

**CENTER OF COLORADO WATER  
CONSERVANCY DISTRICT**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

Year Ended December 31, 2016



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*By the Office of the State Auditor at 7:35 am, Oct 02, 2017*

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
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**DECEMBER 31, 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Center of Colorado Water Conservancy District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Center of Colorado Water Conservancy District, as of and for the year ended December 31, 2016, 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.

### *Auditors' Responsibility*

Our responsibility is to express opinions 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 those 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 opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Center of Colorado Water Conservancy District, as of December 31, 2016, and the respective changes in

financial position 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 and required supplementary information as listed in the table of contents 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 opinions on the financial statements that collectively comprise Center of Colorado Water Conservancy District's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary 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.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
September 26, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## CENTER OF COLORADO WATER CONSERVANCY DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2016

As management of Center of Colorado Water Conservancy District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

#### Financial Highlights

- The District's *net position* has increased in 2016 by 2.70%, increasing \$172,785 from \$6,405,147 to \$6,577,932.
- Unrestricted net position decreased \$(103,878) or -9.95% from \$1,044,496 to \$940,618 at the end of 2016. The unrestricted component is used to finance subsequent year's operations.
- Total Assets decreased -2.34% from \$7,137,085 to \$6,970,101 at year end 2016.
- Total Liabilities decreased -96.37% from \$357,330 to \$12,980 at year end 2016 as the long term liabilities were decreased by \$(330,977).
- Total revenue decreased in 2016 by \$(6,907).
- General government total revenues decreased \$(31,913) compared to 2015; Property taxes, specific ownership taxes and interest increased in 2016 in the cumulative amount of \$11,495 or 2.77%. However, other income decreased by \$(43,408) as a result of a favorable litigation settlement received in 2015.
- Program expenses increased \$50,790; Administration expenses increased by \$57,383, but interest expense decreased by \$(14,763) and water conservation expenses increased by \$8,170.
- Change in *Net Position* (our profitability) was \$172,785, an increase from 2015.
- Our governmental fund balance reported a decrease in fund balance in the amount of \$(158,735).

While differing in their focus and measurement methods, these financial presentations reflect our commitment to conserving and defending the water resources of Park County.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## CENTER OF COLORADO WATER CONSERVANCY DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2016

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, liabilities and deferred inflows of resources, with the difference 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 District is improving or deteriorating. However, you should consider other "nonfinancial" factors in assessing the impact of the changes in net position on the District's financial health, i.e., changes in the assessed valuations for the District and the condition of its water rights, related storage facilities and equipment.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. 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.

Both of the government-wide financial statements identify functions of the District that are principally to be supported by taxes (governmental activities). The governmental activities of the District include providing administrative services from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 1-2 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental fund.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District has only one type of fund—a governmental fund which is titled "General Fund" and which accounts for all of the District's activities. The District's governmental fund-general fund financial information is presented separately on pages 3-6 of this report as the governmental fund balance sheet-General Fund and in the governmental fund statement of revenues, expenditures, and changes in fund balance-General Fund.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for this fund in the basic financial statements to demonstrate compliance with the budget.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended December 31, 2016**

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7-16 of this report.

**Supplemental information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information. The supplemental information is located after the basic financial statements on page 18 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities and deferred inflows of resources by \$6,577,932 at the close of the most recent fiscal year.

	<b>Net Position</b>			
	2016	2015	Dollar Change	Percentage Change
<b>Assets:</b>				
Current and Other Assets	\$ 1,347,025	\$ 1,506,980	\$ (159,955)	-10.61%
Capital Assets	5,623,076	5,630,105	(7,029)	-0.12%
<b>Total Assets</b>	<b>6,970,101</b>	<b>7,137,085</b>	<b>(166,984)</b>	<b>-2.34%</b>
<b>Liabilities:</b>				
Current and Other Liabilities	12,980	26,353	(13,373)	-50.75%
Long-term Liabilities	-	330,977	(330,977)	-100.00%
<b>Total Liabilities</b>	<b>12,980</b>	<b>357,330</b>	<b>(344,350)</b>	<b>-96.37%</b>
<b>Deferred Inflows of Resources</b>	<b>379,189</b>	<b>374,608</b>	<b>4,581</b>	<b>1.22%</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	5,623,076	5,299,128	323,948	6.11%
Restricted for -				
Emergency Reserves (TABOR)	14,238	14,350	(112)	-0.78%
Debt Service	-	47,173	(47,173)	-100.00%
Unrestricted	940,618	1,044,496	(103,878)	-9.95%
<b>Total Net Position</b>	<b>\$ 6,577,932</b>	<b>\$ 6,405,147</b>	<b>\$ 172,785</b>	<b>2.70%</b>

