# TRI-COUNTY WATER CONSERVANCY DISTRICT

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

December 31, 2016 and 2015

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# INDEPENDENT AUDITOR'S REPORT

**DONALD R. MORELAND & ASSOCIATES, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Water Conservancy District
Montrose, Colorado 81401

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Water Conservancy District as of December 31, 2016 and 2015, and respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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**Other-Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Donald R. Moreland & Associates, P.C.

Montrose, Colorado
June 16, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Management's Discussion and Analysis

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

**Financial Highlights**

- The assets of the Tri-County Water Conservancy District (also referred to as the District) exceeded its liabilities at the close of the most recent fiscal year by $40,365,245 (net position). Of this amount, $13,950,490 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors. At the close of the prior fiscal year the District's net position and unrestricted net position were $39,832,472 and $13,066,099, respectively.

- The District's total net position increased (decreased) by $532,773 in 2016 and $(184,478) in 2015, mainly the result of federal hydropower incentives, increased water and hydropower sales, increased property and specific ownership taxes, reduced personnel costs and depreciation in 2016 and increased personnel costs due to training and employee transition and depreciation in 2015.

- The District implemented a fee structure effective January, 2011 as a result of the annual cost of service analysis. Residential tap fees were $5,000 plus the cost of installation. In November, 2016, residential tap fees were increased to $5,500 plus the cost of installation.

- District revenues increased from 2015 to 2016 and expenses decreased. In 2014, the District began the operation of hydropower which has increased revenues and related expenses. In 2015 hydropower sale and expenses increased due to the first full year of operations. Investment income reflects the current depressed market rates. Each year the District budgets and constructs projects identified by a capital improvement program which includes renewals and replacements of aged or problem infrastructure, new or enlarged pipelines, and tanks or pump stations necessitated by growth. This annual renewal and replacement is in the same order of magnitude as the annual depreciation on the water distribution system as generally recommended in the industry. Depreciation including hydropower facilities for 2016 and 2015 was $1,593,720 and $1,570,941, respectively. During 2008, the District hired HDR, Inc. to identify current system deficiencies and to project those that may occur as a result of population growth, system age, or increasingly strict water quality regulations and form a Capital Improvements Plan based on the results. This plan has been implemented along with additional capital improvements as determined by the District.

- In 2016, capital contributions - tap fees and capital contributions - other were up due to increased growth in the District's service area. This reverses the trend set in prior years when capital contributions were down due to decreased growth in the District's service area and uncertainties concerning the economy.

- In December 1976 the voters in the District voted to accept the repayment contract by a 9 to 1 margin for the construction of the Dallas Creek Project to deliver project water for irrigation, municipal, industrial, hydropower and other uses. The District subsequently entered into agreements and contracts with various entities including the United States Bureau of Reclamation. The irrigation repayment obligation consists of three parts totaling not less than $6,266,000 to be paid over 50 years with final payment in 2042. The municipal and industrial repayment obligation is $38,000,000 plus interest to be repaid in not more than 50 years plus a ten year development period preceding the repayment obligation which makes the final payment due in 2049. The District has agreements for purchase of irrigation, municipal, and industrial water uses by other entities and has committed to their projected domestic water supply plus any excess addressed in the contract with Reclamation.

- On February 6, 2012 the District obtained a Lease of Power Privilege from the United States of America to construct an 8-megawatt (MW) hydropower generating facility at the existing outlet works of Ridgway Dam. Loans obtained to fund the project were $13,130,000 from Colorado Water Conservation Board for thirty years at 2% and includes a 1% loan service fee and $2,000,000 from Colorado Water Resources and Power Development Authority for twenty years at 2%. The hydropower will be generated from irrigation water releases. The City of Aspen, Colorado has entered into a Power Purchase Agreement for the winter power and Renewable Energy Credits (October through May). Tri-State Generation and Transmission will purchase the summer power (June through September) with the Town of Telluride, Colorado purchasing the Summer Renewable Energy Credits. Construction on site began in 2012 with completion in 2015.

- The District has committed to purchase treatment of a minimum of 183 million gallons of water annually from the Project 7 Water Authority. The District incurred costs in 2016 and 2015 under this agreement of $650,191 for 723 million gallons and $631,282 for 701 million gallons, respectively.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Tri-County Water Conservancy District's basic financial statements. The Tri-County Water Conservancy District's basic financial statements are presented as a special purpose government engaged in business type activities - providing domestic water utility services, hydropower and operation and management services for the Ridgway Reservoir Dam.

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

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

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

The basic financial statements can be found on pages 8 through 10 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 through 22 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the Tri-County Water Conservancy District's budgetary comparisons for revenues and expenditures. Supplementary information can be found on pages 23 through 24 of this report.

**Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the Tri-County Water Conservancy District, assets exceeded liabilities and deferred inflows of resources by $40,365,245 at the close of the most recent fiscal year.

A significant amount of the District's net position reflect its investment in capital assets (e.g., land, buildings, equipment, water tanks, distribution system and hydropower facility), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Tri-County Water Conservancy District Net Position**

| | 2016 | 2015 |
|---|---|---|
| Current assets | $ 4,395,506 | 4,581,869 |
| Capital assets | 40,639,289 | 41,406,604 |
| Other assets | 12,206,353 | 11,175,963 |
| Total assets | 57,241,148 | 57,164,436 |
| Current liabilities | 1,741,517 | 1,747,147 |
| Long-term liabilities | 13,816,223 | 14,273,977 |
| Total liabilities | 15,557,740 | 16,021,124 |
| Deferred inflows of resources | 1,318,163 | 1,310,840 |
| Net position: | | |
| Net investment in capital assets | 26,414,755 | 26,766,373 |
| Restricted | 298,649 | |
| Unrestricted | 13,651,841 | 13,066,099 |
| Total net position | $40,365,245 | 39,832,472 |

At the end of the current and prior fiscal year, the Tri-County Water Conservancy District is able to report positive balances in all categories of net position.

