

**FOUNTAIN CREEK WATERSHED, FLOOD  
CONTROL AND GREEWAY DISTRICT**

**FINANCIAL STATEMENTS**

**December 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 11:07 am, Aug 15, 2017*



**Logan and Associates, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Fountain Creek Watershed, Flood Control  
and Greenway District  
El Paso and Pueblo Counties, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Fountain Creek Watershed, Flood Control and Greenway District (the "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. These financial statements are the responsibility of the Fountain Creek Watershed, Flood Control and Greenway District's management. Our responsibility is to express opinions on these financial statements based on our audit.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

## *Opinions*

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

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i – vi, and the budgetary comparison schedules on pages 17 - 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Logan and Associates, LLC*

Aurora, Colorado  
July 17, 2017

**FOUNTAIN CREEK WATERSHED, FLOOD CONTROL AND GREENWAY  
DISTRICT**  
**Management's Discussion and Analysis**  
**December 31, 2016**

Management of the Fountain Creek Watershed, Flood Control and Greenway District ("District") offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016. The focus of the information contained herein is on the primary government.

**Financial Highlights**

- The District's assets exceeded liabilities at the close of the fiscal year by \$11,155,052 (net position). Of this amount \$11,140,652 (unrestricted net position) may be used to meet the District's obligations.
- The District's total net position increased by \$10,837,149.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$66,459, a decrease of \$251,434 from the prior year.
- As of the close of the current fiscal year, the District's business funds reported an ending fund balance of \$11,088,593, and increase of \$11,088,593 from the prior year since this fiscal year was the first fiscal year of business operations.
- The District has no debt.
- The District has no capital assets.

**Overview of Financial Statements**

This discussion and analysis is intended as an introduction to the District's financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition, to the basic financial statements, also provided is required supplementary information and other supplementary information.

**Government-wide financial statements**

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

The focus of the Statement of Net Position (the "unrestricted net position") is designed to be similar to a bottom line for the District and its governmental and business-type activities. This statement reports all of the governmental fund's current financial resources (short-term spendable resources) with capital assets and long term obligations. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information illustrating how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities reflected the District's basic services, including planning, design and construction, land use review, and education. Grants, contributions and fees for service finance the majority of these services.

The business-type activities reflect private sector operations, which include design and construction of water activity facilities (e.g., erosion control, flood control and stream channel capacity development) and development of drainage criteria standards, where fees for service typically cover all or most of the related costs.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds* are used to account for the same functions as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on financial position and change in financial position, not on income determination, and use the flow of current financial resources measurement focus and the modified accrual (when they are “measurable and available”). The District considers all revenue available if they are collected within sixty days following the year end. Expenditures are recorded when the related fund liability is incurred.

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

The District maintains one *proprietary fund*. This fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its water activity services.

The *notes to the basic financial statements* provide additional information that is essential to a full understanding of the data provided by the government-wide financial statements.

*Other information*, in addition to the basic financial statements and accompanying notes, is presented in the form of certain required supplementary information and other supplementary information.

### **Government-wide financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$11,155,052.

Of the District’s net position, 99.9% is unrestricted and may be used to meet the District’s ongoing financial obligations. These are net assets that are not restricted by external requirements nor invested in capital assets.

The following reflects the District's Net Position.

	Government Activities		Business-type Activities		Total	
	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
ASSETS						
Cash	\$204,610	\$78,335	\$0	\$11,211,476	\$204,610	\$11,289,811
Restricted Cash	75,412	159	0		\$75,412	\$159
Accounts Receivable	37,871	3,441	0		\$37,871	\$3,441
TOTAL ASSETS	317,893	81,935	0	11,211,476	\$317,893	\$11,293,411
LIABILITIES						
Accounts Payable	0	15,476	0	122,883	\$0	\$138,359
TOTAL LIABILITIES	0	15,476	0	122,883	\$0	\$138,359
NET POSITION						
Restricted for Emergencies	14,400	14,400	0		\$14,400	\$14,400
Unrestricted	303,493	52,059	0	11,088,593	\$303,493	\$11,140,652
TOTAL NET POSITION	\$317,893	\$66,459	\$0	\$11,088,593	\$317,893	\$11,155,052

The following reflects the District's Changes in Net Position.

