

Annual Financial Report 2016



Southeastern Colorado
Water Conservancy District
www.SECWCD.com

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2016



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southeastern Colorado Water Conservancy District
Pueblo, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Southeastern Colorado Water Conservancy District (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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to an entity's preparation and fair presentation of the financial statement 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 an 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.

INDEPENDENT AUDITORS' REPORT - CONTINUED

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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, business type activities and each major fund of the District as of December 31, 2016, and the respective change in financial position and cash flows thereof for the year then ended in conformity 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 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 inquires 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 Schedule of Revenues and Expenditures – Water Activity Enterprise Fund – Budget and Actual and the Schedule of Revenues and Expenditures – General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures – Water Activity Enterprise Fund – Budget and Actual and the Schedule of Revenues and Expenditures – General Fund are 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures – Water Activity Enterprise Fund – Budget and Actual and the Schedule of Revenues and Expenditures – General Fund are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Osborne, Parsons & Mearns LLP

Colorado Springs, Colorado
April 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion and analysis is to provide an overview of the Southeastern Colorado Water Conservancy District's financial condition and operating results of the past year and to inform our constituents about the District's financial issues and activities. We encourage readers to consider all of the information presented here including the independent auditors' report, the basic financial statements, notes, and supplementary information.

Government wide activities and assets include both the Governmental (District) and the Proprietary (Enterprise) Fund. The District functions as a Governmental Fund with one set of standard accounting policies and the Enterprise functions as a Business-type proprietary fund with a different set of standard accounting policies both in accordance with generally accepted accounting principles. These policies are discussed in the summary of significant accounting policies in Note one to the financial statements. Reconciliations for the Governmental Fund and activities are necessary in order to make a consolidated presentation.

FINANCIAL HIGHLIGHTS

1. Government wide assets exceed its liabilities and deferred inflows of resources by \$127,790,348 at December 31, 2016. The District's ongoing obligations may use the unrestricted net position of the governmental activities totaling \$8,524,699 at December 31, 2016. Unrestricted net position of the business-type activity totals \$9,647,815 at December 31, 2016 and may be used to meet ongoing obligations. The combined total of unrestricted net position available to meet ongoing obligations is \$18,172,514.
2. The District's net position (government wide) increased from \$121,850,662 at December 31, 2015 to \$127,790,348 at December 31, 2016. This is an increase of \$5,939,686 or 4.65 percent during the year ended December 31, 2016.
3. The most significant asset of the District is its perpetual water rights that are reported at \$132,237,478. Note five presents more detail relating to the District's capital assets. To calculate the government wide Net Position of \$127,790,348, the carrying value of the perpetual water rights and land is combined with other assets and long-term liabilities, along with deferred inflows of resources. The Statement of Net Position clearly illustrates these details.
4. The District's debt consists primarily of the amounts due to the U.S. Bureau of Reclamation (Reclamation) totaling \$23,857,045 at December 31, 2016. This includes both the obligation related to the Governmental activities Fryingpan-Arkansas Project (Project) construction contract and the Business-type activities Safety of Dams obligation. This represents a net decrease for both of \$5,905,043 during the year ended December 31, 2016. Note six presents the detail of these obligations.

OVERVIEW

This annual report includes a series of financial statements. In addition to this Management's Discussion and Analysis (MD&A), the report consists of (1) government wide statements, (2) fund financial statements, (3) the notes to the financial statements, (4) required supplementary information, and (5) additional information.

The first two basic statements present a government wide view of the District's finances. All District operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic governmental and administrative services, the repayment of primary debt, and the protection of the District's water rights. The District's business-type activities carried out by the Proprietary Fund include the sale and administration of water from the Fryingpan-Arkansas Project, related surcharges, and Return Flows. The Safety of Dams repayment obligation is a long-term debt of the business activity. Projects include: (1) The Arkansas Valley Conduit Project, (2) the Excess Capacity Master Contract, (3) Enlargement of the Pueblo Reservoir and Turquoise Lake, (4) a Lease of Power Privilege for Hydroelectric Power at the Pueblo Dam, and (5) other water issues and projects as identified by the Board of Directors. These government wide statements are designed to present both the governmental and business-type activities as a consolidated total for the District.

BASIC FINANCIAL STATEMENTS

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets of the District, the liabilities it owes and its deferred inflows and the net difference at December 31, 2016. The net difference is further separated into amounts for net investment in capital assets, restricted for specific purposes, and unrestricted amounts. Governmental activities are reported on the accrual basis of accounting. The Statement of Net Position demonstrates that the District is in a solid position for future operations with net position that has steadily increased in recent years.
- The Statement of Activities focuses on the gross and net costs of the District's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's ability to determine the extent to which the programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on the governmental fund and the proprietary fund. Governmental fund statements follow the more traditional presentation of financial statements and include a reconciliation of the governmental Fund Balance Sheet to the Statement of Net Position and a reconciliation of the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities. Statements for the District's proprietary fund follow the governmental fund and include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.

- The notes to the financial statements provide additional disclosures required by generally accepted accounting principles and provide information to assist the reader in understanding the District's financial condition.

The MD&A is intended to explain the significant changes in the financial position and differences in operations between current and prior years. The MD&A includes currently known information that management is aware of at the date of the auditor's report. Please read it in conjunction with the District's financial statements that follow this section.

GOVERNMENT WIDE

The District had a successful year in 2016. We continued to make timely repayments on our long-term debt while maintaining our capital assets and our financial investment reserves. The total Net Position is the best indicator in this presentation of a successful year as it displays the increased net position at December 31, 2016.

Government Wide Condensed Statement of Net Position December 31

| | 2016 | 2015 | Dollar Change |
|----------------------------------|-----------------------------|-----------------------------|---------------------------|
| Current and other assets | \$32,521,446 | \$32,165,277 | \$356,169 |
| Capital Assets, net | 132,894,059 | 132,959,032 | (64,973) |
| Total Assets | <u>165,415,505</u> | <u>165,124,309</u> | <u>291,196</u> |
| Current and other liabilities | 12,213,282 | 11,867,749 | 345,533 |
| Long-term liabilities | 17,969,637 | 24,035,296 | (6,065,659) |
| Total Liabilities | <u>30,182,919</u> | <u>35,903,045</u> | <u>(5,720,126)</u> |
| Deferred inflows of resources | 7,442,238 | 7,370,602 | 71,636 |
| Net investment in capital assets | 109,467,834 | 103,687,764 | 5,780,070 |
| Restricted for TABOR | 150,000 | 150,000 | 0 |
| Unrestricted | 18,172,514 | 18,012,898 | 159,616 |
| Total Net Position | <u><u>\$127,790,348</u></u> | <u><u>\$121,850,662</u></u> | <u><u>\$5,939,686</u></u> |

GOVERNMENTAL ACTIVITIES

The following table compares revenues and expenses for the governmental activities for 2016 and 2015.