Under the GASB 34 reporting model the audit shows the District's net position increased (decreased) by $532,773 and $(184,478), respectively, during the fiscal years ended December 31, 2016 and 2015. The increase in net position for 2016 was mainly due to the generation and sales of hydropower less related expenses. The decrease in net position for 2015 was mainly increased personnel costs due to employee training and transition and depreciation.

**Tri-County Water Conservancy District Changes in Fund Net Position**

| | 2016 | 2015 |
|---|---|---|
| Revenues: | | |
| Operating revenue | $ 5,677,326 | 5,592,916 |
| Non-operating revenue | 2,108,554 | 1,576,961 |
| Total revenues | 7,785,880 | 7,169,877 |
| Expenses: | | |
| Operating expenses: | | |
| Water costs | 3,308,015 | 3,281,387 |
| Hydropower costs | 147,555 | 181,223 |
| Administrative and general | 2,157,663 | 2,258,894 |
| Depreciation | 1,593,270 | 1,570,941 |
| Non-operating expenses: | | |
| Net (increase) decrease in fair value of investments | 38,842 | 8,945 |
| Interest expense | 290,443 | 298,640 |
| Treasurers' fees | 28,623 | 27,840 |
| Total expenses | 7,564,411 | 7,627,870 |
| Income (loss) before contributions | 221,469 | (457,993) |
| Capital contributions - tap fees | 257,764 | 241,980 |
| Capital contributions - other | 53,540 | 31,535 |
| Change in net position | 532,773 | (184,478) |
| Net position - beginning of year | 39,832,472 | 40,016,950 |
| Net position - end of year | $40,365,245 | 39,832,472 |

For the most part, the District was able to contain expenses. The District incurred an increase in non-operating revenues mainly due to federal hydropower incentives. The District had a decrease in expenses due to reduced personnel costs.

**Budgetary highlights**

Changes between actual revenues and budgeted amounts were primarily due to federal hydropower incentives.

Actual expenses reflect budgeted amounts which have remained relatively consistent due to the economy except for decreased capital expenditures due to completion of the hydropower project and personnel costs.

**Capital Asset and Debt Administration**

**Capital assets.** The Tri-County Water Conservancy District's investment in capital assets as of December 31, 2016 and 2015 amounted to $40,639,289 and $41,406,604, respectively, (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, water tanks, distribution system and hydropower facility.

Major capital asset events during the current and prior fiscal year included water distribution system expansion and replacement and the hydropower facility.

**Tri-County Water Conservancy District Capital Assets**
(net of depreciation)

| | 2016 | 2015 |
|---|---|---|
| Water distribution system | $21,198,066 | 21,495,784 |
| Water meters | 1,806,997 | 1,848,689 |
| Storage tanks and pumping stations | 1,368,423 | 1,334,396 |
| Buildings and improvements | 4,240 | 5,590 |
| Office furniture and fixtures | 8,726 | 10,908 |
| Transportation and other equipment | 178,438 | 211,027 |
| Hydropower facility | 16,074,399 | 16,500,210 |
| | $40,639,289 | 41,406,604 |

Additional information on the District's capital assets can be found in Note 3 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- Tap fees will be a combination of the plant investment fee and installation fee. This insures that the costs incurred are those collected.
- The District will continue to monitor, analyze, and improve the potable water distribution system.
- The District will continue to take active measures to provide dependable, quality domestic water service indefinitely.
- The District will continue in the management of investments in a manner that will ensure the safety of the principal, maximize returns, and control and minimize risk.
- The District will continue with the generation of hydropower from the Tri-County Water Hydropower Facility.

**Request for information**

This financial report is designed to provide a general overview of the Tri-County Water Conservancy District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Tri-County Water Conservancy District, 647 N. 7th Street, Montrose, Colorado, 81401.