	Government Activities		Business-type Activities		Total	
	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016
REVENUES (\$)						
GENERAL REVENUES						
Operating Contribution			0	11,623,317	0	11,623,317
Land Use Fees	1,750	3,500			1,750	3,500
Intergovernmental	30,850	125,000			30,850	125,000
PROGRAM REVENUES						
Grants	444,671	2,067			444,671	2,067
WARSSS Assessment		25,524				25,524
Flood Control Alternatives		37,528				37,528
Monument Creek MP		228,937				228,937
Interest Income	301	626			301	626
Other	2,250	162			2,250	162
TOTAL REVENUE	479,822	423,344	0	11,623,317	479,822	12,046,661
EXPENDITURES (\$)						
General Government	21,321	15,123			21,321	15,123
Enterprise Management				40,366		40,366
Projects						
Grant Management	48,550	20,300			48,550	20,300
WARSSS Assessment		51,048				51,048
Flood Control Alternatives		67,298				67,298
Monument Creek MP	124,294	445,688			124,294	445,688
Upper Fountain Creek MP	177,978				177,978	
Watershed Restoration		72,772				72,772
Greenview Trust		2,549				2,549
Drainage Criteria Manual				71,349		71,349
Masciantonio Bank Restoration Engineering				91,523		91,523
Pueblo Levee Dredging						
Construction				260,000		260,000
Engineering				71,418		71,418
Other				68		68
TOTAL EXPENDITURES	372,143	674,778	0	534,724	372,143	1,209,502
INCREASE/(DECREASE) IN NET POSITION (\$)	107,679	-251,434	0	11,088,593	107,679	10,837,159

Business-type activities increased the District's net position by \$11,088,593 for the year ended December 31, 2016. Key elements of the increases are as follows:

- The first payment of five annual payments by Colorado Springs Utilities required by the Pueblo County Southern Delivery System 1041 Permit in the amount of \$9,623,317
- Payment by the City of Pueblo under a Water Activity Service Agreement for Pueblo Levee dredging services in the amount of \$2,000,000

Intergovernmental revenues are grants and other revenues received from the District's Represented Public Bodies (local governments) who are members of the District. Fees include amounts collected from land use applications. Grants include revenues received from local, state and federal governments. Interest income reflects revenues from investment activities.

Governmental Activities decreased the District's net position by \$251,434. Key elements are as follows:

- Completion of grant activities using reserve funds authorized in the prior fiscal year.

## **Financial Analysis of the Government Funds**

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

### Governmental funds

The focus of the District's governmental funds is to provide information on current year revenue, expenditures and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2016, the District's governmental funds reported combined ending fund balances of \$66,459, a decrease of \$251,434 from the prior year. The District does not have any unassigned fund balance due to restrictions and commitments.

Proprietary fund. The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The net position of the Water Activity Enterprise amounted to \$11,088,593 which also was the total increase in net position of that fund.

Significant factors for the Water Activity Enterprise fund:

- The first payment of five annual payments by Colorado Springs Utilities required by the Pueblo County Southern Delivery System 1041 Permit in the amount of \$9,623,317
- Payment by the City of Pueblo under a Water Activity Service Agreement for Pueblo Levee dredging services of \$2,000,000

## **General Fund Budgetary Highlights**

There were no amendments to the 2016 Budget.

### **Capital Asset Administration**

The District has no capital assets.

### **Debt Administration**

The District has no debt.

## **Economic Factors and Next Year's Budget**

The 2017 budget represents an attempt to maintain both core services and a sufficient fund balance. Increasing reserves is a large priority for the foreseeable future as the current reserves are not sufficient for the District's needs and the District has not yet asked the voters of the District to approve a property tax. The following factors were considered in compiling the 2017 budget.