**Condensed Comparative Statement of Activities
Governmental Activities
Year Ending December 31**

| | 2016 | 2015 | Dollar Change |
|----------------------------------|-----------------------------|-----------------------------|---------------------------|
| Revenues | | | |
| Program revenues | | | |
| Charges for services | \$7,082,649 | \$8,269,317 | (\$1,186,668) |
| Grants | - | 44,460 | (44,460) |
| General Revenues | | | |
| Property taxes | 7,348,612 | 6,942,496 | 406,116 |
| Specific ownership taxes | 820,957 | 764,194 | 56,763 |
| Investment earnings | 59,005 | 97,243 | (38,238) |
| Insurance Recovery | 0 | 87,433 | (87,433) |
| Other | 8,072 | 10 | 8,062 |
| Total Revenues | <u>15,319,295</u> | <u>16,205,153</u> | <u>(885,858)</u> |
| Expenses | | | |
| General government | 9,282,329 | 9,324,016 | (41,687) |
| Total Expenses | <u>9,282,329</u> | <u>9,324,016</u> | <u>(41,687)</u> |
| Change in net position | 6,036,966 | 6,881,137 | (844,171) |
| Net position, beginning of year | <u>112,105,567</u> | <u>105,224,430</u> | <u>6,881,137</u> |
| Net position, end of year | <u>\$118,142,533</u> | <u>\$112,105,567</u> | <u>\$6,036,966</u> |

The contract between the District and Reclamation stipulates that the District is responsible for repayment of a portion of the costs of the Fryingpan-Arkansas Project. The total estimated repayment obligation for the District was \$132,237,478. This represented \$74,348,993 allocated to agriculture and \$57,888,485 allocated to municipal and industrial. Each year the District also incurs operating and maintenance costs.

Strategically the District analyzes the primary debt of the Fryingpan-Arkansas Project and the rate that the debt is retired. Reclamation estimates that the primary debt will be paid by 2020. Due to the acceleration of payments, negotiations with Reclamation and other related parties ensued to maximize the financial soundness of the entire Project including all related elements.

In July of 2014 the District and Reclamation signed the tenth amendment to the Fryingpan-Arkansas Project for the Safety of Dams construction at Twin Lakes Dam. The Safety of Dams at Twin Lakes will be funded by ad valorem tax revenue and will not affect the future operating revenue of the District. In 2016, the District recognized the first changes for the tenth amendment activities.

Reclamation applies miscellaneous revenues collected by Reclamation to the District's repayment contract for the Fryingpan-Arkansas Project. It was determined that other features

might also be paid off with the revenue. These features include the South Outlet construction on the Pueblo Dam, Ruedi Reservoir and the Fountain Valley Authority primary debt. A smaller portion of collected miscellaneous revenue continues to be used towards the primary debt of the Fryingpan-Arkansas Project. The future use of these funds will be applied towards the Arkansas Valley Conduit, a feature that has not yet been completed, but part of the original Fryingpan - Arkansas Project authorization. It is estimated the repayment of this project will begin when final construction of the project is completed.

An increase in property tax revenues reflects a growth in the local economy. Assessments are done in the year prior to receipt of ad valorem tax. This increased the revenue by \$406,116 that is used to repay the primary debt. The Specific Ownership taxes also increased in 2016 by \$56,763.

The general government expense during 2016 was mainly consistent compared to the prior year. In 2016, the District purchased and implemented a security and camera system. The system ensures that the District building and grounds are secure and protected. The total capital expenditures total \$11,107 in 2016.

BUSINESS TYPE ACTIVITIES

The Business Activity Enterprise (Enterprise) functions from a solid financial base; however, the success of the proprietary fund is more accurately measured by the impact that it has facilitating projects within the District that benefit our constituents. In 2016 negotiations and the contract was completed for the Excess Capacity Master Contract. The Excess Capacity Master Contract is a forty-year contract starting in 2017 for participant storage in Pueblo Reservoir. The Enterprise has also seen positive movement in the Hydroelectric Power Project on Pueblo Dam. The development of hydroelectric power as an additional revenue source that will significantly increase the future financial activity within the Proprietary Fund.

Progress continues to be made in serving as a leader for community water development projects. Arkansas Valley Conduit continues to move forward with the U.S. Bureau of Reclamation and the District staff working toward the final design of the project.

In 2016, Project water and Return Flow water sales produced \$413,013. Water sales have a direct effect on related surcharges collected, which include the Safety of Dams for Pueblo Dam, Environmental and the Water Activity Enterprise.

In 2016, the Safety of Dams for Pueblo Dam surcharge was \$210,035, the Environmental Stewardship surcharge was \$226,649 and the Water Activity Enterprise surcharge was \$239,662. Total 2016 surcharge revenue was \$676,346.

The following table compares revenues and expenses for the business type activities for 2016 and 2015.

**Comparative Statement of Activities
Business-Type Activities
Year Ending December 31**

| | <u>2016</u> | <u>2015</u> | <u>Dollar Change</u> |
|------------------------------|---------------------------|---------------------------|--------------------------|
| Revenues | | | |
| Program Revenues | | | |
| Charges for services & sales | \$1,547,952 | \$1,668,504 | (\$120,552) |
| Intergovernmental revenue | 36,941 | 294,656 | (257,715) |
| General Revenues | | | |
| Investment earnings | <u>118,052</u> | <u>103,800</u> | <u>14,252</u> |
| Total Revenues | <u>1,702,945</u> | <u>2,066,960</u> | <u>(364,015)</u> |
| Expenses | | | |
| Water Activity Enterprise | <u>1,800,225</u> | <u>1,897,046</u> | <u>(96,821)</u> |
| Total Expenses | <u>1,800,225</u> | <u>1,897,046</u> | <u>(96,821)</u> |
| Change in net position | (97,280) | 169,914 | (267,194) |
| Net position, January 1 | <u>9,745,095</u> | <u>9,575,181</u> | <u>(169,914)</u> |
| Net position, December 31 | <u>\$9,647,815</u> | <u>\$9,745,095</u> | <u>\$97,280</u> |

BUDGET ANALYSIS

In December 2015, the District's Board of Directors adopted a budget for the Governmental Fund for the calendar year 2016 following a public hearing as required by state law. The original budgeted appropriation for the year ended December 31, 2016 totaled \$14,856,909. The District chose not to modify the expenditures by amendment in 2016. Actual expenditures for 2016 totaled \$14,273,173. The variance of \$583,736 in the budget analysis is mainly due to a delay in project and programs. The required supplementary information schedule details the general fund budgetary comparison.

Located in the Additional Information portion is a budgetary comparison of the Business Activities of the Enterprise. In December 2016, the Enterprise's Board of Directors adopted a budget for the Business Activities fund for the calendar year 2016 following a public hearing as required by state law. The original budgeted appropriations for the year ended December 31, 2016 totaled \$7,659,956. The Enterprise chose not to modify the expenditures by amendment in 2016. Actual expenditures for 2016 totaled \$1,860,225. The variance of \$5,799,731 is due to a delay in the Hydroelectric Power Project on Pueblo Dam.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At December 31, 2016, the District had \$132,257,570 invested in perpetual water rights and land classified as a non-depreciable capital asset. Office furniture and equipment was inventoried and obsolete items removed from the asset list. Note five details the capital assets.

**Capital Assets
as of December 31**

| | 2016 | 2015 |
|----------------------------|----------------------|----------------------|
| Nondepreciable Assets | | |
| Perpetual water rights | \$132,237,478 | \$132,237,478 |
| Land | 20,092 | 20,092 |
| | 132,257,570 | 132,257,570 |
| Depreciable Assets | | |
| Buildings and Improvements | 1,290,458 | 1,279,351 |
| Furniture & Equipment | 381,017 | 413,715 |
| | 1,671,475 | 1,693,066 |
| Accumulated Depreciation | (1,034,986) | (991,604) |
| Capital Assets, Net | \$132,894,059 | \$132,959,032 |

The District utilizes the collection of ad valorem property tax and Winter Water storage charges to retire the debt. Reclamation credits miscellaneous revenue to the repayment of the Project debt based on contracts for use of Fryingpan-Arkansas facilities for storage and delivery of non-Project water. Ad valorem property tax also pays operating and maintenance costs.