# FINANCIAL STATEMENTS

***TRI-COUNTY WATER CONSERVANCY DISTRICT***
STATEMENT OF NET POSITION
December 31, 2016 and 2015

| | | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | $ | 2,198,802 | 2,377,843 |
| Due from other governments | | 12,047 | 11,411 |
| Accounts receivable | | 485,473 | 487,098 |
| Property taxes receivable | | 1,318,163 | 1,310,840 |
| Inventory of supplies | | 381,021 | 394,677 |
| TOTAL CURRENT ASSETS | | 4,395,506 | 4,581,869 |
| UTILITY PLANT IN SERVICE | | | |
| Water distribution system | | 35,057,548 | 34,565,801 |
| Water meters | | 5,002,796 | 4,856,021 |
| Storage tanks and pumping stations | | 2,556,116 | 2,529,933 |
| Buildings and improvements | | 108,256 | 108,256 |
| Office furniture and fixtures | | 51,095 | 174,411 |
| Transportation and other equipment | | 1,268,531 | 1,366,070 |
| Hydropower facility | | 17,032,476 | 17,032,476 |
| | | 61,076,818 | 60,632,968 |
| Less accumulated depreciation | | 20,437,529 | 19,226,364 |
| UTILITY PLANT IN SERVICE - NET | | 40,639,289 | 41,406,604 |
| OTHER ASSETS | | | |
| Restricted assets - cash and cash equivalents | | 298,649 | |
| Long-term receivable | | 778,713 | 1,158,130 |
| Long-term investments | | 11,128,991 | 10,017,833 |
| TOTAL OTHER ASSETS | | 12,206,353 | 11,175,963 |
| TOTAL ASSETS | $ | 57,241,148 | 57,164,436 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | $ | 210,965 | 259,703 |
| Accrued payroll taxes | | 80,034 | 67,852 |
| Accrued salaries and benefits | | 257,353 | 236,956 |
| Accrued interest | | 68,209 | 70,145 |
| New construction deposits | | 1,974 | 2,034 |
| Unearned revenue - other | | 698,963 | 694,760 |
| Long-term debt due in one year | | 424,019 | 415,697 |
| TOTAL CURRENT LIABILITIES | | 1,741,517 | 1,747,147 |
| LONG-TERM LIABILITIES | | | |
| Unearned revenue - Ridgway Recreation Area | | 15,708 | 49,443 |
| Loans payable - net of current portion | | 13,800,515 | 14,224,534 |
| TOTAL LONG-TERM LIABILITIES | | 13,816,223 | 14,273,977 |
| TOTAL LIABILITIES | | 15,557,740 | 16,021,124 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred revenue - taxes | | 1,318,163 | 1,310,840 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | | 1,318,163 | 1,310,840 |
| **NET POSITION** | | | |
| Net investment in capital assets | | 26,414,755 | 26,766,373 |
| Restricted for : | | | |
| Debt service | | 117,320 | |
| Hydropower | | 181,329 | |
| Unrestricted | | 13,651,841 | 13,066,099 |
| TOTAL NET POSITION | $ | 40,365,245 | 39,832,472 |

See Notes to Financial Statements.

***TRI-COUNTY WATER CONSERVANCY DISTRICT***

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the years ended December 31, 2016 and 2015

| | | 2016 | 2015 |
|---|---|---|---|
| OPERATING REVENUES | | | |
| Water sales and charges | | | |
| Raw water | $ | 1,273,058 | 1,273,015 |
| Treated water | | 2,960,869 | 2,941,154 |
| Hydropower sales | | 1,141,903 | 1,098,490 |
| Material sales and reimbursements | | 292,921 | 236,873 |
| Miscellaneous | | 8,575 | 43,384 |
| TOTAL OPERATING REVENUES | | 5,677,326 | 5,592,916 |
| OPERATING EXPENSES | | | |
| Water costs | | | |
| Raw water | | 2,657,824 | 2,650,105 |
| Treated water | | 650,191 | 631,282 |
| Hydropower transmission cost | | | 8,887 |
| Hydropower lease of power privilege | | 70,253 | 71,044 |
| Hydropower other costs | | 77,302 | 101,292 |
| Materials and supplies | | 43,851 | 110,438 |
| Salaries and wages | | 1,000,107 | 1,093,449 |
| Employee benefits | | 455,447 | 418,013 |
| Payroll taxes | | 85,274 | 88,515 |
| Insurance | | 56,953 | 57,362 |
| Directors fees and expenses | | 50,292 | 50,129 |
| Professional fees | | 75,514 | 60,804 |
| Office expense | | 99,256 | 96,933 |
| Utilities | | 162,745 | 163,427 |
| Telephone | | 9,382 | 9,188 |
| Equipment fuel and repairs | | 92,833 | 94,091 |
| Building repair and maintenance | | 7,858 | 2,813 |
| Miscellaneous | | 18,151 | 13,732 |
| Depreciation | | 1,593,270 | 1,570,941 |
| TOTAL OPERATING EXPENSES | | 7,206,503 | 7,292,445 |
| OPERATING INCOME (LOSS) | | (1,529,177) | (1,699,529) |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Property and specific ownership taxes | | 1,472,757 | 1,428,372 |
| Investment income | | 149,822 | 148,589 |
| Federal hydropower incentives | | 456,275 | |
| Gain on sale of equipment | | 29,700 | |
| Net increase (decrease) in fair value of investments | | (38,842) | (8,945) |
| Interest expense | | (290,443) | (298,640) |
| Treasurers' fees | | (28,623) | (27,840) |
| NET NON-OPERATING REVENUES (EXPENSES) | | 1,750,646 | 1,241,536 |
| NET INCOME (LOSS) | | 221,469 | (457,993) |
| Capital contributions - tap fees | | 257,764 | 241,980 |
| Capital contributions - other | | 53,540 | 31,535 |
| CHANGE IN NET POSITION | | 532,773 | (184,478) |
| NET POSITION, JANUARY 1 | | 39,832,472 | 40,016,950 |
| NET POSITION, DECEMBER 31 | $ | 40,365,245 | 39,832,472 |

See Notes to Financial Statements.