- Most governmental revenue items were budgeted at a slight increase over the last year.
- Most governmental expenditures have been budgeted close to the last year as the District tries to build governmental reserves.
- Business-related revenue items were budgeted at a slight increase over the last year.

- Business-related expenditures were budgeted higher than last year to reflect start-up of project design and construction activities.

It is the hope of the Board of Directors of the District and the executive Director that 2017 will keep improving as 2016 did.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Fountain Creek Watershed, Flood Control and Greenway District, P.O. Box 26373, Colorado Springs, CO 80936-6373.

## **BASIC FINANCIAL STATEMENTS**

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

STATEMENT OF NET POSITION  
December 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash	\$ 78,335	\$ 11,211,476	\$ 11,289,811
Restricted Cash	159	-	159
Accounts Receivable	3,441	-	3,441
<b>TOTAL ASSETS</b>	<b>81,935</b>	<b>11,211,476</b>	<b>11,293,411</b>
<b>LIABILITIES</b>			
Accounts Payable	15,476	122,883	138,359
<b>TOTAL LIABILITIES</b>	<b>15,476</b>	<b>122,883</b>	<b>138,359</b>
<b>NET POSITION</b>			
Restricted for Emergencies	14,400	-	14,400
Unrestricted	52,059	11,088,593	11,140,652
<b>TOTAL NET POSITION</b>	<b>\$ 66,459</b>	<b>\$ 11,088,593</b>	<b>\$ 11,155,052</b>

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		TOTALS
			GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>					
General Government	\$ 35,423	\$ -	\$ (35,423)	\$ -	\$ (35,423)
Watershed Restoration	72,772	2,067	(70,705)	-	(70,705)
Greenview Trust Project	2,549	-	(2,549)	-	(2,549)
WARSSS Assessment Grant	51,048	25,524	(25,524)	-	(25,524)
Flood Control Alternative Grant	67,298	37,528	(29,770)	-	(29,770)
Monument Creek Watershed Restoration Master Plan	445,688	228,937	(216,751)	-	(216,751)
Total Governmental Activities	\$ 674,778	\$ 294,056	(380,722)	-	(380,722)
<b>Business-Type Activities</b>					
Water Activity Enterprise	534,724	11,623,317	-	11,088,593	11,088,593
Total Primary Government	\$ 1,209,502	\$ 11,917,373	(380,722)	11,088,593	10,707,871
<b>GENERAL REVENUES</b>					
Intergovernmental			125,000	-	125,000
Investment Income			626	-	626
Miscellaneous			3,662	-	3,662
TOTAL GENERAL REVENUES			129,288	-	129,288
CHANGE IN NET POSITION			(251,434)	11,088,593	10,837,159
NET POSITION, Beginning			317,893	-	317,893
NET POSITION, Ending			\$ 66,459	\$ 11,088,593	\$ 11,155,052

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016

	GENERAL	MASTER PLAN	TOTALS
<b>ASSETS</b>			
Cash	\$ 78,335	\$ -	\$ 78,335
Restricted Cash	-	159	159
Accounts Receivable	3,441	-	3,441
<b>TOTAL ASSETS</b>	<b>\$ 81,776</b>	<b>\$ 159</b>	<b>\$ 81,935</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 15,476	\$ -	\$ 15,476
<b>TOTAL LIABILITIES</b>	<b>15,476</b>	<b>-</b>	<b>15,476</b>
<b>FUND BALANCES</b>			
Restricted for Emergencies	14,400	-	14,400
Assigned for Master Plan	-	159	159
Unassigned	51,900	-	51,900
<b>TOTAL FUND BALANCES</b>	<b>66,300</b>	<b>159</b>	<b>66,459</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 81,776</b>	<b>\$ 159</b>	<b>\$ 81,935</b>

