

**GROUND WATER MANAGEMENT  
SUBDISTRICT OF CENTRAL COLORADO  
WATER CONSERVANCY DISTRICT  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 7:59 am, Aug 01, 2017*

## TABLE OF C O N T E N T S

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-12
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet- Governmental Funds	15
Reconciliation of the Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
Statement of Net Position- Proprietary Fund	19
Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund	20
Statement of Cash Flows – Proprietary Fund	21
Notes to Financial Statements	22-42
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget to Actual) – General Fund	43
Schedule of the Subdistrict's Proportionate Share of the Net Pension Liability	44
Schedule of Subdistrict Contributions	45
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget to Actual) – Debt Service Fund	46
Schedule of Revenues, Expenditures and Changes in Net Position (Budget to Actual) – Water Enterprise Fund (Non-GAAP Basis)	47



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Ground Water Management Subdistrict of Central Colorado Water Conservancy District  
Greeley, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Ground Water Management Subdistrict of Central Colorado Water Conservancy District (the "Subdistrict"), a component unit of the Central 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 Subdistrict'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 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 auditors' 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.

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Subdistrict as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Correction of Error***

As described in Note 13 to the financial statements, the Subdistrict determined that certain amounts paid during the year ended December 31, 2015, benefited fiscal year 2016 and should have been recorded as prepaid expenses. As a result, net assets for the Business-type Activities and Ground Water Management Subdistrict of Central Colorado Water Conservancy District Water (GMS) Enterprise Fund net position was increased \$247,782 for the year ending December 31, 2016. Our opinion is not modified with respect to these matters.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the budgetary comparison information on page 43, the Schedule of the Subdistrict's Proportionate Share of the Net Pension Liability on page 44, and the Schedule of Subdistrict Contributions on page 45 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 the Subdistrict's basic financial statements. The individual budgetary schedules on pages 46 and 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual budgetary schedules are the responsibility of management and were derived from the relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

*Payette & Adams, LLC*

June 2, 2017  
Denver, Colorado

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

This section of the annual financial report offers readers of the Ground Water Management Subdistrict of Central Colorado Water Conservancy District (the "Subdistrict") financial statements, its discussion and analysis of the Subdistrict's financial performance during the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information furnished in the Subdistrict's financial statements, which immediately follow this section.

**Background Information**

On April 23, 1973, pursuant to the applicable provisions of the Water Conservancy Act of the State of Colorado, the District Court in and for Weld County, Colorado, approved the creation and establishment of a subdistrict of Central Colorado Water Conservancy District to be known as "Ground Water Management Subdistrict of Central Colorado Water Conservancy District". In addition to providing for the conservation of the water resources of the State of Colorado for the greatest beneficial use of water within this state, the Subdistrict has developed a plan of augmentation which will replace the depletion of the river caused by underground water users in the South Platte River Basin.

**Financial Highlights**

- The Subdistrict's financial status increased over the course of the 2016; total net position increased by 11%.
- General tax revenues of \$3,259,106 accounted for 65% of the income in the operating funds during 2016, 31% coming from member assessments, with the remaining 4% coming from other revenue sources.
- The Subdistrict had \$3,150,101 in expenses of which \$1,567,853 were offset by program specific charges for services. Property taxes and other revenues, combined with the previous year's carryover, were adequate to provide funding for these programs.
- Outlays for capital assets were primarily comprised of capital repairs to facilities from the 2013 flood, acquisition of water rights, construction of water projects, and equipment purchases. See the capital assets section of this management's discussion and analysis for more information.
- The Subdistrict's governmental activities decreased its outstanding long-term debt by \$562,234, as the result of making principal and interest payments on both the 2004 and 2005 Colorado Water Conservation Board ("CWCB") loans. The business-type activities increased its debt \$1,016,000 for water purchases.

**Overview of the Financial Statements**

This annual financial report consists of three parts: management's discussion and analysis, the basic financial statements, and required and other supplementary information. The basic financial statements include two kinds of statements that present different views of the Subdistrict.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Subdistrict's overall financial status.
- The remaining statements are fund financial statements, which focus on individual parts of the Subdistrict, reporting the Subdistrict's operations in more detail than the government-wide statements.
- The governmental fund statements tell how basic services were financed in the short-term, as well as what remains for future spending.

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required and other supplemental information that further explains and supports the financial statements with a comparison of the Subdistrict's budget for the year.

Detailed in the following diagram is how the various parts of this annual report are arranged and relate to one another.

**Table 1  
Organization of Ground Water Management Subdistrict of Central Colorado Water and Conservancy District's Annual Financial Report**

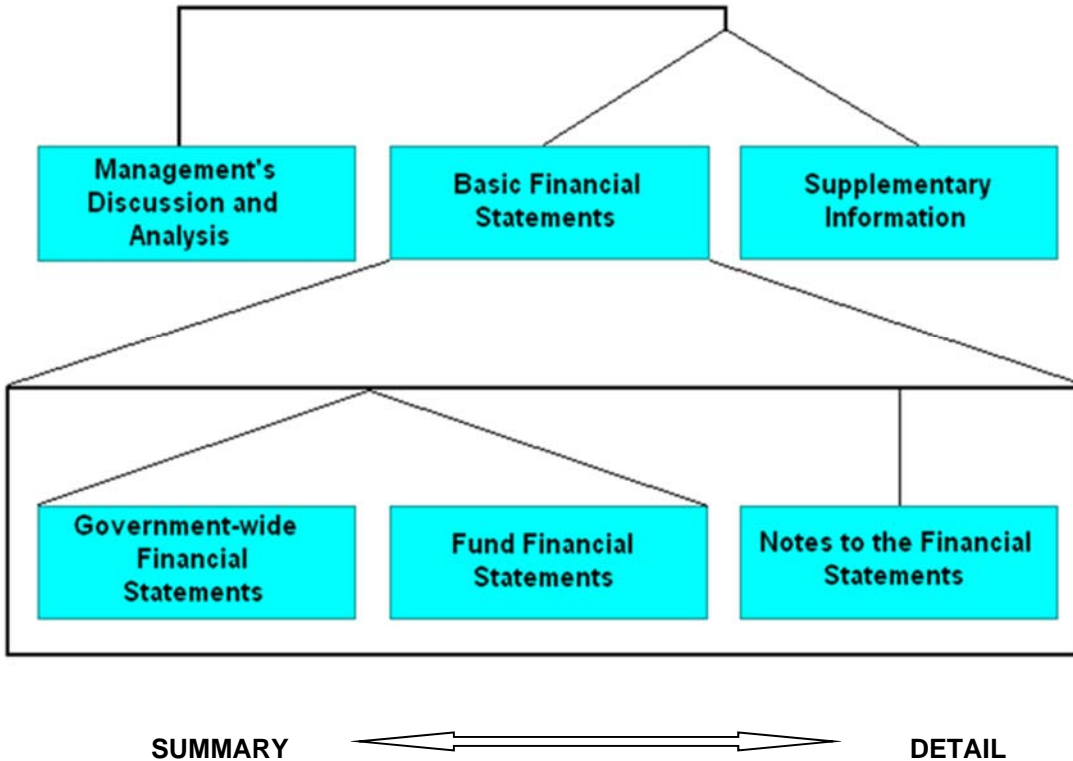


Table 2 displayed on the following page summarizes the major features of the Subdistrict's financial statements, including the portion of the Subdistrict's activities that they cover and the types of information they contain. The remainder of this overview of management's discussion highlights the structure and contents of both types of financial statements, government-wide and fund financial statements.