***TRI-COUNTY WATER CONSERVANCY DISTRICT***

STATEMENT OF CASH FLOWS

For the years ended December 31, 2016 and 2015

| | | 2016 | 2015 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from user charges | $ | 6,028,776 | 5,873,336 |
| Payments to suppliers for goods and services | | (4,109,423) | (4,822,107) |
| Payments to employees | | (1,508,249) | (1,620,980) |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | 411,104 | (569,751) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Property and specific ownership tax - net | | 1,444,134 | 1,400,532 |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | | 1,444,134 | 1,400,532 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | | (772,415) | (507,133) |
| Payment of long-term debt | | (415,697) | (453,908) |
| Federal hydropower incentives | | 456,275 | |
| Capital contributions - tap fees | | 257,764 | 241,980 |
| Proceeds from sale of capital assets | | 29,700 | |
| Interest paid on loans | | (292,379) | (300,538) |
| NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | | (736,752) | (1,019,599) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investments in long-term investments | | (6,000,000) | (6,600,000) |
| Proceeds from sale and maturities of long-term investments | | 4,850,000 | 6,550,625 |
| Deposits to restricted assets | | (298,649) | |
| Investment income received | | 151,122 | 180,123 |
| INVESTING ACTIVITIES | | (1,297,527) | 130,748 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | (179,041) | (58,070) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | 2,377,843 | 2,435,913 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ | 2,198,802 | 2,377,843 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Operating income (loss) | $ | (1,529,177) | (1,699,529) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | | 1,593,270 | 1,570,941 |
| Changes in assets and liabilities: | | | |
| (Increase) Decrease in: | | | |
| Accounts receivable | | 381,042 | 228,433 |
| Inventory of supplies | | 13,656 | 741 |
| Prepaid expenses | | | |
| Increase (Decrease) in: | | | |
| Accounts payable | | (48,738) | (699,423) |
| Unearned revenue | | (29,592) | 51,987 |
| Accrued payroll taxes | | 12,182 | 655 |
| Accrued salaries and benefits | | 20,397 | (21,658) |
| Accrued interest | | (1,936) | (1,898) |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | $ | 411,104 | (569,751) |

See Notes to Financial Statements.

# NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Tri-County Water Conservancy District is incorporated as a conservancy district under the laws of the State of Colorado with a judicially appointed board of fifteen directors. The District distributes domestic water throughout the rural area of the Uncompahgre Valley in Western Colorado, generates hydropower and operates and manages Ridgway Reservoir Dam. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the District consist only of the enterprise fund of the District, a stand-alone government. Based on criteria set forth by GASB, there are no component units for which the District is financially accountable. The more significant of the District's accounting policies are described below.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

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

When both restricted and unrestricted resources are available for a designated use or purpose, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

*Proprietary Fund Financial Statements*. The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION

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

*Restricted assets.* Restricted assets are cash and cash equivalents set aside for loan repayment and are classified as restricted assets on the statement of net position because their use is limited by applicable loan covenants. Also certain resources have been set aside pursuant to the lease of power privilege agreement with the United States of America through the Bureau of Reclamation.

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

*Investments.* It is the District's policy to invest in money market deposits with SEC registered broker-dealers and securities issued or guaranteed by the Federal government or its agencies. Investments are stated at fair value.

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

*Inventory of supplies.* The inventory of supplies is stated at cost using the average unit cost method.

*Capital assets.* Purchased or constructed capital assets are reported at cost or estimated historical cost. Construction costs are increased by interest incurred on debt during the construction period and reduced by earnings from the investment of the unexpended loan proceeds. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| | |
|---|---|
| Water distribution system | 40 years |
| Water meters | 20 years |
| Storage tanks | 40 years |
| Building and improvements | 10 - 40 years |
| Office furniture and fixtures | 5 - 10 years |
| Vehicles and work equipment | 5 - 10 years |
| Hydropower facility | 40 years |

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION (continued)

*Compensated absences.* Vested or accumulated vacation, sick leave and compensated time is recorded as an expense and liability as the benefits accrue to employees.

*Unearned revenue-other.* Unearned revenue-other represents amounts received in advance of the service being performed or prior to the delivery of water.

*Reclassifications.* Certain prior years amounts have been reclassified to conform with the current year presentation.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Board of Directors of the District follows these procedures in establishing the budget.

a. Management serving as the District's budget officer submits a proposed operating budget to the Board. A public hearing is held prior to December 15 for the following calendar year. The operating budget includes proposed expenditures and the means of financing them.

b. Prior to January 1, the budget is enacted by passage of a resolution. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that contributions from system users (tap fees) and grants are budgeted as revenues, principal payments and capital outlays are budgeted as expenditures, and no provision is made for depreciation or system abandonments. Budgeted expenditures are appropriated in total for the District and the level of control is in total.

c. The Board of Directors may authorize supplemental appropriations during the year. During 2016 and 2015, no supplemental appropriations were adopted.

d. Appropriations lapse at the end of the year.

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must at least equal the aggregate uninsured deposits.

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

Deposits (continued)

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2016 and 2015 none of the District's bank balances of $1,753,881 and $1,021,548, respectively, were exposed to custodial credit risk as $252,675 and $264,156 respectively, was insured and $1,500,806 and $757,392, respectively, was collateralized by securities pledged by financial institutions.

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

| | 2016 | 2015 |
|---|---|---|
| Cash and cash equivalents | $2,198,802 | 2,377,843 |
| Cash and cash equivalents - restricted assets | 298,649 | |
| Investments included in cash and cash equivalents | | |
| Colotrust | (488,284) | (485,289) |
| Money market deposit | (260,573) | (873,831) |
| | $1,748,594 | 1,018,723 |

Investments

As of December 31, 2016 and 2015, the District had the following investments and maturities:

| 2016 | INVESTMENT MATURITIES (in years) | | |
|---|---|---|---|
| | | LESS THAN | |
| INVESTMENT TYPE | FAIR VALUE | 1 | 1-5 |
| U. S. Agencies | $11,128,991 | | 11,128,991 |
| Colotrust | 488,284 | 488,284 | |
| Money market deposit | 260,573 | 260,573 | |
| | $11,877,848 | 748,857 | 11,128,991 |

| 2015 | INVESTMENT MATURITIES (in years) | | |
|---|---|---|---|
| | | LESS THAN | |
| INVESTMENT TYPE | FAIR VALUE | 1 | 1-5 |
| U. S. Agencies | $10,017,833 | | 10,017,833 |
| Colotrust | 485,289 | 485,289 | |
| Money market deposit | 873,831 | 873,831 | |
| | $11,376,953 | 1,359,120 | 10,017,833 |

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

Interest rate risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the District's investment portfolio to maturities of less than ten years.