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2016

	GENERAL	MASTER PLAN	TOTALS
REVENUES			
Intergovernmental	\$ 125,000	\$ -	\$ 125,000
Grants	291,989	2,067	294,056
Investment Income	558	68	626
Miscellaneous	3,662	-	3,662
	<u>421,209</u>	<u>2,135</u>	<u>423,344</u>
TOTAL REVENUES			
EXPENDITURES			
General Government	33,356	2,067	35,423
Watershed Restoration	-	72,772	72,772
Greenview Trust Project	-	2,549	2,549
WARSSS Assessment Grant	51,048	-	51,048
Flood Control Alternative Grant	67,298	-	67,298
Monument Creek Watershed Restoration Master Plan	445,688	-	445,688
	<u>597,390</u>	<u>77,388</u>	<u>674,778</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	(176,181)	(75,253)	(251,434)
FUND BALANCES, Beginning	<u>242,481</u>	<u>75,412</u>	<u>317,893</u>
FUND BALANCES, Ending	<u>\$ 66,300</u>	<u>\$ 159</u>	<u>\$ 66,459</u>

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

STATEMENT OF NET POSITION  
PROPRIETARY FUND TYPE - WATER ACTIVITY ENTERPRISE  
December 31, 2016

	<u>WATER ACTIVITY ENTERPRISE</u>
ASSETS	
Current Assets	
Cash	<u>\$ 11,211,476</u>
TOTAL ASSETS	<u>11,211,476</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	<u>122,883</u>
TOTAL LIABILITIES	<u>122,883</u>
NET POSITION	
Unreserved	<u>11,088,593</u>
TOTAL NET POSITION	<u><u>\$ 11,088,593</u></u>

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND TYPE - WATER ACTIVITY ENTERPRISE  
Year Ended December 31, 2016

	<u>WATER ACTIVITY ENTERPRISE</u>
OPERATING REVENUES	
Utility Enterprise Grants	
Monetary Mitigation Fund	\$ 9,623,317
Pueblo Dredging Project	<u>2,000,000</u>
TOTAL OPERATING REVENUES	<u>11,623,317</u>
OPERATING EXPENSES	
Administrative and General	40,366
Projects	
Drainage Criteria Manual	71,349
Masciantonio Bank Restoration	91,523
Pueblo Levee Dredging	<u>331,486</u>
TOTAL OPERATING EXPENSES	<u>534,724</u>
NET INCOME	11,088,593
NET POSITION, Beginning	<u>-</u>
NET POSITION, Ending	<u><u>\$ 11,088,593</u></u>

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE - WATER ACTIVITY ENTERPRISE  
Year Ended December 31, 2016  
Increase (Decrease) in Cash

	<u>WATER ACTIVITY ENTERPRISE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Others	\$ 11,623,317
Cash Paid to Suppliers for Goods and Services	<u>(411,841)</u>
Net Cash Provided by Operating Activities	<u>11,211,476</u>
 Net Increase in Cash	 11,211,476
 CASH, Beginning	 <u>-</u>
 CASH, Ending	 <u><u>\$ 11,211,476</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	<u>\$ 11,088,593</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Changes in Assets and Liabilities	
Accounts Payable	<u>122,883</u>
Total Adjustments	<u>122,883</u>
Net Cash Provided by Operating Activities	<u><u>\$ 11,211,476</u></u>

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

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

The Fountain Creek Watershed, Flood Control and Greenway District (the "District") was formed on April 30, 2009 by an amendment to Title 32 of the Colorado Revised Statutes (C.R.S.) under the provisions of Colorado Senate Bill 09-141. The District area is 927 square miles in El Paso and Pueblo Counties, extending south from Palmer Divide to the Arkansas River, and approximately twenty miles east of the City of Colorado Springs with Pikes Peak to the west.

The purpose of the District is to provide management, administration and funding for capital improvements in order to improve drainage, mitigate flooding, erosion and sedimentation issues; address water quality and quantity issues in the Fountain Creek Watershed. In addition, the District is authorized to fund the acquisition and protection of open space and develop public recreational opportunities including parks, trails and open space within its boundaries. The District will have land use authority in the 100 year floodplain in El Paso and Pueblo Counties between the City of Fountain and the City of Pueblo. In addition, the District can provide input to the local government entities on land use applications that may have direct or indirect impacts on the watershed. During 2015 the District established the Fountain Creek Watershed Water Activity Enterprise Fund for the purpose of providing watershed, flood control and greenway services including but not limited to construction, operation, repair and replacement of water projects and facilities as defined in C.R.S. Section 32-45.1-102(5).