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

**Table 2  
Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Financial Statements	
		Governmental Fund	Proprietary Fund
Scope	Entire Subdistrict (except fiduciary funds)	The activities of the Subdistrict that are not proprietary or fiduciary	Activities the Subdistrict operates similar to private businesses: Water Enterprise Fund
Required Financial Statements	Statement of Net Position  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position  Statement of Revenues, Expenses and Change in Net Position  Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide Statements**

The government-wide statements are designed to provide readers a broad overview of the Subdistrict's finances, in a manner similar to a private-sector business. These statements provide both short-term and long-term information about the Subdistrict's overall financial status. The statement of net position includes all of the Subdistrict's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

The statement of net position presents information on all of the Subdistrict's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these categories 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 Subdistrict is improving or deteriorating. To assess the Subdistrict's overall health, you need to consider additional non-financial factors such as the condition of water projects, buildings, and equipment.

The statement of activities presents information showing how the government'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 flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Subdistrict that are principally supported by taxes and intergovernmental revenues (governmental activities). Included in governmental activities are most of the Subdistrict's basic services.

The basic government-wide financial statements can be found on pages 13-14 of this report.

### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the Subdistrict's funds, focusing on its most significant or "major" funds, not the Subdistrict as a whole. Funds are accounting devices the Subdistrict uses to keep track of specific sources of funding and spending on particular programs.

- *Governmental funds:* The Subdistrict's basic services are included in governmental funds, which generally focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the Subdistrict's programs. Because this information does not encompass the long-term focus of the government-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

The Subdistrict maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general and debt service funds which are considered major funds. Also included in the required supplementary information section is budget to actual information for the general fund.

The basic governmental fund financial statement can be found on pages 15-18 of this report.

*Proprietary funds:* The Subdistrict maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Subdistrict uses enterprise funds to account for its water operations.

- Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for water operations, which is considered to be a major fund of the Subdistrict.

The basic proprietary fund financial statements can be found on pages 19-21 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42 of this report.

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

**Financial Analysis of the Subdistrict as a Whole**

**Net Position and Changes in Net Position**

The Subdistrict's combined net position was larger on December 31, 2016, than the year before, increasing 11% percent to \$19,705,699. Table 3 provides a summary of the Subdistrict's net position at December 31, 2016.

**Table 3  
Condensed Statement of Net Position**

	<b>2016</b>		<b>2015</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>RESTATED Totals</b>
<b>Assets</b>			
Current assets	\$ 12,225,534	\$ 2,124,414	\$ 14,349,948
Capital assets, net	23,682,982	1,041,395	23,284,914
<b>Total assets</b>	<b>35,908,516</b>	<b>3,165,809</b>	<b>36,794,483</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to pensions	35,540	67,840	103,380
	35,540	67,840	38,259
<b>Liabilities</b>			
Current liabilities	363,204	398,192	761,396
Long-term liabilities	14,955,526	1,262,809	16,218,335
<b>Total liabilities</b>	<b>15,318,730</b>	<b>1,661,001</b>	<b>16,979,731</b>
<b>Deferred inflows of resources</b>			
Deferred inflows of resources related to pensions	2,372	4,527	6,899
Unearned revenue - property taxes	2,399,576	85,800	2,485,376
<b>Total deferred inflows of resources</b>	<b>2,401,948</b>	<b>90,327</b>	<b>2,492,275</b>
<b>Net position</b>			
Net investment in capital assets	-	25,295	25,295
Restricted	6,747,166	-	6,747,166
Unrestricted	11,476,212	1,457,026	12,933,238
<b>Total net position at December 31,</b>	<b>\$ 18,223,378</b>	<b>\$ 1,482,321</b>	<b>\$ 19,705,699</b>
	<b>\$ 18,223,378</b>	<b>\$ 1,482,321</b>	<b>\$ 17,810,926</b>

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

Table 4 provides a summary of the changes in net position.

**Table 4  
Changes in Net Position from Operating Results**

This year taxes accounted for 65 cents of every dollar raised by the Subdistrict, compared to 58 cents per dollar in the previous year (see Table 5). During 2016, the Subdistrict received less than one cent of every dollar from earnings on investments.

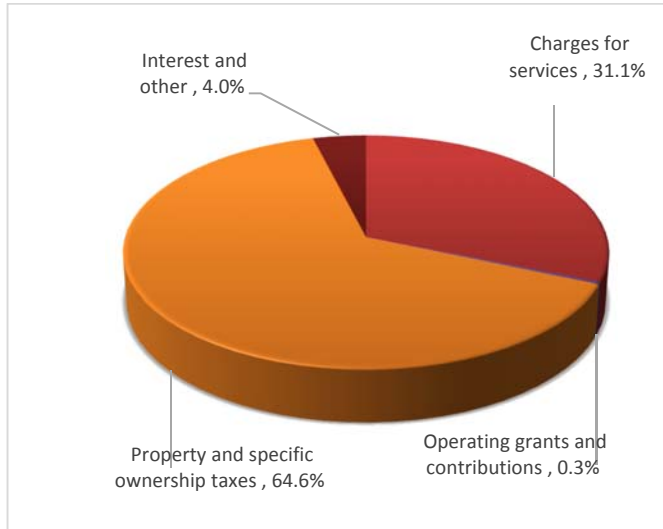
	2016		Total	2015
	Governmental Activities	Business-type Activities		RESTATED Totals
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 5,000	\$ 1,562,853	\$ 1,567,853	\$ 1,766,662
Operating Grants & Contributions	16,639	-	16,639	70,898
General revenues				
Property taxes	3,259,106	-	3,259,106	2,877,658
Earnings on investments	27,159	5,806	32,965	4,077
Other	168,311	-	168,311	259,791
<b>Total revenue</b>	<b>3,476,215</b>	<b>1,568,659</b>	<b>5,044,874</b>	<b>4,979,086</b>
<b>Expenses</b>				
Personnel	114,499	-	114,499	64,475
Travel	6,892	-	6,892	9,075
Maintenance	316,324	-	316,324	393,314
Supplies	44,508	-	44,508	25,590
Professional fees	80,943	-	80,943	285,418
Business meals	3,319	-	3,319	2,526
Water leases and assessments	295,513	-	295,513	116,751
Utilities	71,561	-	71,561	-
Other	138,607	-	138,607	183,394
Interest on long-term debt	384,818	-	384,818	400,291
Water operating expenses	-	1,693,117	1,693,117	1,710,152
<b>Total expenses</b>	<b>1,456,984</b>	<b>1,693,117</b>	<b>3,150,101</b>	<b>3,190,986</b>
<b>Increase (decrease) in net position</b>	<b>\$ 2,019,231</b>	<b>\$ (124,458)</b>	<b>\$ 1,894,773</b>	<b>\$ 1,788,100</b>