The repayment contract period is for 40 years with an extension of ten years. The District is well within this time period with an estimated principal balance owed at December 31, 2016 of \$23,426,225. Future payments will be applied to operating and maintenance cost first, and then to the agriculture portion of the original construction which is free of interest.

In addition to the obligation for the original reimbursable construction costs, another contract was entered into on July 15, 1998 with Reclamation for the repayment of funds expended for a federally performed Safety of Dams modification program. The proprietary fund pays \$60,000 per year from surcharge fees collected on water activities within the District boundaries for the agricultural portion of debt. The municipal portion was paid off in 2010. The balance of this contract obligation at December 31, 2016 totals \$430,820.

FINANCIAL CONTACT

The District's financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. Any questions should be directed to the staff at the Southeastern Colorado Water Conservancy District office at 31717 United Avenue, Pueblo, Colorado, 81001.

BASIC FINANCIAL STATEMENTS

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

| | Primary Government | | |
|-------------------------------------------------------|----------------------------|-----------------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 635,694 | \$ - | \$ 635,694 |
| Investments | 7,260,558 | 11,302,519 | 18,563,077 |
| Receivables | 7,533,533 | 116,533 | 7,650,066 |
| Internal balances | 908,993 | (908,993) | - |
| Prepaid contract obligation and other assets | 5,657,357 | 15,252 | 5,672,609 |
| Capital assets - | | | |
| Land and nondepreciable capital assets | 132,257,570 | - | 132,257,570 |
| Other capital assets, net of accumulated depreciation | 636,489 | - | 636,489 |
| Total Capital Assets | 132,894,059 | - | 132,894,059 |
| TOTAL ASSETS | 154,890,194 | 10,525,311 | 165,415,505 |
| LIABILITIES | | | |
| Accounts payable | 39,376 | 44,552 | 83,928 |
| Advance on contract obligation | 5,355,898 | - | 5,355,898 |
| Outside agency deposits | - | 390,706 | 390,706 |
| Other advance deposits | 261,261 | 11,418 | 272,679 |
| Long-term liabilities - | | | |
| Due within one year - | | | |
| Contracts | 5,971,655 | 60,000 | 6,031,655 |
| Compensated absences | 78,416 | - | 78,416 |
| Due in more than one year - | | | |
| Contracts | 17,454,570 | 370,820 | 17,825,390 |
| Compensated absences | 144,247 | - | 144,247 |
| TOTAL LIABILITIES | 29,305,423 | 877,496 | 30,182,919 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes | 7,442,238 | - | 7,442,238 |
| NET POSITION | | | |
| Net investment in capital assets | 109,467,834 | - | 109,467,834 |
| Restricted for labor | 150,000 | - | 150,000 |
| Unrestricted | 8,524,699 | 9,647,815 | 18,172,514 |
| TOTAL NET POSITION | \$ 118,142,533 | \$ 9,647,815 | \$ 127,790,348 |

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | |
|-------------------------------------------------------|-----------------|---------------------------------|---------------------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> |
| Governmental activities - | | | |
| General government | \$ 9,282,329 | \$ 7,082,649 | \$ - |
| Total governmental activities | 9,282,329 | 7,082,649 | - |
| Business-type activities - | | | |
| Water activity | 1,800,226 | 1,547,953 | 36,941 |
| Total business-type activities | 1,800,226 | 1,547,953 | 36,941 |
| TOTAL | \$ 11,082,555 | \$ 8,630,602 | \$ 36,941 |
| General revenues - | | | |
| Property taxes levied for general government purposes | | | |
| Property taxes levied for specific purposes | | | |
| Specific ownership taxes | | | |
| Unrestricted investment earnings | | | |
| Other | | | |
| Total general revenues | | | |
| Change in net position | | | |
| Net position, January 1 | | | |
| Net position, December 31 | | | |

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue
and Change in Net Position

| <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | <u>Total</u> |
|------------------------------------------|-------------------------------------------|----------------------|
| \$ (2,199,680) | \$ - | \$ (2,199,680) |
| <u>(2,199,680)</u> | <u>-</u> | <u>(2,199,680)</u> |
| - | (215,332) | (215,332) |
| <u>-</u> | <u>(215,332)</u> | <u>(215,332)</u> |
| <u>(2,199,680)</u> | <u>(215,332)</u> | <u>(2,415,012)</u> |
| 273,760 | - | 273,760 |
| 7,074,852 | - | 7,074,852 |
| 820,957 | - | 820,957 |
| 59,005 | 118,052 | 177,057 |
| 8,072 | - | 8,072 |
| <u>8,236,646</u> | <u>118,052</u> | <u>8,354,698</u> |
| 6,036,966 | (97,280) | 5,939,686 |
| <u>112,105,567</u> | <u>9,745,095</u> | <u>121,850,662</u> |
| <u>\$118,142,533</u> | <u>\$ 9,647,815</u> | <u>\$127,790,348</u> |

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2016**

| | <u>General Fund</u> |
|-------------------------------------------------------------------------------|-----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 635,694 |
| Investments | 7,260,558 |
| Receivables | 7,533,533 |
| Due from other fund | 908,993 |
| Prepaid contract obligation and other prepaid items | <u>5,657,357</u> |
| TOTAL ASSETS | <u><u>\$ 21,996,135</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | |
| Liabilities - | |
| Accounts payable | \$ 39,376 |
| Advance on contract obligation | 5,355,898 |
| Other advance deposits | <u>261,261</u> |
| Total Liabilities | <u>5,656,535</u> |
| Deferred inflows of resources - | |
| Property taxes | <u>7,442,238</u> |
| Total deferred inflows of resources | <u>7,442,238</u> |
| Total liabilities and deferred inflows of resources | <u>13,098,773</u> |
| Fund balances - | |
| Nonspendable | 1,210,452 |
| Restricted | 150,000 |
| Committed | 7,000,000 |
| Assigned | 195,495 |
| Unassigned | <u>341,415</u> |
| Total fund balances | <u>8,897,362</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u><u>\$ 21,996,135</u></u> |

The accompanying notes are an integral part of this statement.

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

| | | |
|----------------------------------------|--|--------------|
| Total fund balance - governmental fund | | \$ 8,897,362 |
|----------------------------------------|--|--------------|

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. The cost of these assets is capitalized and expensed over their estimated useful lives in the statement of net position and the statement of activities

| | | | |
|--------------------------|--------------------|-------------|--|
| Cost of capital assets | \$ 133,929,045 | | |
| Accumulated depreciation | <u>(1,034,986)</u> | 132,894,059 | |

Liabilities that are not due and payable in the current period are not reported in the governmental fund but are reported in the statement of net position as follows:

| | | | |
|----------------------|------------------|---------------------|--|
| Contract payable | (23,426,225) | | |
| Compensated absences | <u>(222,663)</u> | <u>(23,648,888)</u> | |

| | | |
|----------------------------------------------|--|-----------------------|
| Total net position - governmental activities | | <u>\$ 118,142,533</u> |
|----------------------------------------------|--|-----------------------|

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2016**

| | <u>General Fund</u> |
|---------------------------------------------|-------------------------|
| REVENUES | |
| Property taxes | \$ 7,348,611 |
| Specific ownership taxes | 820,957 |
| Fountain Valley Authority contract revenue | 5,355,898 |
| Winter water storage | 164,985 |
| Charges for services | 919,631 |
| Investment revenue | 59,005 |
| Other | 8,074 |
| TOTAL REVENUES | 14,677,161 |
| EXPENDITURES | |
| Current - | |
| Outside services | 369,024 |
| Personnel expense | 1,195,763 |
| Travel and related expenses | 39,553 |
| Office and administrative expenses | 185,044 |
| Collection fees | 121,807 |
| Winter water storage | 164,985 |
| Fountain Valley Authority contract payments | 5,355,898 |
| Bureau operations, maintenance and repairs | 1,748,891 |
| Capital outlay | 11,107 |
| Debt service - | |
| Principal | 5,202,908 |
| TOTAL EXPENDITURES | 14,394,980 |
| NET CHANGE IN FUND BALANCE | 282,181 |
| FUND BALANCE, January 1 | 8,615,181 |
| FUND BALANCE, December 31 | \$ 8,897,362 |

The accompanying notes are an integral part of this statement.