The District is governed by a nine-member Board of Directors consisting of representatives from El Paso and Pueblo Counties; Cities of Colorado Springs, Fountain and Pueblo; small municipalities in El Paso and Pueblo Counties, the Lower Arkansas Valley Water Conservation District and the Citizens Advisory Group.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

**Reporting Entity**

In accordance with governmental accounting standards, the District has considered the possibility of including additional entities in its financial statements.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Reporting Entity** (Continued)

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of this criteria, the District does not include additional organizations in its reporting entity.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by grants and intergovernmental revenues, are reported separately from *business-type activities*, which rely to significant extent on fees, grants and charges for support

The statement of net position reports all financial, capital and debt resources of the District. The difference between assets plus deferred outflows, and liabilities plus deferred inflows of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental revenues, taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and used. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both "measurable and available". Revenues are considered to be "available" when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year, except for expenditure driven grants as defined in the following paragraph.

Intergovernmental revenues, grants, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. Grant and similar revenues are recorded as revenues when all eligibility requirements are met, including any time requirements. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual 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. Operating expenses for enterprise 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 or capital contributions.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

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

The District reports the following major governmental funds in the fund financial statements:

*General Fund* is the District's primary operating fund that accounts for all financial resources of the District, except those required to be accounted for in another fund.

*Master Plan Fund* accounts for activities of the District related to research and development of the Fountain Creek Corridor Master Plan for the watershed area.

The District reports the following major proprietary fund in the fund financial statements:

*Water Activity Enterprise Fund* accounts for the activities of the District funded by local area utility enterprises for purposes of management, research, development and construction for the flood control project in the watershed area.

**Assets, Liabilities and Net Position/Fund Balances**

*Accounts Receivable* – Accounts receivable are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Net Position* – In the government-wide and proprietary fund financial statements, net position is restricted when constraints placed on the net position are externally imposed.

- Restricted Net Position – this classification includes liquid assets which have third party limitations on their use.
- Unrestricted Net Position – this classification includes assets that do not have any third party limitation on their use.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Net Position/Fund Balances** (Continued)

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- Assigned – This classification includes amounts that are constrained by the District’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The District has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both restricted and unrestricted fund balances are available, the District uses restricted fund balance first followed by committed, assigned and unassigned.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Use of Estimates**

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

**Subsequent Events**

The District has evaluated events subsequent to the year ended December 31, 2016 through July 17, 2017, the date of these financial statements were issued, and has incorporated any required recognition into these financial statements.

**NOTE 2: CASH**

At December 31, 2016, the District reported cash as follows:

Cash	\$ 11,289,811
Restricted Cash	<u>159</u>
Total	<u><b>\$ 11,289,970</b></u>

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2016, the District had bank deposits totaling \$11,272,083 of which \$310,607 were insured by FDIC, and \$10,961,476 were collateralized with securities held by the financial institution's agent but not in their name.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 2: CASH (Continued)**

**Restricted Cash**

Restricted cash consists of amounts restricted for the Master Plan.

**Investments**

The District has not adopted a formal investment policy and therefore follows State statutes regarding investments.

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The District had no investments at December 31, 2016.

**NOTE 4: RISK MANAGEMENT**

**Public Entity Risk Pool**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The District plans to provide for or restore the economic damages of those losses through risk transfer. The District participates in the Colorado Special Districts Property and Liability Pool and Workmen's Compensation Pool (the "Pool").

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 4: RISK MANAGEMENT (Continued)**

The purposes of the Pool are to provide members defined liability, property, and workers compensation coverages and to assist members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, their employees and officers.

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs.

All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool.