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

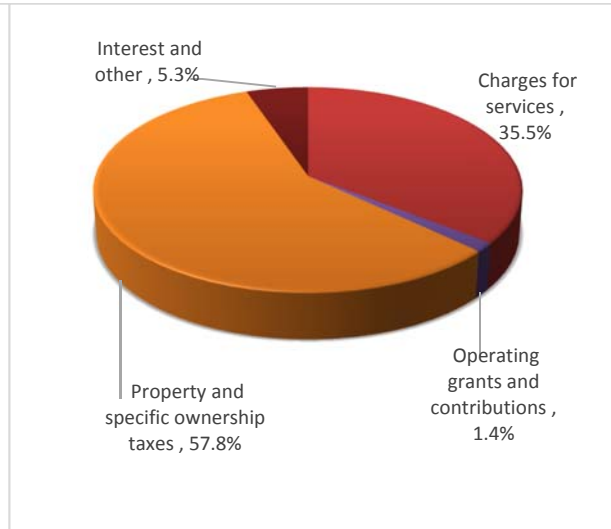
Detailed below in Tables 5 and 6 are charts displaying revenues by sources and expenses by program for the total Subdistrict.

**Table 5  
Sources of Revenues**

**2016 Revenues**

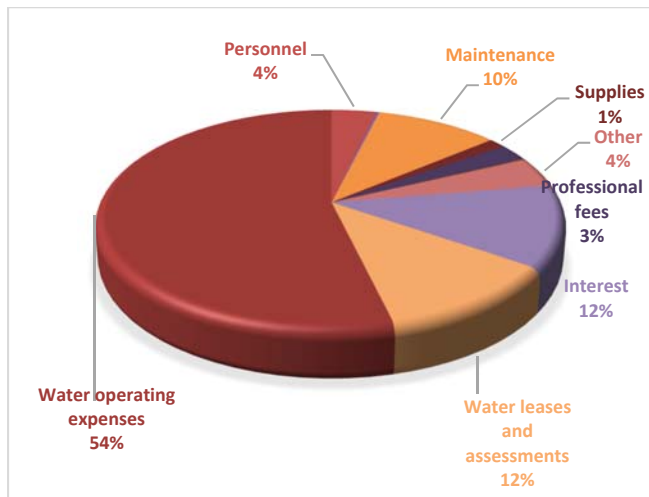


**2015 Revenues**

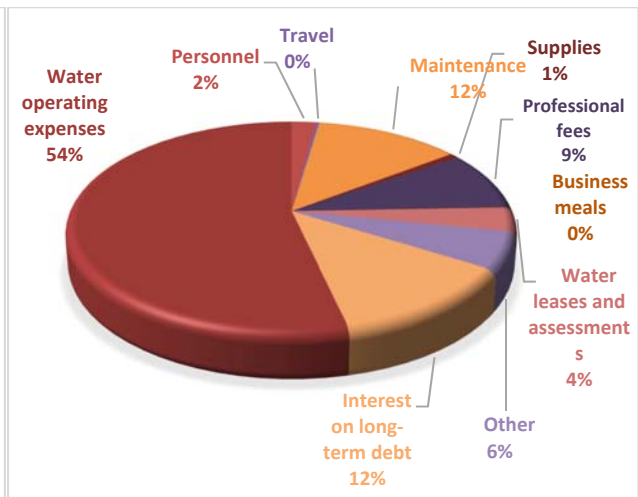


**Table 6  
Expenses**

**2016 Expenses**



**2015 Expenses**



**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

**Governmental Activities**

The governmental funds monitor cash resources and expenditures.

The statement of activities shows the cost of program services and the related charges for services and grants offsetting those costs. Table 7 reflects the program's total cost and net cost of services. That is, it identifies the cost of these services supported by unrestricted property taxes and other general revenues.

**Table 7  
Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services
Personnel	\$ 114,499	\$ (114,499)
Travel	6,892	(6,892)
Maintenance	316,324	(299,685)
Supplies	44,508	(44,508)
Professional fees	80,943	(80,943)
Business meals	3,319	(3,319)
Water leases and assessments	295,513	(290,513)
Other	210,168	(210,168)
Interest on long-term debt	384,818	(384,818)
<b>Total</b>	<b>\$ 1,456,984</b>	<b>\$ (1,435,345)</b>

**Financial Analysis of the Subdistrict's funds**

**General Fund**

The general fund was established, and is continually funded, to provide for the daily activities, salaries, expenses, and operating costs of the Subdistrict. This fund provides for functional areas of the organization - administration, water augmentation, public information, recharge, water quality, and gravel pit reservoirs. The general fund also provides for such other items as insurance, utilities, and other costs the Subdistrict incurs. The primary funding source for the general fund is taxation of real property. Other sources of income for the general fund include interest income and miscellaneous revenues. The primary projects or program efforts for establishing needed funding during 2016 were:

1. Salaries and benefits for all existing full time personnel of the Subdistrict.
2. Normal operational costs of the Subdistrict.
3. Maintenance of the gravel pit reservoirs.
4. Water quality and augmentation projects.

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016**

**General Fund Budgetary Highlights**

The Subdistrict's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements.

**Long-Term Debt**

At year-end, the Subdistrict had \$14,076,282 in outstanding loans from the Colorado Water Conservation ("CWCB"), a decrease of \$562,234 from the previous year, as shown below in Table 9. More detailed information about the Subdistrict's long-term liabilities is presented in Note 4 to the financial statements.

**Table 9  
Outstanding Long-Term Debt**

	Total Water Subdistrict		% of Change 2015-2016
	2016	2015	
Governmental activities:			
CWCB loans	\$ 14,076,282	\$ 14,638,516	-3.8%
Business-type activities:			
Capital lease	1,016,100	-	100.0%

During 2016, the Subdistrict's governmental activities did not borrow any additional money, and reduced its outstanding loan balances with the Colorado Water Conservation Board by making the scheduled principal payments on the 2004 and 2005 loans. The Subdistrict's business-type activities entered into a capital lease to purchase water for \$1,016,100.

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the Subdistrict was aware of the following circumstances that could significantly affect its financial health in the future:

The Subdistrict's budget for 2017 includes property tax revenue in the amount of \$2,485,376 (based on an assessed valuation for the Subdistrict, of \$1,570,042,055 and a mill levy of 1.583 mills) with a proposed budget for expenditures of \$6,680,928. These tax revenues and member assessments, plus carryover funds, should be adequate to provide for these budgeted expenditures.

**Contacting the District's Financial Management**

This financial report is designed to provide the Subdistrict's taxpayers and creditors with a general overview of the Subdistrict's finances and to demonstrate the Subdistrict's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ground Water Management Subdistrict of the Central Colorado Water Conservancy District at 3209 West 28<sup>th</sup> Street, Greeley, Colorado 80634.