Credit risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The District has no policy that would further limit its investment choice. As of December 31, 2016 and 2015, the District's investment in Colotrust Plus and the Schwab Government Money Fund, 2a7-like investment pools, was rated AAA by Standard & Poor's and AAA by Moody's Investors Service. The District's investments in U. S. agencies securities were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of credit risk

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in U.S. agencies securities. At December 31, 2016, Federal Home Loan Bank, Federal National Mortgage Association and Federal Farm Credit Bank securities represented 45.7%, 26.3% and 21.7%, respectively, of the District's investments. At December 31, 2015, Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank and Federal Home Loan Mortgage securities represented 32.3%, 17.9%, 25.7%, and 12.2%, respectively, of the District's investments.

These investments are presented on the balance sheet as follows:

| | 2016 | 2015 |
|---|---|---|
| Cash and cash equivalents | $ 2,198,802 | 2,377,843 |
| Cash and cash equivalents - restricted assets | 298,649 | |
| Deposits included in cash and cash equivalents | (1,748,594) | (1,018,723) |
| | 748,857 | 1,359,120 |
| Long-term investments | 11,128,991 | 10,017,833 |
| | $11,877,848 | 11,376,953 |

3 - CAPITAL ASSETS

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| 2016 | | | | |
| Capital assets being depreciated: | | | | |
| Water distribution system | $34,565,801 | 521,113 | 29,366 | 35,057,548 |
| Water meters | 4,856,021 | 146,775 | | 5,002,796 |
| Storage tanks and pumping stations | 2,529,933 | 101,719 | 75,526 | 2,556,116 |
| Buildings and improvements | 108,256 | | | 108,256 |
| Office furniture and fixtures | 174,411 | | 123,316 | 51,095 |
| Transportation and other equipment | 1,366,070 | 56,358 | 153,897 | 1,268,531 |
| Hydropower facility | 17,032,476 | | | 17,032,476 |
| Total capital assets being depreciated | 60,632,968 | 825,955 | 382,105 | 61,076,818 |
| Less accumulated depreciation for: | | | | |
| Water distribution system | 13,070,017 | 818,831 | 29,366 | 13,859,482 |
| Water meters | 3,007,332 | 188,467 | | 3,195,799 |
| Storage tanks and pumping stations | 1,195,537 | 67,682 | 75,526 | 1,187,693 |
| Buildings and improvements | 102,666 | 1,350 | | 104,016 |
| Office furniture and fixtures | 163,503 | 2,182 | 123,316 | 42,369 |
| Transportation and other equipment | 1,155,043 | 88,947 | 153,897 | 1,090,093 |
| Hydropower facility | 532,266 | 425,811 | | 958,077 |
| Total accumulated depreciation | 19,226,364 | 1,593,270 | 382,105 | 20,437,529 |
| Total capital assets, net | $41,406,604 | (767,315) | | 40,639,289 |

3 - CAPITAL ASSETS (continued)

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| 2015 | | | | |
| Capital assets being depreciated: | | | | |
| Water distribution system | $34,501,077 | 91,175 | 26,451 | 34,565,801 |
| Water meters | 4,747,704 | 108,317 | | 4,856,021 |
| Storage tanks and pumping stations | 2,315,853 | 214,080 | | 2,529,933 |
| Buildings and improvements | 108,256 | | | 108,256 |
| Office furniture and fixtures | 163,503 | 10,908 | | 174,411 |
| Transportation and other equipment | 1,283,417 | 82,653 | | 1,366,070 |
| Hydropower facility | 17,032,476 | | | 17,032,476 |
| Total capital assets being depreciated | 60,152,286 | 507,133 | 26,451 | 60,632,968 |
| Less accumulated depreciation for: | | | | |
| Water distribution system | 12,285,433 | 811,035 | 26,451 | 13,070,017 |
| Water meters | 2,821,068 | 186,264 | | 3,007,332 |
| Storage tanks and pumping stations | 1,132,145 | 63,392 | | 1,195,537 |
| Buildings and improvements | 101,316 | 1,350 | | 102,666 |
| Office furniture and fixtures | 162,957 | 546 | | 163,503 |
| Transportation and other equipment | 1,072,501 | 82,542 | | 1,155,043 |
| Hydropower facility | | 425,812 | | 532,266 |
| Total accumulated depreciation | 17,681,874 | 1,570,941 | 26,451 | 19,226,364 |
| Total capital assets, net | $42,470,412 | (1,063,808) | | 41,406,604 |

4 - SHORT-TERM DEBT

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

5 - LONG-TERM LIABILITIES

A. Unearned Revenue - Ridgway Recreation Area

In 1986, the District entered into an agreement to install a water distribution system to serve the State Recreation Facilities at the Dallas Creek Project. The District was advanced $1,052,000 to provide treated water to those facilities for an initial period of 50 years from September 30, 1987. Water provided during this period will reduce the amount of unearned revenue based on the District's current billing structure. If the consumption of water during this period exceeds the total unearned revenue, the Bureau of Reclamation, its successor or assignee will assume payment for such excess consumption.

During 2016 and 2015, $33,735 and $46,371 were billed and reduced the deferred revenue.

