
North Fork Water Conservancy District
Delta County, Colorado
Financial Statements and
Independent Auditor's Report
As of
December 31, 2016



RECEIVED

By the Office of the State Auditor at 12:31 pm, Nov 08, 2017

North Fork Water Conservancy District
Delta County, Colorado
Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Combined Government-Wide and Fund Financial Statements	
Governmental Fund Balance Sheets and Statement of Net Position.....	7
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds and Statement of Activities.....	8
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Fund to the Statement of Activities.....	9
Notes to the Financial Statements.....	10
Required Supplemental Information	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	18
Other Information	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund.....	19

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Fork Water Conservancy District
Delta County, Colorado

We have audited the accompanying financial statements of the governmental activities of the North Fork Water Conservancy District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of North Fork Water Conservancy District, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 18 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 District's basic financial statements. The individual fund financial statement for the Debt Service Fund is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statement for the Debt Service Fund is the responsibility of management and were derived from and 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 individual fund financial statement for the Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Blair and Associates, P.C.

Cedaredge, Colorado
October 11, 2017

Management's Discussion and Analysis

This discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's basic financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) government-wide financial statements and fund financial statements, and 2) notes to the financial statements.

Combined Government-Wide Fund Financial Statements

Government-wide financial statements

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

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

The *statement of activities* presents information showing how the government's net position changed during the past 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 the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and other revenues. The District's main function is to provide water conservation and storage to the citizens within its area.

The government-wide financial statements are combined with the fund financial statements.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two funds, the governmental fund and the debt service fund.

Governmental funds

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

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

The District adopts an annual appropriated budget for its General and Debt Service funds. A budgetary comparison statement has been provided for the General and Debt Service funds to demonstrate compliance with its budgets.

The basic governmental fund financial statements are combined with the government-wide financial statements.

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.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 719,321 at the close of the year.

One of the largest portion of the District's net position reflects its investment in capital assets, less any related debt, that is still outstanding, used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of the District's Operations

The District accounts for the water conservancy activities through its General fund. The District also has a Debt Service Fund to be used to make debt service payments.

District's Net Position at December 31:

	<u>2015</u>	<u>2016</u>
Current and other assets	\$ 836,581	\$ 833,950
Capital assets, net of depreciation	<u>809,097</u>	<u>763,374</u>
Total assets	<u>1,645,678</u>	<u>1,597,324</u>
Liabilities		
Accounts Payable	2,104	1,398
Long-term liabilities outstanding	<u>818,822</u>	<u>784,705</u>
Total Liabilities	<u>820,926</u>	<u>786,103</u>
Deferred inflows of resources		
Deferred property tax revenues	<u>100,826</u>	<u>91,900</u>
Net position		
Invested in capital assets, net of related debt	-	-
Restricted for emergencies operations and Debt payments	708,939	707,818
Unrestricted	<u>14,987</u>	<u>11,503</u>
Total net position	<u>\$ 723,926</u>	<u>\$ 719,321</u>

A portion of the District's net position \$ 707,818 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position \$ 11,503 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2016 the District had a positive balances in unrestricted net position.

The government's net position decreased by \$4,605 during 2016.

Governmental Activities

The District has no program revenues as they do not charge for their services. Their revenues, collected from property taxes, donations, grants, and investment income are all considered general revenues.

Statement of Activities - December 31, 2016

	<u>2015</u>	<u>2016</u>
General Revenues:		
Property taxes	\$ 99,435	\$ 100,382
Specific ownership taxes	11,137	11,160
Interest income	1,183	1,312
Charges for services	1,200	3,200
Miscellaneous	<u>22,921</u>	<u>42,221</u>
Total revenues	<u>135,876</u>	<u>158,275</u>

Review of Expenses:	<u>2015</u>	<u>2016</u>
Administration	31,169	13,499
Operations	28,966	83,604
Depreciation expense	45,723	45,723
Miscellaneous	<u>23,099</u>	<u>20,055</u>
Total expenditures/expenses	<u>128,957</u>	<u>162,881</u>
Change in net position – Governmental Activities	<u>\$ 6,919</u>	<u>\$ (4,606)</u>

Capital Assets and Debt Administration

The District's investment in capital assets at December 31, 2016 amounts to \$ 763,374 (net of accumulated depreciation). This investment in capital assets includes improvements and, irrigation plant.