## BASIC FINANCIAL STATEMENTS

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 8,824,862	\$ 1,606,840	\$ 10,431,702
Receivables	2,419,188	86,500	2,505,688
Internal balances	(5,100)	5,100	-
Due from other subdistricts	-	73,155	73,155
Prepaid items	5,189	352,819	358,008
Cash and investments-restricted	981,395	-	981,395
Capital assets, not being depreciated	9,112,349	1,016,100	10,128,449
Capital assets, net of accumulated depreciation	14,570,633	25,295	14,595,928
Total assets	<u>35,908,516</u>	<u>3,165,809</u>	<u>39,074,325</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>35,540</u>	<u>67,840</u>	<u>103,380</u>
<b>LIABILITIES</b>			
Accounts payable	19,199	398,192	417,391
Accrued interest payable	220,583	-	220,583
Due to other districts	123,422	-	123,422
Noncurrent liabilities			-
Retainage payable	750,000	-	750,000
Net pension liability	129,244	246,709	375,953
Due within one year	577,366	112,400	689,766
Due in more than one year	13,498,916	903,700	14,402,616
Total liabilities	<u>15,318,730</u>	<u>1,661,001</u>	<u>16,979,731</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	2,372	4,527	6,899
Unavailable revenue-property taxes	<u>2,399,576</u>	<u>85,800</u>	<u>2,485,376</u>
Total deferred inflows of resources	2,401,948	90,327	2,492,275
<b>NET POSITION</b>			
Net investment in capital assets	9,606,700	25,295	9,631,995
Restricted	6,747,166	-	6,747,166
Unrestricted	<u>1,869,512</u>	<u>1,457,026</u>	<u>3,326,538</u>
Total net position	<u>\$ 18,223,378</u>	<u>\$ 1,482,321</u>	<u>\$ 19,705,699</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental activities:						
Personnel	\$ 114,499	\$ -	\$ -	\$ (114,499)	\$ -	\$ (114,499)
Travel	6,892	-	-	(6,892)	-	(6,892)
Maintenance	316,324	-	16,639	(299,685)	-	(299,685)
Supplies	44,508	-	-	(44,508)	-	(44,508)
Professional	80,943	-	-	(80,943)	-	(80,943)
Business meals	3,319	-	-	(3,319)	-	(3,319)
Water purchases	295,513	5,000	-	(290,513)	-	(290,513)
Utilities	71,561	-	-	(71,561)	-	(71,561)
Other	138,607	-	-	(138,607)	-	(138,607)
Interest on long-term debt	384,818	-	-	(384,818)	-	(384,818)
Total governmental activities	<u>1,456,984</u>	<u>5,000</u>	<u>16,639</u>	<u>(1,435,345)</u>	<u>-</u>	<u>(1,435,345)</u>
Business-type activities						
Water Enterprise Fund	<u>1,693,117</u>	<u>1,562,853</u>	<u>-</u>	<u>-</u>	<u>(130,264)</u>	<u>(130,264)</u>
Total primary government	<u>\$ 3,150,101</u>	<u>\$ 1,567,853</u>	<u>\$ 16,639</u>	<u>(1,435,345)</u>	<u>(130,264)</u>	<u>(1,565,609)</u>
General revenues:						
Taxes				3,259,106	-	3,259,106
Investment earnings				27,159	5,806	32,965
Insurance proceeds				5,000	-	5,000
Other				163,311	-	163,311
Total general revenues				<u>3,454,576</u>	<u>5,806</u>	<u>3,460,382</u>
Change in net position				2,019,231	(124,458)	1,894,773
Net position - Beginning-Restated				16,204,147	1,606,779	17,810,926
Net position - Ending				<u>\$ 18,223,378</u>	<u>\$ 1,482,321</u>	<u>\$ 19,705,699</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 3,044,365	\$ 5,780,497	\$ 8,824,862
Cash and investments-restricted	25,000	956,395	981,395
Accounts receivable	19,612	-	19,612
Due from other funds	27,478	-	27,478
Property taxes receivable	780,863	1,618,713	2,399,576
Prepaid expenses	5,189	-	5,189
Total assets	<u>\$ 3,902,507</u>	<u>\$ 8,355,605</u>	<u>\$ 12,258,112</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 19,199	\$ -	\$ 19,199
Due to other funds	-	32,578	32,578
Due to District	123,422	-	123,422
Retainage payable	750,000	-	750,000
Total liabilities	<u>892,621</u>	<u>32,578</u>	<u>925,199</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes and assessments	<u>780,863</u>	<u>1,618,713</u>	<u>2,399,576</u>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid expenses	5,189	-	5,189
Restricted			
Emergency reserves	42,852	-	42,852
Debt service	-	6,704,314	6,704,314
Assigned			
Subsequent year's budget: appropriation of fund balance	1,775,487	-	1,775,487
Unassigned	405,495	-	405,495
Total fund balances	<u>2,229,023</u>	<u>6,704,314</u>	<u>8,933,337</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES FUND BALANCES</b>	<u>\$ 3,902,507</u>	<u>\$ 8,355,605</u>	<u>\$ 12,258,112</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - Total governmental funds	\$ 8,933,337
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,682,982
The proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to their participation in the Colorado Public Employees' Retirement Association is not recorded in governmental funds but is recorded in the statement of net position.	(96,076)
Accrued interest payable is not included in the funds.	(220,583)
Noncurrent liabilities, including capital leases and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(14,076,282)</u>
Net position of governmental activities	<u><u>\$ 18,223,378</u></u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 1,637,777	\$ 1,621,329	\$ 3,259,106
Investment income	8,894	18,265	27,159
Grant revenue	16,639	-	16,639
Miscellaneous	168,311	-	168,311
Total revenues	<u>1,831,621</u>	<u>1,639,594</u>	<u>3,471,215</u>
<b>EXPENDITURES</b>			
Current			
Operating expenses	776,321	24,367	800,688
Debt service			
Principal	-	562,234	562,234
Interest	-	394,163	394,163
Capital outlay	668,718	-	668,718
Total expenditures	<u>1,445,039</u>	<u>980,764</u>	<u>2,425,803</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>386,582</u>	<u>658,830</u>	<u>1,045,412</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance proceeds	5,000	-	5,000
Total other financing sources (uses)	<u>5,000</u>	<u>-</u>	<u>5,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	391,582	658,830	1,050,412
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,837,441</u>	<u>6,045,484</u>	<u>7,882,925</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,229,023</u>	<u>\$ 6,704,314</u>	<u>\$ 8,933,337</u>

These financials statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - Total governmental funds	\$ 1,050,412
<p>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 net of depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>	
Capital outlay	668,718
Depreciation	(244,797)
<p>Changes in the Subdistrict's proportionate share of the net pension liability, deferred inflows and outflows of resources related to the Colorado Public Employees' Retirement Association for the current year are not reported in governmental funds but are reported in the Statement of Net Position</p>	
	(26,681)
<p>Certain expenses, such as interest expense, reported in the Statement of Activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds</p>	
	9,345
<p>The issuance of long-term debt (e.g. capital leases and bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of 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 and related items.</p>	
Principal payments made	562,234
Change in net position of governmental activities	\$ 2,019,231

These financials statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
December 31, 2016**