The decrease in current and other assets is primarily due to the decrease in cash and cash equivalents for future operations and payment for debt service.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016**

	Changes in Net Position			
	2016	2015	Dollar Change	Percentage Change
<b>Program Revenues:</b>				
Charges for services	\$ 35,006	\$ 10,000	\$ 25,006	250.06%
General Government:				
Property Taxes	373,790	367,657	6,133	1.67%
Specific Ownership Taxes	45,668	44,161	1,507	3.41%
Interest Earnings	7,610	3,755	3,855	102.66%
Other Income	-	43,408	(43,408)	-100.00%
Sub-Total	427,068	458,981	(31,913)	-6.95%
<b>Total Revenues</b>	<b>462,074</b>	<b>468,981</b>	<b>(6,907)</b>	<b>-1.47%</b>
<b>Expenses:</b>				
General Government	219,246	161,863	57,383	35.45%
Water Conservation	69,340	61,170	8,170	13.36%
Interest	703	15,466	(14,763)	-95.45%
<b>Total Expenses</b>	<b>289,289</b>	<b>238,499</b>	<b>50,790</b>	<b>21.30%</b>
<b>Increase (Decrease) in</b>				
Net Position	172,785	230,482	(57,697)	-25.03%
Net Position- Beginning	6,405,147	6,174,665	230,482	3.73%
Net Position- Ending	\$ 6,577,932	\$ 6,405,147	\$ 172,785	2.70%

The District's total revenue in 2016 decreased \$(6,907) from the prior year. The decrease in revenue from the prior year was due to a decrease in litigation settlement revenues.

**Financial Analysis of the Governmental Fund**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended December 31, 2016**

The General Fund is the sole operating fund of the District. As of the end of the current fiscal year, the District's General Fund reported ending fund balances of \$954,856; \$940,618 constitutes unassigned fund balances, which are available for spending at the government's discretion within the parameters established and restricted balances constitute the remainder. Restricted balance is composed of \$14,238 restricted for TABOR.

**Budgetary Highlights**

The District's total General Fund expenditures for 2016 did not exceed appropriations. Actual expenditures were less than the final budget by \$117,065 which is primarily attributable to decreased capital outlay expenditures.

**Capital Assets**

The District had \$5,623,076 in capital assets (net of accumulated depreciation) as of December 31, 2016. These capital assets include storage facilities, water shares/rights, site improvements and equipment, as summarized below:

	Balance <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2016</u>
<b>Capital assets not being depreciated:</b>				
Water Rights under development	\$3,075,490	\$ -	\$ -	\$3,075,490
Jointly Owned Water Shares/Rights	247,865	-	-	247,865
James R. Tingle Reservoir	613,375	-	-	613,375
Smelter Pipeline Reservoir	430,130	-	-	430,130
Storage Facilities under development	1,000,629	-	-	1,000,629
Total capital assets not being depreciated	<u>5,367,489</u>	-	-	<u>5,367,489</u>
<b>Capital assets being depreciated:</b>				
Site Improvements	279,215	-	-	279,215
Administrative Equipment	523	-	-	523
Leasehold Improvements	4,888	-	-	4,888
Total capital assets being depreciated	284,626	-	-	284,626
Less accumulated depreciation	<u>(22,010)</u>	<u>(7,029)</u>	-	<u>(29,039)</u>
Capital assets being depreciated, net	<u>262,616</u>	<u>(7,029)</u>	-	<u>255,587</u>
Capital assets, net	<u>\$5,630,105</u>	<u>\$ (7,029)</u>	<u>\$ -</u>	<u>\$5,623,076</u>

## CENTER OF COLORADO WATER CONSERVANCY DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2016

#### **Debt**

For the current year ended, the District's outstanding long-term debt is in the amount of \$0. The note was paid in full on February 1, 2016.

#### **Next Year's Budgets and Rates**

The Park County Assessor has reported 2017 budget year assessed values have increased to \$379,188,801. Property tax revenues are expected to be \$379,189. There is no increase in the District's mill levy for 2017, nor do we have any intentions of seeking approval for a mill levy increase.