Capital assets are classified as follows (net of depreciation):

	<u>2015</u>	<u>2016</u>
Improvements	\$ 61,340	\$ 57,873
Irrigation Plant	<u>747,757</u>	<u>705,501</u>
Total	<u>\$ 809,097</u>	<u>\$ 763,374</u>

Debt

At year end, the District owed \$ 852,940 in a note payable which was a decrease of \$34,118:

	Balance			Balance
	<u>1-1-2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>12-31-2016</u>
Note payable	<u>\$ 818,822</u>	<u>\$ -</u>	<u>\$ 34,118</u>	<u>\$ 784,704</u>

Requests for Information

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

North Fork Water Conservancy District
Delta County, Colorado

North Fork Water Conservancy District
Delta County, Colorado
Combined Government-Wide and Fund Financial Statements
Governmental Fund Balance Sheets and Statement of Net Position
December 31, 2016

Assets	General	Debt Service	Adjustments (See below)	Statement of Net Position
Cash and cash equivalents	\$ 16,380	\$ 653,541	\$ -	\$ 669,921
Investments (lower of cost or market)	-	59,229	-	59,229
Property taxes receivable	10,000	81,900	-	91,900
Capital assets	-	-	763,374	763,374
Restricted cash	12,900	-	-	12,900
Total assets	<u>39,280</u>	<u>794,670</u>	<u>763,374</u>	<u>1,597,324</u>
Liabilities and Fund Equity				
Liabilities				
Accounts payable	1,398	-	-	1,398
Long-term liabilities				
Portion due within one year	-	-	34,118	34,118
Portion due after one year	-	-	750,587	750,587
Total liabilities	<u>1,398</u>	<u>-</u>	<u>784,705</u>	<u>786,103</u>
Deferred inflow of resources				
Deferred property taxes	10,000	81,900	-	91,900
Fund Balance/Net Position				
Restricted for emergencies	3,479		-	3,479
Restricted for debt service payments	-	712,770	(21,331)	691,439
Assigned for operations and maintenance	12,900	-	-	12,900
Unassigned	11,503	-	-	11,503
Total fund balances/net position	<u>27,882</u>	<u>712,770</u>	<u>(21,331)</u>	<u>719,321</u>
Total liabilities deferred inflows of resources and fund balances/net position	<u>\$ 39,280</u>	<u>\$ 794,670</u>	<u>\$ 763,374</u>	<u>\$ 1,597,324</u>

Adjustments to reconcile the governmental fund balance sheet to the statement of net position are as follows:

Fund balance per above	\$ 740,652
Capital assets used in governmental activities are not financial resources and therefore are not reported in fund balance sheet	763,374
Some liabilities, including leases payable, are not due and payable in the current period and therefore are not reported in the fund balance sheet	(784,705)
Net position per above	<u>\$ 719,321</u>

See accompanying notes to the basic financial statements.

North Fork Water Conservancy District
Delta County, Colorado
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds and Statement of Activities
For the Year Ended December 31, 2016

Expenditures/Expenses	General	Debt Service	Adjustments (See below)	Statement of Net Position
Administration	\$ 13,499	\$ -	\$ -	\$ 13,499
Operations	82,404	1,200		83,604
Depreciation	-		45,723	45,723
Miscellaneous	20,055	-	-	20,055
Debt Service	-	34,118	(34,118)	-
Total expenditures/expenses	<u>115,958</u>	<u>35,318</u>	<u>11,605</u>	<u>162,881</u>
General Revenues				
Property taxes	10,915	89,467	-	100,382
S.O. auto taxes	11,160	-	-	11,160
Investment income	1,312	-	-	1,312
Miscellaneous	42,221	-	-	42,221
Charges for services	-	3,200	-	3,200
Total general revenue	<u>65,608</u>	<u>92,667</u>	<u>-</u>	<u>158,275</u>
Excess of revenues over (under) expenditures	(50,350)	57,349	(6,999)	-
Changes in net position			(4,606)	(4,606)
Fund balances/net position:				
Fund balance - January 1	28,232	705,419	(9,725)	723,926
Residual transfer	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Fund balance - December 31	<u>\$ 27,882</u>	<u>\$ 712,768</u>	<u>\$ (21,330)</u>	<u>\$ 719,320</u>

See accompanying notes to basic financial statements.

**North Fork Water Conservancy District
Delta County, Colorado
Reconciliation of the Statement of Revenue, Expenditures and
Changes in Fund Balance
Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2016**

A reconciliation reflecting the differences between the general fund excess of revenues over expenditures and the changes in net position reported for governmental activities in the statement of activities is as follows

Excess of expenditures over revenues	\$ 6,999
--------------------------------------	----------

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses

Depreciation	<u>(45,723)</u>
Total	<u>(45,723)</u>

The issuance of capital leases provides current financial resources to governmental funds, while the repayment of the principal of capital leases consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position

Principal payments - Capital lease	<u>34,118</u>
------------------------------------	---------------

Change in net position	<u><u>\$ (4,606)</u></u>
------------------------	--------------------------

North Fork Water Conservancy District
Delta County, Colorado
Notes to Financial Statements
December 31, 2016

Note 1- Summary of Significant Accounting Policies

A. Reporting Entity

The North Fork Water Conservancy District (the “District”) is a body, corporate and political, created for the purpose of financing, constructing, maintaining, repairing and operating selected water conservancy projects.