	<b>Water Enterprise Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 1,606,840
Receivables	700
Property taxes receivable	85,800
Due from other funds	5,100
Due from other districts	73,155
Prepaid items	352,819
Total current assets	2,124,414
Noncurrent assets	
Capital assets, not being depreciated	1,016,100
Capital assets, net of accumulated depreciation	25,295
Total noncurrent assets	1,041,395
Total assets	3,165,809
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	67,840
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	398,192
Current portion of capital lease payable	112,400
Total current liabilities	510,592
Noncurrent liabilities	
Net pension liability	246,709
Capital lease payable	903,700
Total noncurrent liabilities	1,150,409
Total liabilities	1,661,001
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	4,527
Unavailable revenue-property taxes	85,800
Total deferred inflows of resources	90,327
<b>NET POSITION</b>	
Net investment in capital assets	25,295
Unrestricted	1,457,026
Total net position	\$ 1,482,321

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
PROPRIETARY FUND  
December 31, 2016**

	<b>Water Enterprise Fund</b>
<b>OPERATING REVENUES</b>	
Water assessments	\$ 1,491,466
Water lease revenue	23,250
Miscellaneous	48,137
Total operating revenues	1,562,853
<b>OPERATING EXPENSES</b>	
Personnel	154,196
Operating expenses	1,535,294
Depreciation expense	558
Total operating expenses	1,690,048
<b>OPERATING LOSS</b>	(127,195)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	5,806
Interest expense	(3,069)
Total nonoperating revenues (expenses)	2,737
<b>CHANGE IN NET POSITION</b>	(124,458)
<b>NET POSITION - BEGINNING OF YEAR-RESTATED</b>	1,606,779
<b>NET POSITION - END OF YEAR</b>	\$ 1,482,321

These financials statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF CASHFLOWS  
PROPRIETARY FUND  
December 31, 2016**

	<u><b>Water Enterprise Fund</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,578,986
Cash paid to suppliers	(1,332,319)
Cash paid to employees	(167,118)
Net cash flows used by operating activities	<u>79,549</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>5,806</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	85,355
<b>CASH AND CASH EQUIVALENTS BEGINNING OF THE YEAR</b>	1,521,485
<b>CASH AND CASH EQUIVALENTS END OF THE YEAR</b>	<u><u>\$ 1,606,840</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	\$ (127,195)
Adjustments to reconcile operating income to net cash flows from operating loss	
Depreciation	558
Related to the pension liability	(12,922)
Changes in assets and liabilities	
Receivables	16,133
Due from other districts	(86,646)
Prepaid expenses	(105,037)
Accounts payable	394,658
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ 79,549</u></u>
<b>NONCASH TRANSACTIONS</b>	
Capital assets acquired through capital lease	\$ 1,016,100
Interest owed, but not paid, on capital lease	3,069
Amounts related to pension liability	(12,922)
Increase in prepaid expenses due to an equity restatement	247,782

These financials statements should be read only in connection with  
the accompanying notes to financial statements.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Form of Organization

On April 23, 1973, pursuant to the applicable provisions of the Water Conservancy Act of the State of Colorado, the District Court in and for Weld County, Colorado, approved the creation and establishment of a subdistrict of Central Colorado Water Conservancy District (CCWCD) to be known as the Ground Water Management Subdistrict of Central Colorado Water Conservancy District, (The "Subdistrict"). In addition to providing for the conservation of the water resources of the State of Colorado for the greatest beneficial use of water within the state, the Subdistrict has developed a plan of augmentation which will replace the depletion of the river caused by underground water users in the South Platte River Basin.

Reporting Entity

In evaluating how to define the governmental entity, the Subdistrict has considered all potential component units. The decision to include or exclude a potential unit was made by applying the criteria defined by Governmental Accounting Standards Board (GASB) Statement No. 14 and Governmental Accounting Standard Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus". Component units are legally separate organizations for which the Subdistrict is financially accountable. The Subdistrict is financially accountable for an organization if the Subdistrict appoints a voting majority of the organization's governing board and (1) the Subdistrict is able to significantly influence the programs or services performed or provided by the organization; or (2) the Subdistrict is legally entitled to or can otherwise access the organization's resources; the Subdistrict is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization or the Subdistrict is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Subdistrict in that the Subdistrict approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the Subdistrict.

Based on the above criteria, there are no other organizations that would be considered component units of the Subdistrict.

The Subdistrict is a blended component unit of the CCWCD, and is included in the basic financial statements of CCWCD because CCWCD's Board of Directors is substantially the same as the Subdistrict's, and the Subdistrict provides specific financial benefits to CCWCD. Only the accounts of the Subdistrict are included herein; therefore, these financial statements do not purport to represent the position or results of operation of CCWCD. The financial data of the Subdistrict is included in the annual report of CCWCD.

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 activities of the Subdistrict. For the most part, the effect of interfund activity has been removed from all these statements.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those 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 function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements report detailed information about the Subdistrict. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column; The Subdistrict does not have any nonmajor funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases and decreases in those categories. These funds use the modified accrual basis of accounting whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Subdistrict considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures are recognized only when payment is due.

Property taxes, intergovernmental grants, and earnings on investments 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. All other revenue items are considered to be measurable and available only when cash is received by the Subdistrict.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with GASB, Statement No. 33, *Accounting and Financial Reporting for Non exchange Transactions*, (“GASB No. 33”) the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

Governmental funds are used to account for all or most of a government’s general activities. The following are the Subdistrict’s major governmental funds:

The *General Fund* is the Subdistrict’s primary operating fund. It accounts for all the financial resources of the Subdistrict, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the resources accumulated and payments made for principal and interest on long-term debt of the Subdistrict.

A *proprietary fund* operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

An *enterprise fund* is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Subdistrict’s major enterprise fund is the Water Enterprise Fund. This fund accounts for the financial transactions related to the water enterprise operations of GMS.

Budgets

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

- By October 15, the Subdistrict staff submits to the Board of Directors, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments. Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board of Directors through passage of a formal resolution.
- The District legally adopts budgets for all the funds. Budgets for the governmental and enterprise funds are adopted on a basis consistent with GAAP, except that for the enterprise fund, purchases of capital assets and the payment of principal on debt are budgeted as expenditures.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

Investments

Investments are reported at fair value.

Receivables

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2016. Property taxes levied on December 31, 2016 are identified as property taxes receivable and deferred inflows of resources.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position and, classified as due from other funds or due to other funds on the balance sheet.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year end are recorded as prepaid items and will be reported as expenditures in the following year. Because these assets do not represent current financial resources, these amounts are shown as a nonspendable fund balance in the governmental funds.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide and enterprise fund financial statements. Capital assets are defined by the Subdistrict as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are expensed.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives for asset types are as follows:

	Estimated Lives
Office building and improvements	15-40 years
Water projects	50-100 years
Equipment and vehicles	5-25 years
<u>Land, easements, water and construction in progress</u>	<u>Not depreciated</u>

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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. Deferred outflows of resources include certain amounts related to the Subdistrict's defined benefit pension plan which is to be amortized and recognized as revenue/expense in future periods.

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 of resources (revenue) until that time. Deferred inflows of resources include property taxes earned but levied for a subsequent period and certain amounts related to the Subdistrict's defined benefit pension plan which is to be amortized and recognized as revenue/expense in future periods.

Compensated Absences

The Subdistrict reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* ("GASB No. 16"). Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the Subdistrict will compensate the employees for the benefits earned. Upon termination of employment from the Subdistrict, an employee will be compensated for all accrued vacation and compensatory time at their current rate of pay; there is no payment for sick leave upon termination.