We considered the small increase in assessed valuation, together with the anticipated costs of continuing to develop storage facilities and the reduction in debt when we adopted our original 2017 budget;

- General Fund revenues are expected to increase to a projected \$463,307.
- General Fund expenses excluding expenditure for capital outlays and debt are projected at \$255,676, which is an \$25,882 decrease from the current 2016 year expenditures (excluding expenditures for capital outlays and debt). We expect to incur slightly lower general government expenses in 2017.

As a result of projected 2017 revenues exceeding expenditures, we expect that our General Fund Balance will increase by \$153,131 for 2017.

#### **Requests for Information**

This financial report is designed to provide a general overview of Center of Colorado Water Conservancy District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Center of Colorado Water Conservancy District  
P.O. Box 1747  
Fairplay, CO 80440  
719-836-2120

## **BASIC FINANCIAL STATEMENTS**

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 964,309
Cash with County Treasurer	3,527
Property taxes receivable	379,189
Capital assets not being depreciated	5,367,489
Capital assets, net of depreciation	<u>255,587</u>
Total assets	<u>6,970,101</u>

**LIABILITIES**

Accounts payable	<u>12,980</u>
Total liabilities	<u>12,980</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred property tax revenue	<u>379,189</u>
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**NET POSITION**

Investment in capital assets	5,623,076
Restricted for emergency reserves (TABOR)	14,238
Unrestricted	<u>940,618</u>
Total net position	<u>\$ 6,577,932</u>

The accompanying notes are an integral part of these financial statements.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 219,246	\$ -	\$ -	\$ -	\$ (219,246)
Water conservation	69,340	35,006	-	-	(34,334)
Interest	703	-	-	-	(703)
<b>Total governmental activities</b>	<b><u>\$ 289,289</u></b>	<b><u>\$ 35,006</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>(254,283)</u></b>
General revenues:					
Property taxes					373,790
Specific ownership taxes					45,668
Investment earnings					<u>7,610</u>
Total general revenues					<u>427,068</u>
Change in net position					172,785
Net position - beginning					<u>6,405,147</u>
Net position - ending					<u><u>\$ 6,577,932</u></u>

The accompanying notes are an integral part of these financial statements.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND - GENERAL FUND  
DECEMBER 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 964,309
Cash with County Treasurer	3,527
Property taxes receivable	<u>379,189</u>
Total assets	<u><u>\$ 1,347,025</u></u>

**LIABILITIES**

Accounts payable	<u>\$ 12,980</u>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred property tax revenue	<u>379,189</u>
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**FUND BALANCE**

Restricted for emergency reserves (TABOR)	14,238
Unassigned	<u>940,618</u>
Total fund balance	<u>954,856</u>

Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 1,347,025</u></u>
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The accompanying notes are an integral part of these financial statements.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

Total fund balance - governmental funds	\$	954,856
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in governmental funds. However in the statement of net position, the cost of these assets are capitalized and the costs of those tangible assets with determinable lives are recovered through annual depreciation charges to program expenses.

Capital assets		5,652,115
Accumulated depreciation		<u>(29,039)</u>

Net position of governmental activities	\$	<u><u>6,577,932</u></u>
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The accompanying notes are an integral part of these financial statements.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**GOVERNMENTAL FUND - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>REVENUES</b>	
Property taxes	\$ 373,790
Specific ownership taxes	45,668
Net water lease revenues	35,006
Interest	7,610
	<hr/>
Total revenues	462,074
	<hr/>
<b>EXPENDITURES</b>	
Current:	
General government	218,833
Water conservation	62,725
Debt service:	
Principal	330,977
Interest	8,274
	<hr/>
Total expenditures	620,809
	<hr/>
Net change in fund balance	(158,735)
Fund balance - beginning	1,113,591
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Fund balance - ending	\$ 954,856
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The accompanying notes are an integral part of these financial statements.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Total change in fund balance - governmental funds	\$	(158,735)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation		(7,029)
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The issuance of long-term debt (e.g. promissory notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

		330,977
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Interest is recognized as an expenditure in the funds when it is due; however, in the statement of activities interest expense is recognized as it accrues, regardless of when it is due. This amount represents the change to interest reported in the statement of activities.