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

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------|
| Net change in fund balance - governmental fund | \$ | 282,181 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| <p>Capital outlays are reported in the governmental fund as expenditures; however, these costs are reported in the statement of net position and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay</p> | | |
| Depreciation expense | \$ | (69,372) |
| Capital outlay | <u>11,107</u> | (58,265) |
| <p>In the statement of activities, the disposition of capital assets generates a gain or loss and is reported as such. The gain or loss on disposition is not a current financial resource or loss and thus is not reported in the fund</p> | | |
| | | (6,708) |
| <p>In the statement of activities, revenues received by the Bureau of Reclamation from other entities are reported as program revenues since these revenues reduce the District's contract obligation. However, these amounts do not represent current financial resources and thus are not reported in the fund. Also, other credits provided by the Bureau of Reclamation that reduce the contract obligation are not recognized in the fund</p> | | |
| | | 642,135 |
| <p>The governmental fund reports the principal repayment of the contract obligation as an expenditure</p> | | |
| | | 5,202,908 |
| <p>In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amounts actually paid. This year the amount earned \$(103,702) was more than the amount paid \$(78,417)</p> | | |
| | | <u>(25,285)</u> |
| Change in net position - governmental activities | \$ | <u><u>6,036,966</u></u> |

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2016**

| | <u>Enterprise Fund</u> |
|-------------------------------------|----------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ - |
| Investments | 4,854,488 |
| Accounts receivable | 96,618 |
| Accrued interest receivable | 19,915 |
| Prepaid expenses | 15,252 |
| TOTAL CURRENT ASSETS | <u>4,986,273</u> |
| OTHER ASSETS | |
| Investments | 6,448,031 |
| TOTAL OTHER ASSETS | <u>6,448,031</u> |
| TOTAL NONCURRENT ASSETS | <u>6,448,031</u> |
| TOTAL ASSETS | <u>11,434,304</u> |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable | 44,552 |
| Contract with Bureau of Reclamation | 60,000 |
| Outside agency deposits | 390,706 |
| Other advance deposits | 11,418 |
| Due to other fund | 908,993 |
| TOTAL CURRENT LIABILITIES | <u>1,415,669</u> |
| NONCURRENT LIABILITIES | |
| Contract with Bureau of Reclamation | 370,820 |
| TOTAL NONCURRENT LIABILITIES | <u>370,820</u> |
| TOTAL LIABILITIES | <u>1,786,489</u> |
| NET POSITION | |
| Unrestricted | 9,647,815 |
| TOTAL NET POSITION | <u>\$ 9,647,815</u> |

The accompanying notes are an integral part of this statement.

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2016**

| | <u>Enterprise Fund</u> |
|------------------------------------|----------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 1,547,952 |
| TOTAL OPERATING REVENUES | <u>1,547,952</u> |
| OPERATING EXPENSES | |
| Outside services | 836,166 |
| Office and administrative expenses | 919,886 |
| Travel and related expenses | 5,303 |
| Legislative and water education | 38,870 |
| TOTAL OPERATING EXPENSES | <u>1,800,225</u> |
| OPERATING INCOME (LOSS) | <u>(252,273)</u> |
| NONOPERATING REVENUES | |
| Intergovernmental revenue | 36,941 |
| Interest revenue | 118,052 |
| TOTAL NONOPERATING REVENUES | <u>154,993</u> |
| CHANGE IN NET POSITION | <u>(97,280)</u> |
| NET POSITION, January 1 | <u>9,745,095</u> |
| NET POSITION, December 31 | <u><u>\$ 9,647,815</u></u> |

The accompanying notes are an integral part of this statement.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2016

| | <u>Enterprise Fund</u> |
|-------------------------------------------------------------------------------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 1,619,443 |
| Cash paid for goods and services | (1,912,460) |
| Receipts for interfund services | <u>315,588</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>22,571</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Intergovernmental revenue received | <u>36,941</u> |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>36,941</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Payment on contract obligation | <u>(60,000)</u> |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(60,000)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Acquisition of investments | (1,800,634) |
| Maturity and sales of investments | 1,690,000 |
| Investment revenue received | <u>111,122</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>488</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | - |
| CASH AND CASH EQUIVALENTS, January 1 | <u>-</u> |
| CASH AND CASH EQUIVALENTS, December 31 | <u>\$ -</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income (loss) | \$ (252,273) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities - | |
| Change in assets and liabilities - | |
| Accounts receivable | 60,073 |
| Prepaid expenses | (1,822) |
| Accounts payable | (110,413) |
| Other advance deposits | 11,418 |
| Due to other funds | <u>315,588</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 22,571</u> |
| SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | |
| Change in fair value of investments | <u>\$ 9,870</u> |

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southeastern Colorado Water Conservancy District (the District) was created in 1958 under Colorado statutes to manage water resources of the Arkansas River Basin and to function as the legal taxing agency for the administration of the Fryingpan-Arkansas project and contracting agent with the federal government for reimbursable costs of the project.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting practices used by the District are described below.

A. REPORTING ENTITY

As required by generally accepted accounting principles, the District (the primary government) includes, if applicable, component units in its financial statements based upon financial accountability. Inasmuch as no component unit meets the criteria for inclusion, no component unit financial statements have been included.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements, which include the statement of net position and the statement of activities, report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a function or activity. Program revenues include, if applicable, (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other internally dedicated resources are reported as general revenues rather than program revenues. The net cost by function or business-type activity is normally covered by general revenues such as property taxes, specific ownership taxes or other unrestricted revenues.

Separate fund financial statements are provided for the major governmental fund and the major proprietary fund.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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, as are the fund financial statements for the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied, while grants and similar items are recognized as revenue when all eligibility requirements are met.

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

Property taxes, specific ownership taxes, interest and charges for services are considered revenues susceptible to accrual. Contributions and miscellaneous revenue are recorded as revenues when received in cash because they are not generally measurable until received in cash.

Business-type activities and the proprietary fund are accounted for using the flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the activity or fund are included on the statement of net position. The proprietary fund-type operating statement presents increases (revenues) and decreases (expenses) in net position. The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operation. The principal operating revenues of the District's water activity enterprise are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, along with administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

GOVERNMENTAL FUND

The District reports the following major governmental fund:

- The general fund is the primary operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources of the District except those required to be accounted for in a separate fund. Major revenue sources include property taxes, specific ownership taxes, and contractual revenue. Primary expenditures include general government and debt service.

PROPRIETARY FUND

The following is a description of the major proprietary fund of the District:

- The water activity fund includes the sale and administration of water for the Fryingpan-Arkansas project, related surcharges and return flows. In addition, this fund is responsible for the safety of dams repayment obligation. Other projects accounted for in this fund include (1) the environmental impact study and water conservation program for the Arkansas Valley Conduit; (2) an excess capacity water contract; (3) possible enlargement of the Pueblo Reservoir and Turquoise Lake and (4) a lease of power privilege for hydroelectric power at the Pueblo Dam. This fund also may include other water related issues and projects as identified by the board of directors.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this rule is the administrative charge imposed on the water activity enterprise fund by the general fund. Elimination of this charge would distort the direct costs and program revenues reported for the functions affected.