A liability for accrued vacation and compensatory time is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

All liabilities related to accrued compensation absences at December 31, 2016 are recorded by CCWCD.

Pensions

The Subdistrict participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Debt

In the government-wide and enterprise fund financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity. In the governmental fund financial statements, proceeds from debt issuances are reported as other financing sources. Payment on debt and debt costs are reported as debt service expenditures. Debt issuance costs are recognized as expenditures during the period of issuance.

Funds Balance and Net Position

In the government-wide financial statements, net position is classified in the following categories:

*Net Investments in capital assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

*Restricted net position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislations.

*Unrestricted net position* – This category represents the net positions of the Subdistrict, which is not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The five categories, and their general meanings, are as follows:

*Nonspendable* – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

*Committed* – amounts that can be used only for specific purposes determined by a formal action of the Board of Directors (the “Board”). The Board is the highest level of decision making authority for the Subdistrict. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has authority to assign amounts for specific purposes.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Unassigned* – all other spendable amounts. The General Fund is the only fund that would report a positive unassigned fund balance. However, in government funds other than the General Fund, if expenditures incurred for specific purposes exceed the amount that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned balance in that fund.

When both restricted and unrestricted resources are available for use, it is the Subdistrict’s policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Subdistrict considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Property Taxes

Property taxes are levied prior to December 31 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on the last day of February and June 15. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November. The County Treasurer’s office collects property taxes and remits to the Subdistrict on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflows of resources are recorded at December 31. As the tax is collected in the succeeding year, the deferred inflows of resources is recognized as revenue and the receivable is reduced.

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

A summary of deposits and investments at December 31, 2016, follows:

Cash with County Treasurer	14,520
Cash deposits	89,251
Investments	<u>11,309,326</u>
Total cash and investments	<u>\$ 11,413,097</u>
Cash and investments	\$ 10,431,702
Cash and investments-restricted	<u>981,395</u>
Total cash and investments	<u>\$ 11,413,097</u>

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

*Custodial Credit Risk – Deposits* - In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The Subdistrict does not have a deposit policy for custodial credit risk. The Colorado Public Deposit Protection Act (PDPA), governs the investment of public funds. 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. The financial institution is allowed 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. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District had deposits with a financial institution with a carrying amount of \$89,251. The bank balance with the financial institution was \$157,509. All of these amounts were covered by FDIC insurance.

Investments:

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which the Subdistrict may invest, which include:

- U.S. Treasury obligations
- U.S. instrumentality obligations
- Certificates of deposit
- Commercial paper rated in the highest tier by a nationally recognized rating agency
- Repurchase agreements
- Investment grade obligations of state, county and local governments and public authorities
- Money market mutual funds regulated by the Securities and Exchange Commission whose portfolios consist of only dollar denominated securities
- Local government investment pools

*Credit Risk* – The Subdistrict does not have a specific policy regarding credit risk, but is required to comply with State of Colorado (State) statutes which specify instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest. State statutes do not address custodial risk.

The Subdistrict invest funds in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"), an investment vehicle established for local government entities in Colorado to pool surplus funds (pool). At December 31, 2016, the Subdistrict has invested \$11,309,326. The State Securities Commissioner administers and enforces all State statutes governing the pool. The pool operates similarly to a money market fund and each share is equal in value to \$1.00. The pool offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 2 - CASH AND INVESTMENTS CONTINUED)

COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies.

A designated custodial bank serves as custodian for the pool's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the pool's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST places no restrictions or limitations on withdrawals. COLOTRUST is rated AAAM by Standards & Poor's.

As COLOTRUST is valued at a net asset value, there is not an investment component to be valued under GASB Statement No. 72, *Fair Value Measurement and Application*.

*Custodial Credit Risk – Investments* - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial credit risk.

*Interest Rate Risk* - Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The Subdistrict does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in the statutes. The Subdistrict has interest rate risk related to its investments in COLOTRUST. At December 31, 2016 COLOTRUST Plus + had a weighted average maturity of 56 days to reset and 73 days to final maturity.

*Concentration of Credit Risk* - The Subdistrict places no limit on the amount that may be invested in any one issuer.

*Restricted Cash and Investments* – At December 31, 2016, the Subdistrict had the following restricted cash balances:

Debt service reserves-CWCB loans	\$ 956,395
Construction surety	25,000
Total Restricted Cash	<u>\$ 981,395</u>

NOTE 3 - CAPITAL ASSETS

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

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital assets, not being depreciated:				
Perpetual easements	\$ 12,644	\$ -	\$ -	\$ 12,644
Water rights	8,011,205	65,000	-	8,076,205
Land	457,111	566,389	-	1,023,500
Construction in progress	<u>111,113</u>	<u>-</u>	<u>(111,113)</u>	<u>-</u>
Total capital assets, not being depreciated	8,592,073	631,389	(111,113)	9,112,349
Capital assets, being depreciated:				
Office building and improvements	255,242	-	-	255,242
Water projects	14,969,852	-	-	14,969,852
Equipment and vehicles	1,342,291	37,329	-	1,379,620
Wells and ditch improvements	<u>537,181</u>	<u>111,113</u>	<u>-</u>	<u>648,294</u>
Total capital assets, being depreciated	17,104,566	148,442	-	17,253,008
Accumulated depreciation for:				
Office building and improvements	(150,339)	(8,293)	-	(158,632)
Water projects	(1,533,518)	(153,020)	-	(1,686,538)
Equipment and vehicles	(587,567)	(73,519)	-	(661,086)
Wells and ditch improvements	<u>(166,154)</u>	<u>(9,965)</u>	<u>-</u>	<u>(176,119)</u>
Total accumulated depreciation	<u>(2,437,578)</u>	<u>(244,797)</u>	<u>-</u>	<u>(2,682,375)</u>
Total capital assets, being depreciated, net	<u>14,666,988</u>	<u>(96,355)</u>	<u>-</u>	<u>14,570,633</u>
Total capital assets, net	<u>\$ 23,259,061</u>	<u>\$ 535,034</u>	<u>\$(111,113)</u>	<u>\$ 23,682,982</u>

Governmental activities depreciation expense of \$244,797 has been allocated to the maintenance activity.