		<u>7,572</u>
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Change in net position of governmental activities		
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	\$	<u><u>172,785</u></u>
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The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Center of Colorado Water Conservancy District (the “District”) is a municipal Corporation formed under Colorado Statutes on November 20, 1997 for the purpose of conserving and defending the water resources of Park County and to exercise any and all powers allowed by the Colorado Water Conservancy Act. The District does not provide treated water or process sewage.

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles as applied to local governments and promulgated by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB), as applicable. A summary of the significant accounting policies used in the preparation of these financial statements follows.

*A. REPORTING ENTITY*

The District is considered a “special-purpose” government that is engaged in providing single program services, i.e. water conservation activities. The District operates under the control of an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The District has no component units for which either discrete or blended presentation is required.

*B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

*C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS*

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following governmental fund:

The *General Fund* is the government’s primary operating fund. It accounts for all financial resources of the general government.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, specific ownership taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE*

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

*Receivables*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Capital Assets*

Capital assets, which include water rights, storage facilities, equipment, and improvements, are reported in the governmental activities in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an economic useful life equal to or greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Water rights and water storage facilities are not depreciated. Equipment and improvements are depreciated using the straight line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Equipment	7
Improvements	5 - 50

*Long-term Liabilities*

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Deferred outflows/inflows of resources (continued)*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

*Net position flow assumption*

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

*Fund balance classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

Assigned – This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

*F. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

*Program revenues* include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as *general revenues*.

*Property taxes*

Property taxes attach as an enforceable lien on real property and are levied as of January 1. The tax levy is payable in two installments due February 28 and June 15, or in one installment due April 30. The county treasurer bills and collects the District’s property tax. District property tax revenues are recognized when levied. The tax rate for the year ended December 31, 2016 was 1.000 mills. The District’s assessed valuation for 2016 was \$374,608,365.

*G. ESTIMATES*

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

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In the fall, the District submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the District to obtain taxpayer comments.
3. Prior to December 15, the budget is legally enacted through passage of a resolution.
4. Any revisions that alter the budget must be approved by the Board by passage of a resolution.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or amended by the Board.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

*Cash deposits with financial institutions*

*Custodial credit risk—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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 to 102% of the uninsured deposits.

At December 31, 2016, the carrying amount of the District's deposits was \$116,003 and the bank balances were \$117,018. All of the bank balances were covered by FDIC insurance.

*Investments*

The District is authorized by Colorado State Statutes to invest in the following:

- Bonds and other interest-bearing obligations of the United States government.
- Bonds and other interest-bearing obligations which are guaranteed by the United States government.
- Bonds which are a direct obligation of the State of Colorado or of any city, county, or school district therein.
- Notes or bonds issued pursuant to the "National Housing Act".
- Repurchase agreements.
- Local government investment pools.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*Investments (continued)*

*Credit Risk.* State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of December 31, 2016 all of the District’s investments were rated AAAM by Standard & Poor’s.

*Interest Rate Risk.* State law limits investments with a maximum maturity date of no more than five years from the date of purchase. The District does not have an investment policy that would further limit its investment choices.

At December 31, 2016 the District’s investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
COLOTRUST	Less than 60 days	\$ <u>848,306</u>

COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments and COLOTRUST because they are not evidenced by securities that exist in physical or book entry form.

Reconciliation of total deposits and investments to the government-wide financial statements at December 31, 2016:

	<u>Unrestricted</u>
Governmental Activities	
Deposits	\$ 116,003
Investments	<u>848,306</u>
Total	<u>\$ 964,309</u>

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Water rights under development	\$ 3,075,490	\$ -	\$ -	\$ 3,075,490
Jointly owned water shares/rights	247,865	-	-	247,865
James R. Tingle reservoir	613,375	-	-	613,375
Smelter pipeline reservoir	430,130	-	-	430,130
Storage facilities under development	<u>1,000,629</u>	<u>-</u>	<u>-</u>	<u>1,000,629</u>
Total capital assets not being depreciated	<u>5,367,489</u>	<u>-</u>	<u>-</u>	<u>5,367,489</u>
Capital assets being depreciated:				
Site improvements	279,215	-	-	279,215
Administrative equipment	523	-	-	523
Leasehold improvements	<u>4,888</u>	<u>-</u>	<u>-</u>	<u>4,888</u>
Total capital assets being depreciated	284,626	-	-	284,626
Less accumulated depreciation	<u>(22,010)</u>	<u>(7,029)</u>	<u>-</u>	<u>(29,039)</u>
Capital assets being depreciated, net	<u>262,616</u>	<u>(7,029)</u>	<u>-</u>	<u>255,587</u>
Capital assets, net	<u>\$ 5,630,105</u>	<u>\$ (7,029)</u>	<u>\$ -</u>	<u>\$ 5,623,076</u>