D. BUDGETARY PRINCIPLES

The District adheres to the following procedures in establishing its budgets:

On or before October 15 of each year, the budget officer submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments and the District adopts budgets for all funds. All funds, including the enterprise fund, use the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law through the passage of appropriation resolutions. Budgetary control exists at the total fund level and the budget amounts reported reflect all amendments, if any, enacted by the District.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

E. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consist of interest and non-interest-bearing demand deposits. Investments include money market mutual funds and U.S. agency securities that are reported at fair value. Any related unrealized gain or loss is included as part of investment revenue.

For purposes of the statement of cash flows, the District considers demand deposits to be cash and cash equivalents.

F. PROPERTY TAXES

Property taxes are levied by December 15 of each year based on the assessed value of property as certified by the County Assessor in each county within the District's boundaries by the previous December 10th. Assessed values are a percentage of actual values and a reevaluation of all property must be made every two years. The last reevaluation date was January 1, 2016 for the 2014 base year specified by state law.

The taxes levied by December 15, 2016 reflect 2016 property taxes that will be collected in 2017 by the County Treasurer in each county within the District's boundaries. Taxes collected by each Treasurer are remitted to the District on a monthly basis. These taxes are due January 2, 2017 and may be paid in two installments (February 28 and June 15) or they may be paid in full April 30. Taxes not paid in accordance with this schedule accrue interest and penalty charges and are subject to liens if not paid by November.

G. 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, if applicable, as "due from other funds" and "due to other funds" in the fund financial statements.

H. PREPAID ITEMS

Prepaid items represent payments made for expenditures to be charged to a future accounting period and are recognized using the consumption method. The prepaid contract obligation reported in the governmental activities and the general fund are also reported as a liability since the collection of the funds occurs prior to the accounting period for which it is effective and is characterized as an exchange transaction under generally accepted accounting principles.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

I. CAPITAL ASSETS

Capital assets, which include perpetual water rights, land, buildings and improvements, along with furniture and equipment are reported in the governmental activity column of the government-wide financial statements. The District previously established a capitalization threshold of \$5,000. This level was set so as to maintain a balance between accountability and managing the costs of recording and tracking these assets. Capital assets are defined as assets with an initial individual cost or estimated cost that equals or exceeds the limit identified above and have a useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at acquired value at the time received. Normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of assets constructed when material. No interest was capitalized during the year ended December 31, 2016.

Capital assets of the District, except for land and perpetual water rights, are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Governmental Activities</u> |
|----------------------------|--------------------------------|
| Buildings and improvements | 5-30 |
| Furniture and equipment | 3-10 |

Perpetual water rights represent the District's share of the original costs of construction and are not depreciated or amortized. The original contract between the United States Bureau of Reclamation and the District grants the District perpetual rights to use water made available by the project. Project property and all related facilities remain in the exclusive control, possession and ownership of the United States.

J. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate vacation and sick pay benefits up to predetermined maximums and are compensated for these accumulated vacation and sick pay benefits either through paid time off or at termination or retirement.

Accumulated vacation and sick leave is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured; for example, as a result of employee resignations and retirements.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

K. LONG-TERM LIABILITIES

In the government-wide financial statements and the fund financial statements for the enterprise fund, the safety of dams contract obligation to the Bureau of Reclamation is reported as a liability in the applicable statement of net position. No imputed interest is considered in relation to this obligation.

L. FUND EQUITY

The governmental fund reports fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for the District's governmental fund consists of the following:

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term fund advances.
- Restricted – includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.
- Committed – includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the District's board of directors. Commitments may be modified or changed only by the District's board of directors approving a new resolution. Commitments also include contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned – includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District's board of directors to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget.
- Unassigned – this is the residual classification for the general fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

- Net investment in capital assets – this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction or improvement of capital assets.
- Restricted net position – this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.
- Unrestricted net position – this classification represents the remainder of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

When both restricted and unrestricted resources are available for net position use, it is the District’s policy to use restricted resources first and then use unrestricted resources as they are needed.

M. INTERFUND TRANSACTIONS

Interfund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers.

N. ESTIMATES

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

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments are summarized as follows:

| | |
|----------------------------------------------|----------------------|
| Cash and cash equivalents | |
| Demand deposits | <u>\$ 635,694</u> |
| Investments | |
| U.S. agency securities | \$ 17,782,748 |
| Money market mutual funds held at brokerages | <u>780,329</u> |
| | <u>\$ 18,563,077</u> |

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

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

DEPOSITS

At December 31, 2016, the carrying amount of the District's deposits was \$635,694 and the bank balance was \$674,652. Of the bank balance, \$257,502 was covered by federal depository insurance and \$417,150 was collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The fair value of the collateral that each institution pledges as security must equal at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk parallels Colorado statutes as described above. At December 31, 2016, deposits with a bank balance of \$417,150 are not insured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the District's name.

INVESTMENTS

The District is subject to the provisions of Colorado Revised Statutes 24-75-601 which is entitled "Concerning Investment in Securities by Public Entities". This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts, and U.S. dollar-denominated corporate or bank debt. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

At December 31, 2016, the District had the following investments and maturities:

| | Fair Value | Investment Maturity (in years) | |
|---------------------------|----------------------|-----------------------------------|----------------------|
| | | <u>Less than 1</u> | <u>1-5</u> |
| Money market mutual funds | \$ 780,329 | \$ 780,329 | \$ - |
| U.S. agency securities | <u>17,782,748</u> | <u>5,198,601</u> | <u>12,584,147</u> |
| | <u>\$ 18,563,077</u> | <u>\$ 5,978,930</u> | <u>\$ 12,584,147</u> |

The investment maturity tabulation presented above for the U.S. agency securities is based on each security's stated maturity date.

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

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

Interest rate risk – The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – State law limits investments in money market funds to funds that are registered as an investment company; the fund investment policies must seek to maintain a constant price and no sales or bond fee can be added to the purchase or redemption price. The Authority has no investment policy that would further limit its investment choices. As of December 31, 2016, the District's investment in money market funds is rated Aaa-mf by Moody's, while the U.S. agency securities are rated Aaa by Moody's.

The District categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements as of December 31, 2016 consist of the District's U.S. Agency securities and are valued using quoted prices in active markets for identical assets (level 1 inputs). The District's money market mutual funds are not subject to the fair value hierarchy under generally accepted accounting principles.

NOTE 3 – RECEIVABLES

Receivables at December 31, 2016 consist of the following:

| | <u>General Fund</u> |
|----------------|-------------------------------------------|
| Property taxes | \$ 7,442,238 |
| Accounts | 73,942 |
| Interest | <u>17,353</u> |
| | <u>\$ 7,533,533</u> |
| | |
| | <u>Water Activity Enterprise Fund</u> |
| Accounts | \$ 96,618 |
| Interest | <u>19,915</u> |
| | <u>\$ 116,533</u> |

The amount reported above for property taxes totaling \$7,442,238 is also reported as a deferred inflow of resources as required under generally accepted accounting principles.

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

NOTE 4 – INTERFUND RECEIVABLES/PAYABLES

The amounts reported as due from other funds and due to other funds are reflective of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures/expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The interfund receivable/payable totaling \$908,993 includes \$1,580,220 which represents the District's expenses for the proposed hydroelectric power project. It is presently anticipated that this amount will be paid subsequent to December 31, 2017.