B. Colorado Water Conservation Board Loan Payable

During 2012, the District entered into a loan agreement with the Colorado Water Conservation Board (CWCB) for $9,090,000, amended in 2013 to $13,130,000 for the construction of an 8-megawatt hydropower generating facility at the existing outlet works of Ridgway Dam. The loan is for thirty years at two percent interest and is payable in annual installments of $586,253 on October 1 of each year. The District is required to deposit an amount equal to one-tenth of an annual payment into its debt service reserve fund on the due date of its first annual loan payment and annually thereafter for the first ten years of repayment. Such deposit has been made into a separate account. The loan outstanding at December 31, 2016 of $12,476,220 is payable as follows:

| YEAR | PRINCIPAL | INTEREST | TOTAL PRINCIPAL AND INTEREST |
|---|---|---|---|
| 2017 | $ 336,729 | 249,524 | 586,253 |
| 2018 | 343,464 | 242,790 | 586,254 |
| 2019 | 350,333 | 235,921 | 586,254 |
| 2020 | 357,339 | 228,9145 | 586,254 |
| 2021 | 364,486 | 221,767 | 586,253 |
| 2022 - 2026 | 1,934,738 | 996,529 | 2,931,267 |
| 2027 - 2031 | 2,136,107 | 795,160 | 2,931,267 |
| 2032 - 2036 | 2,358,434 | 572,833 | 2,931,267 |
| 2037 - 2041 | 2,603,902 | 327,365 | 2,931,267 |
| 2042 - 2044 | 1,690,688 | 68,072 | 1,758,760 |
| | $12,476,220 | 3,938,876 | 16,415,096 |

5 - LONG-TERM LIABILITIES (continued)

C. Colorado Water Resources and Power Development Authority Loan Payable

On March 27, 2013, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) for $2,000,000 for the construction of an 8-megawatt hydropower generating facility at the existing outlet works of Ridgway Dam. The loan is for 20 years at two percent interest and is payable in semi-annual installments of $60,911 on May 1 and November 1 of each year. The loan outstanding at December 31, 2016 of $1,748,314 is payable as follows:

| YEAR | PRINCIPAL | INTEREST | TOTAL PRINCIPAL AND INTEREST |
|---|---|---|---|
| 2017 | $ 87,290 | 34,532 | 121,822 |
| 2018 | 89,045 | 32,777 | 121,822 |
| 2019 | 90,835 | 30,987 | 121,822 |
| 2020 | 92,660 | 29,162 | 121,822 |
| 2021 | 94,523 | 27,299 | 121,822 |
| 2022 - 2026 | 501,889 | 107,223 | 609,112 |
| 2027 - 2031 | 554,398 | 54,714 | 609,112 |
| 2021 - 2033 | 237,674 | 5,971 | 243,645 |
| | $1,748,314 | 322,665 | 2,070,979 |

The CWRPDA loan is subject to prepayment, in whole or in part without penalty upon prior written notice to the CWRPDA of not less than 30 days.

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

| | BALANCE BEGINNING OF YEAR | ADDITION | REDUCTION | BALANCE END OF YEAR | DUE WITHIN ONE YEAR |
|---|---|---|---|---|---|
| 2016 | | | | | |
| CWCB Loan | $12,806,347 | | 330,127 | 12,476,220 | 336,729 |
| CWRPDA Loan | 1,833,884 | | 85,570 | 1,748,314 | 87,290 |
| | $14,640,231 | | 415,697 | 14,224,534 | 424,019 |
| 2015 | | | | | |
| CWCB Loan | $13,130,000 | | 323,653 | 12,806,347 | 330,127 |
| CWRPDA Loan | 1,917,768 | | 83,884 | 1,833,884 | 85,570 |
| | $15,047,768 | | 407,537 | 14,640,231 | 415,697 |

In 2016 and 2015, the District incurred interest costs totaling $290,586 and $298,640, respectively.

## 6 - COMMITMENTS

### Purchase Commitment

In 1977 the District entered into a contract with the United States of America for the construction of the Dallas Creek Project to store and deliver project water for irrigation, municipal, industrial, hydropower and other uses. The District subsequently entered into agreements with various entities for the purchase of said water.

The irrigation obligation consists of three parts totaling not less than a $6,266,000 repayment obligation over a fifty year period as follows.

The first part is a $2,025,000 obligation which requires an annual payment of $40,500. The second part is a $1,175,000 obligation which requires an annual payment of $23,500. The District collects these amounts from the Uncompahgre Valley Water Users Association which has a contract to purchase 100% of the irrigation water. The third part is twenty-five percent of the annual ad valorem tax the District was authorized to collect in 1977 under state law for minimum aggregate payments of $3,066,000 plus $5,995,164 repayment to the Colorado River Basin fund over a fifty year period.

The municipal and industrial principal repayment obligation is $38,000,000 to be repaid in not more than fifty years following a ten year development period. The outstanding obligation at December 31, 2016 and 2015 was $31,048,105 and $31,442,186, respectively. The District has agreements for purchase of municipal and industrial water uses by other entities. The total commitment and purchase commitments by others are as follows by acre feet (A.F.) and cost:

| | TOTAL COMMITMENTS | | PURCHASE COMMITMENTS | | DISTRICT COMMITMENT | |
|---|---|---|---|---|---|---|
| YEARS | A.F. | COST | A.F. | COST | A.F. | COST |
| 2000 forward | 28,100 | $2,180,940 | 15,240 | 1,182,830 | 12,860 | 998,110 |

The purchase price of water from the Dallas Creek Project is currently $77.613523 per acre foot, with potential cost adjustments at no longer than five year intervals. The operation, maintenance and replacement costs were set at $7.50 per acre foot for 2016 and 2015, subject to annual adjustment.

During 2016 and 2015, the District's payment was based on 28,100 acre feet per the contract agreement and sold 15,240 acre feet, respectively, as per agreements.

7 - EMPLOYEE RETIREMENT PLAN

The District contributes to each employee's individual account in the Tri-County Water Conservancy District 457 Plan (Plan), a defined contribution pension plan for its full-time employees. The Plan is administered by CPI Qualified Plan Consultants, Inc. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board of Directors of the District. Employees are eligible to participate after ninety days of full-time employment, at which point the District contributes 5% (10% after one year's employment) of the employees' base salary each month. Employees are also permitted to make contributions up to applicable Internal Revenue Code limits.