The District is a governed entity administered by a seven member Board of directors (“Board”) that acts as the authoritative and legislative body of the entity.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization’s governing body and either (1) the District’s ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government.

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 customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

North Fork Water Conservancy District
Delta County, Colorado
Notes to Financial Statements
December 31, 2016

Note 1- Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of 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 will not recognize as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section of 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 will not recognize as an inflow of resources (revenue) until that time. Property taxes revenue that are related to a future period have been recorded as deferred inflows. Grants and entitlements received before eligibility requirements are met (e.g., cash advances) are recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

North Fork Water Conservancy District
Delta County, Colorado
Notes to Financial Statements
December 31, 2016

Note 1- Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation (continued)

Governmental Funds (Continued)

The District reports the following major governmental funds:

General Fund — The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund — The Debt Service Fund accounts for the servicing of general long-term debt and revenues are generated by property taxes that are required to be used in payment of long-term debt.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within thirty-one days of fiscal year-end.

Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year-end

Nonexchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specified, the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fluid liability is incurred, if measurable.

North Fork Water Conservancy District
Delta County, Colorado
Notes to Financial Statements
December 31, 2016

Note 1- Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements. Restricted cash and cash equivalents represents reserves for operations and maintenance costs per contract with Bureau of Reclamation.

F. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. The District maintains and owns an irrigation plant service that is used by multiple water districts.

G. Compensated Absences

The District does not have any sick or vacation time.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

I. Fund Equity

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation;

North Fork Water Conservancy District
Delta County, Colorado
Notes to Financial Statements
December 31, 2016

Note 1- Summary of Significant Accounting Policies (Continued)

I. Fund Equity

- Committed fund balance-amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance-amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Board of Directors has provided otherwise in its commitment or assignment actions.

J. Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America that requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

L. Property taxes receivable

Property taxes are levied in November and attached a lien on property the following January 1. They are payable in full by April 30, or in two equal installments due February 28 and June 15. Property taxes levied in the current year and payable in the following year are reported as receivable at December 31, net of an estimated uncollectible portion. However, since the taxes are not available to pay current liabilities, the net receivables are recorded as a deferred inflow of resources.

North Fork Water Conservancy District
Delta County, Colorado
Notes to Financial Statements
December 31, 2016

Note 2- Deposits and Investments

Colorado State Statues (Colorado Public Deposit Protection Act) require that all deposits be secured by Federal Deposits Insurance or secured by collateral with another financial institution securing 102% of the aggregate amount of public funds held which exceed the amount insured by Federal Deposit Insurance. Deposits must be made in financial institutions in the State of Colorado.

The composition of cash held by the District at December 31, 2016 is as follows:

Cash with County Treasurers	\$ 791
Cash in Bank	341,631
Wells Fargo Advisors (Securities and cash)	59,228
Certificates of deposit	327,499
Reserve Account	<u>12,900</u>
Total Cash and Investments	<u>\$ 742,049</u>

At December 31, 2016, the bank balance of the District’s deposits with financial institutions was \$ 684,549, with a carrying balance amount of \$ 682,030, of which \$ 590,399 was covered under federal depository insurance and \$91,631 was collateralized.

Investments

The District policy is to invest only in notes or bonds secured by mortgage or trust deed insured pursuant to Title II of the “National Housing Act”, and obligations of national mortgage associations or similar credit institutions organized under Title III of the “National Housing Act”. Also, investments in U.S. Treasury Bill, the credit rating on the GNMA with Standards and Poor was AAA rated. Municipal bonds are rated by Moodys and those investments were Columbia U.S. Treasury and Pimco.

		<u>Credit Ratings</u>
Columbia U.S. Treasury	\$ 28,554	**
Pimco SERFDS GNMA	30,587	***
Money Market Account	<u>88</u>	Not rated
	<u>\$ 59,228</u>	

North Fork Water Conservancy District
Delta County, Colorado
Notes to Financial Statements
December 31, 2016

Note 3- Capital Assets

The District's only capital asset is the irrigation plant which is financed with the Bureau of Reclamation. Depreciation being taken at a 40 year life with a salvage value of \$ 580,000.