Capital asset activity for the business-type activities for the year ended December 31, 2016, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital assets, not being depreciated:				
Water rights	\$ -	<u>1,016,100</u>	<u>-</u>	<u>1,016,100</u>
Total capital assets, not being depreciated	<u>-</u>	<u>1,016,100</u>	<u>-</u>	<u>1,016,100</u>
Capital assets, being depreciated:				
Water projects	<u>27,899</u>	<u>-</u>	<u>-</u>	<u>27,899</u>
Total capital assets, being depreciated	27,899	-	-	27,899
Accumulated depreciation for:				
Water projects	<u>(2,046)</u>	<u>(558)</u>	<u>-</u>	<u>(2,604)</u>
Total capital assets, being depreciated, net	<u>25,853</u>	<u>(558)</u>	<u>-</u>	<u>25,295</u>
Total capital assets, net	<u>\$ 25,853</u>	<u>\$1,015,542</u>	<u>\$ -</u>	<u>\$ 1,041,395</u>

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 4 - LONG-TERM DEBT

Governmental Activities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2004 CWCB loan	\$ 11,279,826	\$ -	\$ 430,571	\$ 10,849,255	\$ 442,412
2005 CWCB loan	3,358,690	-	131,663	3,227,027	134,954
Total	<u>\$ 14,638,516</u>	<u>\$ -</u>	<u>\$ 562,234</u>	<u>\$ 14,076,282</u>	<u>\$ 577,366</u>

Business-Type Activities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Capital lease-water	<u>\$ -</u>	<u>\$ 1,016,100</u>	<u>\$ -</u>	<u>\$ 1,016,100</u>	<u>\$ 112,400</u>

In 2004, the GMS obtained a loan from the CWCB for \$15,000,000, requiring annual payments of \$740,766, principal and interest, at 2.75%, through June 1, 2035. Property taxes have been pledged to CWCB for the purpose of repayment of this loan. A debt service reserve account is required to be established and funded at an amount equal to one-tenth of an annual payment on the due date of the first payment and annually thereafter for the first ten years.

In 2005, the GMS obtained a loan from the CWCB for \$4,513,200, requiring annual payments of \$215,630, principal and interest, at 2.50%, through June 1, 2035. Property taxes have been pledged to CWCB for the purpose of repayment of this loan. A debt service reserve account is required to be established and funded at an amount equal to one-tenth of an annual payment on the due date of the first payment and annually thereafter for the first ten years.

In 2016, GMS entered into a 9 year capital lease for the purchase of water for \$1,016,100. Annual payments are \$125,768 including interest at 2.450%. The value of the assets under this lease are \$1,016,100.

The annual requirements to amortize all debt outstanding, as of December 31, 2016, are as follows:

Year Ending December 31,	Annual Maturities	Interest	Total Payment
2017	\$ 577,366	\$ 379,030	\$ 956,396
2018	592,906	363,490	956,396
2019	608,865	347,531	956,396
2020	625,254	331,142	956,396
2021	642,086	314,311	956,397
2022-2026	3,479,214	1,302,768	4,781,982
2027-2031	3,973,523	808,459	4,781,982
2032-2036	3,577,068	243,915	3,820,983
Totals	<u>\$ 14,076,282</u>	<u>\$ 4,090,646</u>	<u>\$ 18,166,928</u>

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 4 - LONG-TERM DEBT

Business-Type Activities Year Ending December 31,	Annual Maturities	Interest	Total Payment
2017	\$ 112,400	\$ 13,368	\$ 125,768
2018	103,627	22,141	125,768
2019	106,166	19,602	125,768
2020	108,767	17,001	125,768
2021	111,432	14,336	125,768
2022-2026	473,708	29,366	503,074
Totals	<u>\$ 1,016,100</u>	<u>\$ 115,814</u>	<u>\$ 1,131,914</u>

NOTE 5 - INDIVIDUAL FUND INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position and as due from other funds due to other funds on the fund statement balance sheets. Internal balances are eliminated in the statement of net position. All interfund receivables and payables are expected to be paid within the next year.

As of December 31, 2016, the Subdistrict had the following interfund receivables and payables:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Special Revenue – GMS	\$ 27,478	-
Debt Service – GMS	-	32,578
Water Enterprise Fund – GMS	5,100	-
	<u>\$ 32,578</u>	<u>\$ 32,578</u>

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 6 - RELATED PARTY TRANSACTIONS

The Subdistrict and Ground Water Management Subdistrict of Central Colorado Water Conservancy District are both blended component units of Central Colorado Water Conservancy District. The three entities share office space, operating expenses and personnel. During 2016, the Subdistrict paid Central Colorado Water Conservancy District \$242,014 for salary and benefits of shared staff. In addition, for certain transactions the District will initially pay the vendor and the Subdistrict will then reimburse the District. At December 31, 2016, the Subdistrict owed the Central Water Conservancy District \$50,267.

NOTE 7 - RISK MANAGEMENT

The Subdistrict is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Subdistrict carries commercial insurance covering specific and general risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Plan description

Eligible employees of the Subdistrict are provided with pensions through the Local Government Division Trust Fund (LGDTF) a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Benefits provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at CRS 21-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a month benefit based on life expectancy and other actuarial factors.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments ("COLAs"), referred to as annual increases in the CRS. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

	Rate
Employer Contribution Rate	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS 24-51-208(1)(f)	(1.02%)
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in CRS 24-51-411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS 24-51-411	1.50%
Total Employer Contribution Rate to the LGDTF	12.68%

\*Rates are expressed as a percentage of salary as defined in CRS 24-51-101(42)

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$27,306 for the year ended December 31, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Subdistrict reported a liability of \$375,953 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the Calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the District's proportion was 0.033854 percent, which was a decrease of .00606 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the District recognized pension expense \$13,759.

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Experience	\$ 2,821	\$ 13
Changes in assumptions	-	6,886
Net difference between projected and actual earnings on pension plan investments	72,373	-
Changes in proportionate share	880	-
District contributions subsequent to the measurement date	27,306	-
	\$ 103,380	\$ 6,899

The \$27,306 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amortization
2017	\$ 16,518
2018	18,545
2019	19,130
2020	14,982
	\$ 69,175

Actuarial assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90-10.85 percent
Long-term investment rate of return, net of pension Plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; And DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

Changes to assumptions or other inputs since the December 31, 2015 actuarial valuation:

The following program changes were made:

Refinement of the 18 month annual increase timing.

Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

The following methodology changes were made:

Recognition of merit salary increases in the first projection year.

Elimination of the assumption that 35% of future disabled members elect to receive a refund.

Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.

Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board November 15, 2013 and January 17, 2014.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return*</u>
U.S. Equity- Large Cap	26.76%	5.00%
U.S. Equity- Small Cap	4.40%	5.19%
Non U.S. Equity- Developed	22.06%	5.29%
Non U.S. Equity- Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%

Discount rate

The discount rate used to measure the total pension liability was 7.50 percent. Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90% Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. Employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions. Employer contributions and the amount to total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate. The AIR balance was excluded from the initial fiduciary net position, as per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate.

As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investment equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process (i.e., the plan's fiduciary net position is not projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections. Benefit payments and contributions were assumed to be made at the end of the month.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)**

Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's proportionate share of the net position liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease	Current Discount	1% Increase
Proportionate share of the net pension liability	\$ <u>576,374</u>	\$ <u>375,953</u>	\$ <u>209,723</u>

Pension plan fiduciary net position

Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 9- POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan description-* The Subdistrict contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, assigns the authority to establish the HCTF benefit provisions to the Ste Legislature. PERA issues a publicly available Comprehensive Annual Financial Report the includes financial statements and required supplementary information for the HCTF.

*Funding Policy-* The Subdistrict is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Subdistrict are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the C.R.S., as amended. For the years ended December 31, 2014, 2015, and 2016, the Subdistrict's employer contributions to the HCTF were \$187, \$1,345, and \$2,343 respectively, equal to their required contributions for each year.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 10- VOLUNTARY INVESTMENT PROGRAM

*Description-* Employees of the Subdistrict who are members of the LGDTF (see Note 8) may voluntarily contribute to the Voluntary Investment Program (“401(k) Plan”), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available Comprehensive Annual Financial Report for the 401(k) Plan.