NOTE 5 – CAPITAL ASSETS

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

| | Balance January 1, <u>2016</u> | <u>Additions</u> | <u>Deletions</u> | Balance December 31, <u>2016</u> |
|------------------------------------------------------|--------------------------------------|--------------------|-------------------|----------------------------------------|
| Governmental activities – | | | | |
| Nondepreciable assets – | | | | |
| Intangible assets - | | | | |
| Perpetual water rights | \$ 132,237,478 | \$ - | \$ - | \$ 132,237,478 |
| Land | <u>20,092</u> | <u>-</u> | <u>-</u> | <u>20,092</u> |
| Total capital assets not being depreciated | <u>132,257,570</u> | <u>-</u> | <u>-</u> | <u>132,257,570</u> |
| Depreciable assets – | | | | |
| Buildings and improvements | 1,279,351 | 11,107 | - | 1,290,458 |
| Furniture and equipment | <u>413,715</u> | <u>-</u> | <u>(32,698)</u> | <u>381,017</u> |
| Total capital assets being depreciated | <u>1,693,066</u> | <u>11,107</u> | <u>(32,698)</u> | <u>1,671,475</u> |
| Less: accumulated depreciation – | | | | |
| Buildings and improvements | (657,628) | (41,121) | - | (698,749) |
| Furniture and equipment | <u>(333,976)</u> | <u>(28,251)</u> | <u>25,990</u> | <u>(336,237)</u> |
| Total accumulated depreciation | <u>(991,604)</u> | <u>(69,372)</u> | <u>25,990</u> | <u>(1,034,986)</u> |
| Capital assets being depreciated, net | <u>701,462</u> | <u>(58,265)</u> | <u>(6,708)</u> | <u>636,489</u> |
| Total governmental activities capital assets, net | <u>\$ 132,959,032</u> | <u>\$ (58,265)</u> | <u>\$ (6,708)</u> | <u>\$ 132,894,059</u> |

Depreciation expense of \$69,372 was charged to the general government function.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities in the government-wide financial statements for the year ended December 31, 2016:

| | Balance January 1, <u>2016</u> | <u>Increases</u> | <u>Decreases</u> | Balance December 31, <u>2016</u> | <u>Due Within One Year</u> |
|--------------------------------------|--------------------------------------|-------------------------|-------------------------|----------------------------------------|--------------------------------|
| Governmental activities – | | | | | |
| Contract obligation – | | | | | |
| Bureau of | | | | | |
| Reclamation | \$ 29,271,268 | \$ 1,748,891 | \$ 7,593,934 | \$ 23,426,225 | \$ 5,971,655 |
| Compensated absences | <u>197,378</u> | <u>103,702</u> | <u>78,417</u> | <u>222,663</u> | <u>78,416</u> |
| Total governmental activities | <u>\$ 29,468,646</u> | <u>\$ 1,852,593</u> | <u>\$ 7,672,351</u> | <u>\$ 23,648,888</u> | <u>\$ 6,050,071</u> |

Payments on the contract obligation to the Bureau of Reclamation and the compensated absences liability are recorded in the general fund.

| | Balance January 1, <u>2016</u> | <u>Increases</u> | <u>Decreases</u> | Balance December 31, <u>2016</u> | <u>Due Within One Year</u> |
|---------------------------------------|--------------------------------------|------------------|------------------|----------------------------------------|--------------------------------|
| Business-type activities - | | | | | |
| Safety of dams contract obligation | <u>\$ 490,820</u> | <u>\$ -</u> | <u>\$ 60,000</u> | <u>\$ 430,820</u> | <u>\$ 60,000</u> |

The above obligation is serviced by the District's water activity enterprise fund.

The following is a description of each individual issue for the governmental activities:

The original contract obligation to the Bureau of Reclamation totaled \$132,237,478 and represents the District's share of the original costs of construction. The agreement with the Bureau of Reclamation included an agricultural component totaling \$74,348,993 with no interest provision and a municipal and industrial component totaling \$57,888,485 that carried an interest rate of 3.0460% and was completely paid effective September 30, 2009. Principal payments are due in annual installments ranging from \$5,013,293 to \$6,304,622. The agreement allows the Bureau of Reclamation to charge operations, maintenance and repairs incurred by the Bureau of Reclamation to the obligation and also provides for reductions in the obligation for contract revenues collected by the Bureau of Reclamation on behalf of the project.

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

NOTE 6 - LONG-TERM LIABILITIES (Cont'd.)

Due to fiscal year and timing differences between the Bureau of Reclamation and the District, the District estimates the changes in the obligation based on reports provided by the Bureau. The estimated principal balance of the obligation at December 31, 2016 was \$23,426,225.

The estimated debt service requirements for the governmental activities contract obligation with the Bureau of Reclamation is as follows:

| <u>Year Ended December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|----------------------|-----------------|----------------------|
| 2017 | \$ 5,971,656 | \$ - | \$ 5,971,656 |
| 2018 | 6,136,654 | - | 6,136,654 |
| 2019 | 6,304,622 | - | 6,304,622 |
| 2020 | <u>5,013,293</u> | <u>-</u> | <u>5,013,293</u> |
| | <u>\$ 23,426,225</u> | <u>\$ -</u> | <u>\$ 23,426,225</u> |

The safety of dams contract obligation to the Bureau of Reclamation represents the District's share of the agricultural portion of repair costs incurred for the dam. The obligation is due in annual installments of \$60,000 through 2023 with a final payment of \$10,820 due in 2024. There is no provision for interest on this contract.

NOTE 7 – NET POSITION

Restricted net position represents the District's net position whose uses are subject to constraints that are either (1) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Restricted net position for governmental activities is as follows:

| | |
|-------|-------------------|
| Tabor | <u>\$ 150,000</u> |
|-------|-------------------|

Restricted for tabor – This represents an amount that exceeds the 3% minimum requirement as outlined in the Colorado constitution. Under provisions of the Colorado constitution, a portion of the District's net position can be used for declared emergencies only and the District must maintain 3% or more of its fiscal year spending in this restricted account.

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

NOTE 8 – FUND BALANCES

As of December 31, 2016, fund balances are composed of the following:

| | <u>General Fund</u> |
|----------------------------------|-------------------------|
| Nonspendable – | |
| Prepaid items | \$ 301,459 |
| Long-term fund advances | 908,993 |
| Restricted – | |
| Tabor | 150,000 |
| Committed – | |
| Repayment obligation | 5,000,000 |
| Development of enlargement space | 2,000,000 |
| Assigned – | |
| Subsequent year’s budget | 195,495 |
| Unassigned | <u>341,415</u> |
| Total fund balances | <u>\$ 8,897,362</u> |

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, property and casualty, errors and omissions, injuries to employees and health claims. Risks of loss from property and liability coverage are covered by the District’s participation in the Colorado Special District’s property and liability pool which is a separate and independent governmental public entity risk pool formed through intergovernmental agreement by member special districts to provide defined liability and property coverage. The aggregate limit of losses paid by the pool for property claims is limited to \$1,000,000 with commercial company reinsurance covering any losses in excess of that amount up to \$2,000,000. All other risks of loss are handled by the purchase of commercial insurance. Settled claims from the liability pool and commercial policy have not exceeded the insurance coverage in any of the past three years.

NOTE 10 - EMPLOYEE BENEFITS

The District contributes to the Southeastern Colorado Water Conservancy District 401(a) Plan (the Plan), a defined contribution pension plan for its full-time employees. The Plan is administered by AXA Equitable Life Assurance.

