	106	(106)
	151	(151)
1,700	2,958	(1,258)
8,600	1,810	6,790
2,750	1,802	948
2,750	2,938	(188)
	865	(865)
17,000	21,500	(4,500)
12,000	10,218	1,782
100	79	21
500		500
17,000	10,887	6,113
3,908,033	1,001,773	2,906,260
2,000	454	1,546
<u>4,058,561</u>	<u>1,113,692</u>	<u>2,944,869</u>
<u>(291,457)</u>	<u>(847,479)</u>	<u>(556,022)</u>
<u>220,629</u>	<u>225,816</u>	<u>5,187</u>
15,000	1,650	13,350
6,500	4,034	2,466
23,380	23,380	
100,000		
<u>144,880</u>	<u>29,064</u>	<u>115,816</u>
<u>75,749</u>	<u>196,752</u>	<u>121,003</u>
3,987,753	492,029	(3,495,724)
<u>4,203,461</u>	<u>1,142,756</u>	<u>3,060,705</u>
<u>(215,708)</u>	<u>(650,727)</u>	<u>(435,019)</u>
	(83,905)	
	1,001,773	
	23,380	
	<u>290,521</u>	