Full vesting of benefits begin immediately resulting in no forfeitures for the Plan. For the years ended December 31, 2016 and 2015, employee contributions were $23,890 and $20,420, respectively, and the District recognized pension expense of $117,595 and $118,606, respectively.

The District had no liability to the Plan at December 31, 2016 and 2015.

8 - JOINT VENTURE

The District is a participant with three municipalities and another water district in a joint venture to operate the Project 7 Water Authority, a water treatment facility. The Authority is governed by a five member board consisting of an appointed representative from each of the participants. The District is obligated by contract to purchase the treatment of 183 million gallons of water annually from the Authority so long as the Authority has any unpaid debt other than for operating expenses, at rates set by the Authority. The rate for 2016 and 2015 was 90 cents per thousand gallons which results in a minimum annual purchase commitment of $155,550 but the rate charged may be changed by action of the Authority.

During the years ended December 31, 2016 and 2015, the District purchased treatment of 723 and 701 million gallons for $650,191 and $631,282, respectively. At December 31, 2016 and 2015, the District owed the Authority $45,699 and $40,413, respectively. Separate financial statements of Project 7 Water Authority are available from the District or the Authority.

9 - SPENDING AND DEBT LIMITATIONS

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

10 - RISK MANAGEMENT

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

11 - NONCASH INVESTING AND FINANCING ACTIVITIES

In addition to cash invested in the acquisition and construction of capital assets, developers and other governments contributed water distribution system improvements valued at $53,540 and $31,535, respectively, for the years ended December 31, 2016 and 2015.

SUPPLEMENTARY INFORMATION

***TRI-COUNTY WATER CONSERVANCY DISTRICT***

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

For the years ended December 31, 2016 and 2015

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | FAVORABLE (UNFAVORABLE) VARIANCE | ORIGINAL AND FINAL BUDGET | ACTUAL | FAVORABLE (UNFAVORABLE) VARIANCE |
| PROPRIETARY | | | | | | |
| REVENUES | | | | | | |
| Water sales $ | 3,230,000 | 2,960,869 | (269,131) | 3,230,000 | 2,941,154 | (288,846) |
| Hydropower sales | 1,020,000 | 1,141,903 | 121,903 | 1,065,000 | 1,098,490 | 33,490 |
| Reimbursed hydropower costs | 375,000 | 357,081 | (17,919) | 280,000 | | (280,000) |
| Material sales and reimbursements | | 1,332 | 1,332 | | 19,045 | 19,045 |
| New construction | | 8,633 | 8,633 | | 940 | 940 |
| Tap fees | 150,000 | 257,764 | 107,764 | 150,000 | 241,980 | 91,980 |
| Investment income | 110,000 | 149,822 | 39,822 | 110,000 | 148,589 | 38,589 |
| Miscellaneous | 10,490 | 7,214 | (3,276) | 10,490 | 37,387 | 26,897 |
| Vehicle and equipment sales | 10,000 | 29,700 | 19,700 | 10,000 | | (10,000) |
| Raw water | 1,305,830 | 1,273,058 | (32,772) | 1,305,830 | 1,273,015 | (32,815) |
| Line extension fees | 40,000 | | (40,000) | 40,000 | 8,885 | (31,115) |
| Dam monitoring | 148,680 | 284,318 | 135,638 | 148,680 | 214,000 | 65,320 |
| Fedral hydropower incentives | | 456,275 | 456,275 | | | - |
| TOTAL PROPRIETARY REVENUES | 6,400,000 | 6,927,969 | 527,969 | 6,350,000 | 5,983,485 | (366,515) |
| EXPENDITURES | 7,800,000 | 6,782,334 | 1,017,666 | 7,950,000 | 6,595,114 | 1,354,886 |
| EXCESS (DEFICIT) OF PROPRIETARY REVENUES OVER (UNDER) EXPENDITURES | (1,400,000) | 145,635 | 1,545,635 | (1,600,000) | (611,629) | 988,371 |
| GOVERNMENT | | | | | | |
| REVENUES | | | | | | |
| Property and specific ownership taxes | 1,400,000 | 1,472,757 | 72,757 | 1,400,000 | 1,428,372 | 28,372 |
| EXPENDITURES | 1,400,000 | 338,078 | 1,061,922 | 1,400,000 | 336,006 | 1,063,994 |
| EXCESS (DEFICIT) OF GOVERNMENT REVENUES OVER (UNDER) EXPENDITURES | - | 1,134,679 | 1,134,679 | - | 1,092,366 | 1,092,366 |
| TOTAL DISTRICT REVENUES | 7,800,000 | 8,400,726 | 600,726 | 7,750,000 | 7,411,857 | (338,143) |
| TOTAL DISTRICT EXPENDITURES | 9,200,000 | 7,120,412 | 2,079,588 | 9,350,000 | 6,931,120 | 2,418,880 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES $ | (1,400,000) | 1,280,314 | 2,680,314 | (1,600,000) | 480,737 | 2,080,737 |
| RECONCILIATION OF EXCESS OF REVENUES OVER (UNDER) EXPENDITURES TO CHANGE IN NET POSITION: | | | | | | |
| Capital contributions - other | | 53,540 | | | 31,535 | |
| Capital expenditures | | 772,415 | | | 475,598 | |
| Net increase (decrease) in fair value of investments | | (38,842) | | | (8,945) | |
| Reimbursed hydropower costs | | (357,081) | | | | |
| Debt service - principal | | 415,697 | | | 407,538 | |
| Depreciation | | (1,593,270) | | | (1,570,941) | |
| $ | | 532,773 | | | (184,478) | |