Benefit terms, including participation criteria and contribution requirements, for the Plan are established and may be amended by the Board of Directors. For each employee the Plan provides for employer contributions of up to 16% of compensation. For the year ended December 31, 2016, the District recognized pension expense of \$107,383.

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 - EMPLOYEE BENEFITS (Cont'd.)

Employees are immediately vested in District contributions and earnings on those contributions upon becoming a participant which occurs when an employee completes one year of service.

The District also contributes to the Southeastern Colorado Water Conservancy District 457 Plan (the 457 Plan), a defined contribution pension plan for its full-time employees. The Plan is administered by AXA Equi-Vest.

Benefit terms, including contribution requirements, for the 457 Plan are established and may be amended by the Board of Directors. For each employee, the 457 Plan provides for employee voluntary contributions and the District matches those employee contributions up to 5% of compensation. For the year ended December 31, 2016, employee contributions totaled \$52,820 and the District recognized pension expense of \$39,004.

Employees are immediately vested in both the District's contributions and their own contributions, along with the earnings on those contributions.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Colorado voters passed an amendment to the state constitution which contains several limitations, including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment, commonly known as the Tabor amendment, is complex and subject to judicial interpretation; however, the District believes it is in compliance with the requirements of the amendment. The District has made certain interpretations of the amendment's language in order to determine its compliance.

The District has contracted with the U.S. government to repay approximately \$63 million of costs incurred by the U.S. government in the construction of the Fountain Valley conduit which is operated by the Fountain Valley Authority (the Authority). A related contract with the Authority provides that the Authority will pay an annual conveyance service charge to the District in an amount equal to the payment due the U.S. government. Terms of the contract provide that the District is not responsible for repayment in the event of default by the Authority. The 2016 charge and related revenue totaled \$5,355,898. The present value of the future minimum lease payments at December 31, 2016 is \$33,132,461.

In December 2011, the Bureau of Reclamation (BOR) issued a preliminary permit to a partnership consisting of the District, Colorado Springs Utilities (CSU), and the Board of Water Works of Pueblo (PBWW) to plan and study the possibility of hydropower generation at Pueblo Dam River Outlet. The preliminary permit issued by BOR has been extended to August, 2017.

In July, 2014, the BOR and the District approved an amendment to the existing repayment contract whereby the District will be responsible for a portion of the costs for the safety of dams modification on Twin Lakes Dam. It is presently estimated that the District's share of those costs will approximate \$29,900.

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

| | <u>Budgeted Amounts</u> | | Actual Budget Basis | Variance With Final Budget Favorable (Unfavorable) |
|--------------------------------------------------------------|-------------------------|-------------------|---------------------------|-------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 7,364,826 | \$ 7,364,826 | \$ 7,348,611 | \$ (16,215) |
| Collection fees | (112,940) | (112,940) | (121,807) | (8,867) |
| Specific ownership taxes | 644,282 | 644,282 | 820,957 | 176,675 |
| Winter water storage | 140,000 | 140,000 | 164,985 | 24,985 |
| Charges for services | 1,170,749 | 1,170,749 | 919,631 | (251,118) |
| Intergovernmental | 200,000 | 200,000 | - | (200,000) |
| Fountain Valley Authority contract revenue | 5,352,760 | 5,352,760 | 5,355,898 | 3,138 |
| Interest revenue | 97,232 | 97,232 | 59,005 | (38,227) |
| Other | - | - | 8,074 | 8,074 |
| TOTAL REVENUES | <u>14,856,909</u> | <u>14,856,909</u> | <u>14,555,354</u> | <u>(301,555)</u> |
| EXPENDITURES | | | | |
| Current - | | | | |
| Outside services | 446,000 | 446,000 | 369,024 | 76,976 |
| Personnel | 1,326,215 | 1,326,215 | 1,195,763 | 130,452 |
| Travel and related expenditures | 70,727 | 70,727 | 39,553 | 31,174 |
| Office and administrative | 266,467 | 266,467 | 185,044 | 81,423 |
| Legislative and water education | 106,748 | 106,748 | - | 106,748 |
| Winter water storage | 140,000 | 140,000 | 164,985 | (24,985) |
| Fountain Valley Authority contract payments | 5,352,760 | 5,352,760 | 5,355,898 | (3,138) |
| Contingency and other | 155,252 | 155,252 | - | 155,252 |
| Capital outlay | 15,000 | 15,000 | 11,107 | 3,893 |
| Debt service | 6,977,740 | 6,977,740 | 6,951,799 | 25,941 |
| TOTAL EXPENDITURES | <u>14,856,909</u> | <u>14,856,909</u> | <u>14,273,173</u> | <u>583,736</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | |
| | - | - | 282,181 | 282,181 |
| FUND BALANCE, January 1 | | | | |
| | - | - | 8,615,181 | 8,615,181 |
| FUND BALANCE, December 31 | | | | |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,897,362</u> | <u>\$ 8,897,362</u> |

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE BUDGETARY BASIS OF ACCOUNTING
TO GAAP BASIS OF ACCOUNTING
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

BUDGETARY BASIS

Explanation of differences between budgetary revenues and
GAAP revenues and other financing sources

REVENUES

| | |
|------------------------------------------------------------------------------------|----------------|
| Actual amounts (budgetary basis) of revenues from budgetary comparison schedule | \$ 14,555,354 |
| Differences - budget to GAAP - Classification of collection fees | <u>121,807</u> |

| | |
|---------------------------|-----------------------------|
| GAAP BASIS REVENUE | <u><u>\$ 14,677,161</u></u> |
|---------------------------|-----------------------------|

EXPENDITURES

| | |
|----------------------------------------------------------------------------------------|----------------|
| Actual amounts (budgetary basis) of expenditures from budgetary comparison schedule | \$ 14,273,173 |
| Differences - budget to GAAP - Classification of collection fees | <u>121,807</u> |

| | |
|--------------------------------|-----------------------------|
| GAAP BASIS EXPENDITURES | <u><u>\$ 14,394,980</u></u> |
|--------------------------------|-----------------------------|

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016**

BUDGETARY INFORMATION

Southeastern Colorado Water Conservancy District (the District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

On or before October 15, the executive director and the budget officer submits to the board of directors a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the board of directors to obtain taxpayer comments. The District adopts budgets for all funds. The general fund uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budgets.

Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process.

ADDITIONAL INFORMATION

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
WATER ACTIVITY ENTERPRISE FUND
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016**

| | <u>Final Budget</u> | <u>Actual (Non-GAAP Basis)</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--------------------------------------------------------------|-------------------------|----------------------------------------|-------------------------------------------------------------------|
| REVENUES | | | |
| Charges for services | \$ 1,672,509 | \$ 1,547,952 | (124,557) |
| Intergovernmental | 439,475 | 36,941 | (402,534) |
| Revenue collected on behalf of others | 55,000 | - | (55,000) |
| Interest | 76,738 | 118,052 | 41,314 |
| Proceeds from borrowings | 5,200,000 | - | (5,200,000) |
| TOTAL REVENUES | <u>7,443,722</u> | <u>1,702,945</u> | <u>(5,740,777)</u> |
| EXPENDITURES | | | |
| Current - | | | |
| Outside services | 1,878,496 | 836,166 | 1,042,330 |
| Personnel services | 735,745 | 577,132 | 158,613 |
| Office and administrative expenses | 435,100 | 342,754 | 92,346 |
| Travel and related expenses | 46,900 | 5,303 | 41,597 |
| Legislative and water education | 258,000 | 38,870 | 219,130 |
| Hydroelectric project | - | - | - |
| Contingency | 35,715 | - | 35,715 |
| Capital outlay | 4,210,000 | - | 4,210,000 |
| Debt service | 60,000 | 60,000 | - |
| TOTAL EXPENDITURES | <u>7,659,956</u> | <u>1,860,225</u> | <u>5,799,731</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (216,234)</u> | <u>(157,280)</u> | <u>\$ 58,954</u> |
| GAAP ADJUSTMENTS | | | |
| Principal payment on contract obligation | | <u>60,000</u> | |
| CHANGE IN NET POSITION | | <u>\$ (97,280)</u> | |