*Funding Policy-* The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for calendar years 2016 and 2015). Catch-up contributions up to \$6,000 for calendar years 2016 and 2015 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC 414(v). The contribution requirements for the Subdistrict are established under Title 24, Article 51, and Section 1402 of the C.R.S., as amended. None of the Subdistrict’s employees contributed for the years ended December 31, 2015 and 2016, to the 401(k) plan.

NOTE 11- COMPLIANCE

In November 1992, Colorado voters passed an amendment (the “Amendment” or “TABOR”) to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and “fiscal year spending” include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the “spending limit” must be refunded or approved to be retained by the Subdistrict under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The Subdistrict has restricted \$42,852 for this purpose.

On November 6, 2013, the voting electors of the Subdistrict authorized the Subdistrict to collect, retain, and expend the full amount of revenues generated from all sources without limitation or condition under Article X, Section 20 of the Colorado Constitution, and as an exception to the limitations under Section 29-1-301 of the Colorado Revised Statutes and related limits. This effectively removed all revenue and spending limits imposed by TABOR.

The Subdistrict believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 12- NEW ACCOUNTING PRONOUNCEMENTS

During 2016, the Subdistrict implemented the following GASB pronouncements:

GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to fair value measurements. This pronouncement resulted in expanded footnote disclosures around fair value. The Subdistrict had no investments required to be reported under fair value hierarchy.

GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires state and local governments to disclose tax abatement agreements entered by itself or other governments that reduce the reporting government's tax revenues. The reduction in tax revenues can result from an agreement between one or more governments and an individual entity in which one or more governments promise to forgo tax revenues to which they are otherwise entitled. The individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. Neither the Subdistrict or any other government has entered into an agreement which will result in an abatement of Subdistrict taxes.

In addition, the GASB has issued several pronouncements prior to December 31, 2016 that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. These Statements replace the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. These statements establish new accounting and financial reporting requirements for OPEB plans. While management is currently determining the effects of the implementation of this statements on the Subdistrict's financial records, it is anticipated this statement may have a material impact on the Subdistrict.

NOTE 13- RESTATEMENTS

The Subdistrict determined that certain amounts paid during the year ended December 31, 2015, benefited fiscal year 2016 and should have been recorded as prepaid expenses. As a result, net assets for the Business-type Activities and Ground Water Management Subdistrict of Central Colorado Water Conservancy District Water (GMS) Enterprise Fund net position were increased \$247,782 for the year ending December 31, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended December 31, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Property tax	\$ 1,440,667	\$ 1,437,726	\$ (2,941)
Specific ownership tax	99,000	200,051	101,051
Intergovernmental	-	16,639	16,639
Investment income	500	8,894	8,394
Miscellaneous	31,500	168,311	136,811
Total revenues	<u>1,571,667</u>	<u>1,831,621</u>	<u>259,954</u>
<b>EXPENDITURES</b>			
Operating			
Personnel	79,000	87,818	(8,818)
Travel	11,050	6,892	4,158
Maintenance	234,500	71,527	162,973
Supplies	74,000	44,508	29,492
Professional	187,500	80,943	106,557
Business meals	4,500	3,319	1,181
Water purchases	274,500	295,513	(21,013)
Utilities	193,000	71,561	121,439
Other	240,100	114,240	125,860
Capital outlay	958,000	668,718	289,282
Total expenditures	<u>2,256,150</u>	<u>1,445,039</u>	<u>811,111</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(684,483)</u>	<u>386,582</u>	<u>1,071,065</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance proceeds	-	5,000	5,000
Total other financing sources (uses)	<u>-</u>	<u>5,000</u>	<u>5,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (684,483)</u>	<u>391,582</u>	<u>\$ 1,076,065</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<u>1,837,441</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 2,229,023</u>	

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
SCHEDULE OF SUBDISTRICT'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY  
DECEMBER 31, 2016

Measurement period ending December 31,	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion (percentage) of the collective net pension liability	0.033385%	0.03391%	0.03376%
District's proportionate share of the collective net pension liability	\$ 375,953	\$ 303,938	\$ 254,345
Covered-employee payroll	189,642	194,747	133,938
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.24%	156.07%	189.90%
Plan fiduciary net pension as a percentage of the total pension liability	76.90%	80.70%	77.66%

\*Fiscal year 2015 was the first year of implementation, therefore only available years are shown.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
SCHEDULE OF SUBDISTRICT CONTRIBUTIONS  
DECEMBER 31, 2016

Reporting period ending December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 27,306	\$ 24,379	\$ 24,967	\$ 16,796
Contributions in relation to the statutorily required contributions	<u>27,306</u>	<u>24,379</u>	<u>24,967</u>	<u>16,796</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 206,509	\$ 189,642	\$ 194,747	\$ 133,938
Contribution as a percentage of covered of employee payroll	14.45%(a)	12.86%	12.82%	12.54%

\*Fiscal year 2015 was the first year of implementation, therefore only available years are shown.

(a)As the result of a review of contributions, the District determined that certain deductions from employee's pay were not excluded from PERA compensation and other stipends should have been included in PERA compensation. These contribution differences from a prior year were corrected in 2016.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND  
Year Ended December 31, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Property tax	\$ 1,618,646	\$ 1,621,329	\$ 2,683
Investment income	-	18,265	18,265
Total revenues	1,618,646	1,639,594	20,948
<b>EXPENDITURES</b>			
General government	27,000	24,367	2,633
Debt service			
Principal	562,195	562,234	(39)
Interest	394,163	394,163	-
Total expenditures	983,358	980,764	2,594
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 635,288</b>	<b>658,830</b>	<b>\$ 23,542</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<b>6,045,484</b>	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 6,704,314</b>	

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
WATER ENTERPRISE FUND  
NON GAAP BUDGET BASIS  
Year Ended December 31, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
<b>REVENUES</b>			
Water assessments	\$ 1,497,000	\$ 1,491,466	\$ (5,534)
Water lease revenue	-	23,250	23,250
Miscellaneous	5,000	48,137	43,137
Investment income	500	5,806	5,306
Total revenues	<u>1,502,500</u>	<u>1,568,659</u>	<u>66,159</u>
<b>EXPENDITURES</b>			
Personnel	198,000	154,196	43,804
Operating expenses	2,236,360	1,535,294	701,066
Debt Service			
Interest	-	3,069	(3,069)
Total expenditures	<u>2,434,360</u>	<u>1,692,559</u>	<u>741,801</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES-BUDGET BASIS</b>			
	<u>\$ (931,860)</u>	(123,900)	<u>\$ 807,960</u>
<b>PRESPECTIVE DIFFERENCES</b>			
Proceeds from the issuance of debt		1,016,100	
Depreciation		(558)	
Capital outlay		<u>(1,016,100)</u>	
<b>NET CHANGE IN NET POSITION-GAAP BASIS</b>		(124,458)	
<b>NET POSITION - BEGINNING OF YEAR-RESTATED</b>		<u>1,606,779</u>	
<b>NET POSITION - END OF YEAR</b>		<u>\$ 1,482,321</u>	