Water Rights Developed and Leased:

Under terms of the lease with Centennial Water & Sanitation District (CW&SD), the District has granted a 50 year water lease with an option for an additional 50 years, for leasing 500 a/f of water per annum. The annual water lease revenue is \$10,000 plus any adjustment every five years resulting from changes in the consumer price index (CPI).

Depreciation expense was charged to functions/programs as follows:

General government	\$ 413
Water conservation	<u>6,616</u>
Total	<u>\$ 7,029</u>

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 5 – LONG-TERM LIABILITIES**

*Colorado Water Conservation Board Note 2*

On November 1, 2012, the District obtained financing for the Smelter Pipeline Reservoir in the amount of \$404,000. The promissory note bears annual interest at the rate of 2.5% and requires ten annual installments of \$46,161 beginning February 1, 2013. The note was paid in full on February 1, 2016.

*Changes in long-term liabilities*

Changes in the District’s long-term liabilities for the year ended December 31, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
CO Water Cons. Board Note 2	\$ <u>330,977</u>	\$ <u>-</u>	\$ <u>(330,977)</u>	\$ <u>-</u>	\$ <u>-</u>

**NOTE 6 – RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker’s compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during any of the last three fiscal years.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

CCWCD’s share of the Chatfield project is \$863,000. A loan in the amount of \$600,000 at 2.5% for 15 years has been approved for the project. The water provider agreement is between CCWCD and the State. All eleven participants will be signing this agreement. Escrow will be between CCWCD and US Bank. Each participant will have a separate agreement with US Bank. CRMS (Chatfield Reservoir Mitigation Service) will govern the Articles of Incorporation and by-laws. Closing is anticipated in 2017.

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 - AMENDMENT TO COLORADO CONSTITUTION**

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On January 1, 1998 District voters elected to exempt the District from the revenue limits of the Amendment.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

**NOTE 9 – SUBSEQUENT EVENT**

In 2017 the District, in a joint measure with the Upper South Platte Water Conservancy District, purchased land in Guffey in the amount of \$ 124,579 to be used as a transport/disbursement site for water for the Augmentation 2 plan. The District's share of the purchase is \$62,289.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**GENERAL FUND**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 374,608	\$ 374,608	\$ 373,790	\$ (818)
Specific ownership taxes	40,901	40,901	45,668	4,767
Water sales and lease	10,000	10,000	35,006	25,006
Interest	2,415	2,415	7,610	5,195
Loan Proceeds	150,000	150,000	-	(150,000)
Total revenues	577,924	577,924	462,074	(115,850)
<b>EXPENDITURES</b>				
Current:				
General government	279,838	279,838	218,833	61,005
Water conservation	8,785	8,785	62,725	(53,940)
Debt Service:				
Principal	330,977	330,977	330,977	-
Interest	8,274	8,274	8,274	-
Capital outlay	110,000	110,000	-	110,000
Total expenditures	737,874	737,874	620,809	117,065
Net change in fund balance	(159,950)	(159,950)	(158,735)	1,215
Fund balance - beginning	1,096,230	1,096,230	1,113,591	17,361
Fund balance - ending	\$ 936,280	\$ 936,280	\$ 954,856	\$ 18,576

The accompanying notes are an integral part of these financial statements.

## **SUPPLEMENTARY INFORMATION**

**CENTER OF COLORADO WATER CONSERVANCY DISTRICT  
SCHEDULE OF GENERAL GOVERNMENT EXPENDITURES  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Accounting and auditing fees	\$ 30,718
Advertising and printing	22
Director's fees	11,300
Education and training	709
Legal	143,714
Liability insurance	5,516
Mileage reimbursement - directors	2,468
Office rent and secretarial services	6,704
Other	107
Subscriptions and dues	2,189
Supplies and postage	868
Telephone	3,161
Treasurer's fees	11,257
Website and publications	100
	<hr/>
	\$ 218,833
	<hr/> <hr/>

See accompanying independent auditors' report