***TRI-COUNTY WATER CONSERVANCY DISTRICT***

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

For the years ended December 31, 2016 and 2015

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | FAVORABLE (UNFAVORABLE) VARIANCE | ORIGINAL AND FINAL BUDGET | ACTUAL | FAVORABLE (UNFAVORABLE) VARIANCE |
| PROPRIETARY | | | | | | |
| EXPENDITURES | | | | | | |
| Directors' expense | $ 55,000 | 50,292 | 4,708 | 55,000 | 50,129 | 4,871 |
| Travel and lodging | 8,000 | 3,152 | 4,848 | 8,000 | 7,478 | 522 |
| Training | 7,000 | 6,435 | 565 | 7,000 | 1,367 | 5,633 |
| Dues and subscriptions | 7,000 | 8,868 | (1,868) | 6,500 | 6,904 | (404) |
| Publishing and printing | 15,000 | 20,155 | (5,155) | 15,000 | 16,308 | (1,308) |
| Attorney fees | 12,000 | 11,019 | 981 | 10,000 | 14,411 | (4,411) |
| Audit and accounting | 13,000 | 12,500 | 500 | 12,500 | 12,250 | 250 |
| Financial advisor fees | 25,000 | 19,879 | 5,121 | 22,000 | 18,628 | 3,372 |
| Consulting fees | | 20,713 | (20,713) | | | |
| Lab | 6,000 | 865 | 5,135 | 6,000 | 865 | 5,135 |
| Radio repeater rental/upgrade | | 1,500 | (1,500) | 1,500 | 1,500 | - |
| Office supplies and equipment | 38,000 | 24,420 | 13,580 | 32,000 | 28,261 | 3,739 |
| Communications | 11,500 | 7,838 | 3,662 | 10,000 | 7,978 | 2,022 |
| Postage and CC/EFT fees | 48,000 | 45,554 | 2,446 | 45,000 | 45,248 | (248) |
| Utilities - office | 13,000 | 9,742 | 3,258 | 13,000 | 10,998 | 2,002 |
| Building maintenance | 10,000 | 7,858 | 2,142 | 5,000 | 2,813 | 2,187 |
| Small tools | 12,000 | 4,622 | 7,378 | 12,000 | 4,479 | 7,521 |
| Equipment, vehicles and tools | 100,000 | 56,358 | 43,642 | 100,000 | 93,561 | 6,439 |
| Capital improvements | 500,000 | 327,421 | 172,579 | 495,000 | 256,160 | 238,840 |
| Materials and supplies | 75,000 | 43,559 | 31,441 | 65,000 | 103,136 | (38,136) |
| Weed control | 5,000 | 98 | 4,902 | 1,000 | 291 | 709 |
| Equipment maintenance | 35,000 | 28,571 | 6,429 | 35,000 | 23,818 | 11,182 |
| Vehicle maintenance | 20,000 | 4,732 | 15,268 | 20,000 | 4,970 | 15,030 |
| Equipment fuel | 100,000 | 47,513 | 52,487 | 100,000 | 51,850 | 48,150 |
| Insurance and bonds | 50,000 | 31,191 | 18,809 | 40,000 | 28,749 | 11,251 |
| Personnel costs | 1,325,000 | 1,105,325 | 219,675 | 1,325,000 | 1,077,588 | 247,412 |
| Payroll taxes | 110,000 | 89,522 | 20,478 | 110,000 | 85,836 | 24,164 |
| Employee benefits | 525,000 | 489,338 | 35,662 | 480,000 | 394,820 | 85,180 |
| Workmen's comp insurance | 50,000 | 22,438 | 27,562 | 50,000 | 24,742 | 25,258 |
| Water treatment | 720,000 | 650,191 | 69,809 | 710,000 | 631,282 | 78,718 |
| Electricity | 180,000 | 144,282 | 35,718 | 180,000 | 145,652 | 34,348 |
| Raw water | 2,188,140 | 2,187,920 | 220 | 2,187,940 | 2,187,920 | 20 |
| Irrigation water | 64,000 | 64,000 | - | 64,000 | 64,000 | - |
| Dam operations and maintenance | 320,020 | 380,768 | (60,748) | 305,020 | 304,020 | 1,000 |
| Water conservation | 10,000 | | 10,000 | 10,000 | | 10,000 |
| Hydropower facility | 1,020,000 | 77,302 | 942,698 | 1,345,000 | 101,292 | 1,243,708 |
| Hydropower transmission cost | | | - | | 8,888 | (8,888) |
| Hydropower lease of power privilege | | 70,253 | (70,253) | | 71,044 | (71,044) |
| Debt service - principal | | 415,697 | (415,697) | | 407,538 | (407,538) |
| Debt service - interest | | 290,443 | (290,443) | | 298,640 | (298,640) |
| Contingency | 122,340 | | 122,340 | 66,540 | | 66,540 |
| TOTAL PROPRIETARY EXPENDITURES | $ 7,800,000 | 6,782,334 | 1,017,666 | 7,950,000 | 6,595,414 | 1,354,586 |
| GOVERNMENT | | | | | | |
| EXPENDITURES | | | | | | |
| Treasurers' fees | 30,000 | 28,623 | 1,377 | 32,000 | 27,840 | 4,160 |
| Contingency | 1,060,545 | | 1,060,545 | 1,059,834 | | 1,059,834 |
| TOTAL GOVERNMENT EXPENDITURES | $ 1,090,545 | 28,623 | 1,061,922 | 1,091,834 | 27,840 | 1,063,994 |