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

REVENUES

| | |
|-----------------------------------------------------|--------------------------|
| Property taxes - | |
| Contract mill levy collection | \$ 7,021,262 |
| Operating tax revenue | 273,760 |
| Abatement and refund of tax collections | 53,873 |
| Prior year tax | (284) |
| Total property taxes | <u>7,348,611</u> |
| Specific ownership taxes | 820,957 |
| Fountain Valley Authority contract revenue | 5,355,898 |
| Winter water storage | 164,985 |
| Charges for services - | |
| Xeriscape tour and material sales and other rentals | 629 |
| Enterprise administration reimbursement | 919,002 |
| Total charges for services | <u>919,631</u> |
| Investment revenue - | |
| Interest income | 10,803 |
| Income to fair value adjustment | (58,805) |
| Interest on bonds | 107,007 |
| Total investment revenue | <u>59,005</u> |
| Other - | |
| Sundry | <u>8,074</u> |
| TOTAL REVENUES | <u>\$ 14,677,161</u> |

EXPENDITURES

| | |
|------------------------------|----------------|
| Outside services - | |
| Annual audit | \$ 34,877 |
| Legal representation | 299,209 |
| Consulting/lobbying services | 31,264 |
| Sponsorships and exhibits | 3,674 |
| Total outside services | <u>369,024</u> |

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES (Cont'd.)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

EXPENDITURES (Cont'd.)

Personnel expenditures -

| | |
|-----------------------------------------|------------|
| Staff payroll | \$ 798,777 |
| Incentive/performance capacity | 24,706 |
| Directors' payroll | 32,800 |
| Payroll taxes | 57,503 |
| HSA contributions | 27,175 |
| 401 retirement contribution | 98,161 |
| 457 retirement contribution | 39,004 |
| Health insurance | 89,355 |
| Life insurance - staff and directors | 6,452 |
| Medical reimbursement | 2,298 |
| Long-term disability insurance | 5,030 |
| Employee assistance program | 555 |
| Dental insurance | 6,153 |
| Vision insurance | 1,275 |
| Worker's compensation insurance | 2,993 |
| Administration fees for human resources | 3,526 |
| Total personnel expenditures | 1,195,763 |

Travel and related expenditures -

| | |
|---------------------------------------------------------------|-------|
| Directors - other travel (tip, fax, parking, telephone, etc.) | 557 |
| Directors - other transportation (taxi, shuttle, rental) | 299 |
| Directors airfare | 2,726 |
| Directors hotels | 7,978 |
| Directors meals | 1,320 |
| Directors mileage reimbursement | 7,153 |
| Executive - airfare | 1,197 |
| Executive - district vehicle gas | 573 |
| Executive - hotels | 3,561 |
| Executive - meals | 705 |
| Executive - other travel expense | 398 |
| Staff business - airfare | 1,158 |
| Staff business - district vehicle gas | 772 |
| Staff business - hotels | 4,332 |
| Staff business - meals | 1,345 |
| Staff business - other travel | 864 |
| Staff education - hotels | 641 |
| Staff education - meals | 154 |
| Staff education - other travel | 48 |

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES (Cont'd.)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

EXPENDITURES (Cont'd.)

Travel and related expenditures (cont'd.) -

| | |
|-------------------------------------------------|--------|
| Staff certification - airfare | 372 |
| Staff certification - hotels | 314 |
| Staff certification - meals | 147 |
| Staff certification - other expense | 436 |
| Vehicle repair and maintenance - Prius and RAV4 | 2,503 |
| Total travel and related expenditures | 39,553 |

Office and administrative expenditures -

| | |
|---------------------------------------|--------|
| Bank fees | 1,617 |
| Board awards/gifts | 169 |
| Board coffee snacks | 223 |
| Board memberships/subscriptions | 2,200 |
| Board printing | 245 |
| Board room accessories | 357 |
| Board/committee meals | 877 |
| Building other/misc. maintenance | 1,215 |
| Building plumbing & electrical | 3,217 |
| Building heating/cooling | 1,565 |
| Computer - hardware | 7,991 |
| Computer - general contracts | 19,006 |
| Computer - supplies | 279 |
| Computer - software and licenses | 7,184 |
| Conservation | 48 |
| Directors meeting registrations | 6,675 |
| Executive meeting registrations | 1,790 |
| Landscape maintenance - garden tools | 153 |
| Landscape - mower maintenance & fuel | 10 |
| Insurance - automobile | 2,479 |
| Insurance - excess liability | 2,895 |
| Insurance - general liability | 12,949 |
| Insurance - property & liability | 5,723 |
| Insurance - public official liability | 1,302 |
| Legal notices | 1,639 |
| Reclamation reform act | 920 |

**SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES (Cont'd.)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016**

EXPENDITURES (Cont'd.)

Office and administrative expenditures (cont'd.)

| | |
|---------------------------------------------------|---------|
| Maintenance - backflow testing | \$ 100 |
| Maintenance - janitorial services | 3,180 |
| Maintenance - waste disposal | 1,532 |
| Maintenance - security | 2,131 |
| Maintenance - snow removal | 858 |
| Maintenance - window cleaning | 870 |
| Maintenance - blacktop | 4,780 |
| Meeting expenditures and meals | 915 |
| Office - coffee/snacks | 196 |
| Office - equipment maintenance | 1,132 |
| Office - copy machine color | 3,557 |
| Office - general/staff memberships | 5,347 |
| Awards & gifts - other | 300 |
| Office - printing | 1,351 |
| Office - publications & subscriptions | 642 |
| Phone - cell | 4,306 |
| Phone - equipment maintenance | 2,462 |
| Phone - land | 10,847 |
| Postage & shipping | 3,243 |
| Staff awards and gifts | 122 |
| Staff business - meeting registrations | 3,459 |
| Staff certification - registrations | 1,499 |
| Staff education - registrations | 16,524 |
| Supplies - janitorial | 475 |
| Supplies - office | 3,728 |
| Supplies - paper | 678 |
| Supplies - toner | 856 |
| Utilities | 17,089 |
| Utilities - airport fee | 900 |
| Web contracts | 1,004 |
| Landscape - aeration & weed control | 282 |
| Landscape - fertilizer & chemicals | 505 |
| Landscape maintenance contracts | 3,465 |
| Landscape - mulch, soil amendments | 592 |
| Xeriscape - plants and other | 1,337 |
| Landscape - sprinkler system repair & maintenance | 2,052 |
| Total office and administrative expenditures | 185,044 |

SOUTHEASTERN COLORADO WATER CONSERVANCY DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES (Cont'd.)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

| | |
|------------------------------------------------|--------------------------|
| EXPENDITURES (Cont'd.) | |
| Collection fees | \$ 121,807 |
| Winter water storage | 164,985 |
| Fountain Valley Authority contract payments | 5,355,898 |
| Bureau operations, maintenance & repairs | 1,748,891 |
| Capital outlay - acquisition of capital assets | 11,107 |
| Debt service principal | <u>5,202,908</u> |
| TOTAL EXPENDITURES | <u>\$ 14,394,980</u> |