	Balance <u>01/01/16</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/16</u>
Capital assets being depreciated				
Improvements	\$ 88,915	\$ -	\$ -	\$ 88,915
Irrigation plant	<u>2,320,000</u>	<u>-</u>	<u>-</u>	<u>2,320,000</u>
Total	2,408,915			2,408,915
Less accumulated depreciation	<u>(1,599,818)</u>	<u>(45,723)</u>	<u>-</u>	<u>(1,645,541)</u>
Governmental capital assets, net	<u>\$ 809,097</u>	<u>\$ (45,723)</u>	<u>\$ -</u>	<u>\$ 763,374</u>

Note 4- Budgets

The District adheres to the following procedure in establishing the budgetary data reflected in the financial statements:

- A. Budgets are required by state law for all governmental, proprietary and trust funds. During During September the proposed budget is submitted to the Board of Directors for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted by the board to obtain taxpayer comments.
- C. Prior to December 31, the budget is adopted and appropriations made by formal resolutions.
- D. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget for any fund or changes in project or department budgets. Budget amounts included in the financial statements are based on the final, legally amended budget.
- E. Budget appropriations lapse at the end of each year.
- F. The District doesn't utilize an encumbrance system; therefore, the encumbrances are not reflected in the financial statements or disclosed in the Notes to the Financial Statements.
- G. The District could be in violation of Colorado Budget law because actual expenditures in the General fund exceed budgetary expenditures.

Note 5- Long-Term Debt

On June 11, 1948, the North Fork Water Conservancy District contracted with the U.S. Department of Interior to build an irrigation plant in service for the multiple benefits of the water districts in the area. The original amount of the obligation was \$ 2,320,000, to be repaid in sixty-eight (68) equal annual installments of \$ 34,118 per year.

No interest is due until such time as North Fork Water Conservancy District shall become in arrears in their payments. At such time, interest will accrue at a rate of one percent (1%) per month.

Balance <u>01/01/16</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/16</u>
<u>\$ 818,822</u>	<u>\$ -</u>	<u>\$ 34,118</u>	<u>\$ 784,704</u>

North Fork Water Conservancy District
Delta County, Colorado
Notes to Financial Statements
December 31, 2016

Note 5- Long-Term Debt (Continued)

The following is a detailed breakdown of the debt service payments.

<u>Payment schedule</u>	
2017	\$ 34,118
2018	34,118
2019	34,118
2020	34,118
2021	34,118
2022-2026	170,590
2027-2031	170,590
2032-2036	170,590
2037-2039	<u>102,344</u>
Total	<u>\$ 784,704</u>

Note 6- Compliance with Taxpayer’s Bill of Rights

In November 1992, Colorado voters passed an amendment, (Amendment One), 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 increase 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 (balance) 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 entire electorate. The amendment also requires that reserves be established for declared emergencies, with 2% of fiscal year spending required in 1995 and 3% thereafter.

Based on estimated fiscal year spending for 2016 \$3,479 year end fund balances in General Fund have been reserved for emergencies. The District believes that is in compliance with this amendment.

Note 7- Risk Management

The District is exposed to various risks of loss related to torts; thefts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays an annual premium to Colorado Special District Property and Liability for its general insurance coverage.

Note 8- Residual Transfer

In November 2015, the voters approved a ballot measure to authorize the District to collect, retain, and expend the full revenues derived from any and all lawful revenue sources generated in any previous or future year, without regard to any spending or other limitations. The District transferred \$50,000 from the Debt Service Fund to the General Fund for operating costs.

North Fork Water Conservancy District
Delta County, Colorado
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 11,000	\$ 10,915	\$ (85)
S.O. Auto taxes	10,000	11,160	1,160
Investment income	1,000	1,312	312
Miscellaneous	200	42,221	42,021
Total revenues	<u>22,200</u>	<u>65,608</u>	<u>43,408</u>
Expenditures			
Administration	17,600	13,499	4,101
Operations	33,300	82,404	(49,104)
Miscellaneous	4,000	20,055	(16,055)
Total expenditures	<u>54,900</u>	<u>115,958</u>	<u>(61,058)</u>
Excess revenues over (under) expenditures	(32,700)	(50,350)	(17,650)
Fund balances - January 1	37,877	28,232	(9,645)
Residual transfer	-	50,000	50,000
Fund balances - December 31	<u>\$ 5,177</u>	<u>\$ 27,882</u>	<u>\$ 22,705</u>

See accompanying notes to the basic financial statements.

North Fork Water Conservancy District
Delta County, Colorado
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 89,826	\$ 89,467	\$ (359)
Intergovernmental	1,200	3,200	2,000
Total revenues	<u>91,026</u>	<u>92,667</u>	<u>1,641</u>
Expenditures			
Debt service payment	34,118	34,118	-
Bureau of reclamation rent	1,200	1,200	-
Total expenditures	<u>35,318</u>	<u>35,318</u>	<u>-</u>
Excess revenues over (under) expenditures	55,708	57,349	1,641
Fund balance - January 1	712,601	705,419	(7,182)
Residual transfer	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Fund balance - December 31	<u>\$ 768,309</u>	<u>\$ 712,768</u>	<u>\$ (55,541)</u>

See accompanying notes to basic financial statements.