**NOTE 5: COMMITMENTS AND CONTINGENCIES**

**Tabor Amendment**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation.

At the District's creation, the Colorado Senate Bill 09-141 (SB 09-141) authorized the District to levy property taxes up to 5 mills for the purpose funding reserves, repayment of bonds issued, maintenance, operations and improvement of facilities, subject to election requirements and limitations as defined in SB 09-141.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District has made certain interpretations of the Amendment's language in order to determine compliance. The District's management believes the Water Activity Enterprise's operations qualify for the "enterprise" exclusion allowed by

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
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NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 5: COMMITMENTS AND CONTINGENCIES (Continued)**

**Tabor Amendment (Continued)**

the Amendment. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2016, the emergency reserve of \$14,400 was reported as a restriction of net position/fund balance in the Governmental Activities/General Fund.

**Intergovernmental Agreement**

On August 28, 2009, the District entered into an intergovernmental agreement (IGA) with the Lower Arkansas Valley Water Conservancy District (the "Lower Ark") and the City of Colorado Springs, on behalf of its enterprise, Colorado Springs Utilities ("CSU"). The IGA requires Lower Ark and CSU each to provide \$100,000 annually in funding to the District, beginning October 1, 2009 through September 30, 2016, for the purpose of providing services and funding of costs in the preparation of the Fountain Creek Corridor Master Plan. For the year ended December 31, 2016, the project was completed and the District received revenue of \$2,067 from CSU which has been reported as grant revenue in the Master Plan Fund.

**Water Activity Services Agreement – Pueblo Levee Dredging Project**

On September 26, 2016, the District's Water Activity Enterprise entered into a water activity services agreement with the Pueblo Stormwater Utility Enterprise (the "Stormwater Enterprise") to provide funding for the flood control repairs or improvements to the levee system on Fountain Creek in the City of Pueblo. The District's Water Activity Enterprise will act as the fiscal agent and project manager for the term of the project. The Stormwater Enterprise agrees to pay the District's Water Activity Enterprise a total of \$5,250,000 in increments of \$2,000,000 within 30 days of the agreement date, an additional \$2,000,000 by January 15, 2017 and the final \$1,250,000 by January 15, 2018. During the year ended December 31, 2016, the District's Water Activity Enterprise received \$2,000,000 from the Stormwater Enterprise and had expenses of \$305,217.

**REQUIRED SUPPLEMENTARY INFORMATION**

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Intergovernmental	\$ 366,164	\$ 125,000	\$ (241,164)
Grants	380,395	291,989	(88,406)
Investment Income	135	558	423
Miscellaneous	-	3,662	3,662
<b>TOTAL REVENUES</b>	<b>746,694</b>	<b>421,209</b>	<b>(325,485)</b>
<b>EXPENDITURES</b>			
General Government			
Advertising and Posting	960	251	709
Accounting and Audit	1,900	1,900	-
Administrative Support	25,000	-	25,000
Board Meetings	1,200	59	1,141
District Management	84,000	9,200	74,800
Engineering	200,000	-	200,000
Grant Management	36,065	20,300	15,765
Land Use Review	2,400	361	2,039
Legal	100,000	-	100,000
Office Supplies	8,745	266	8,479
Travel	6,000	337	5,663
Telephone	2,000	155	1,845
Miscellaneous	2,400	527	1,873
<b>Total General Government</b>	<b>470,670</b>	<b>33,356</b>	<b>437,314</b>
WARSSS Assessment Grant	60,000	51,048	8,952
Flood Control Alternative Grant	67,300	67,298	2
Monument Creek Watershed Restoration Master Plan	458,206	445,688	12,518
Other Grant Projects	37,335	-	37,335
<b>TOTAL EXPENDITURES</b>	<b>1,093,511</b>	<b>597,390</b>	<b>496,121</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(346,817)</b>	<b>(176,181)</b>	<b>170,636</b>
FUND BALANCE, Beginning	355,117	242,481	(112,636)
FUND BALANCE, Ending	<b>\$ 8,300</b>	<b>\$ 66,300</b>	<b>\$ 58,000</b>

See the accompanying Independent Auditor's Report.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
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BUDGETARY COMPARISON SCHEDULE  
MASTER PLAN FUND  
Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Grants	\$ -	\$ 2,067	\$ 2,067
Interest Income	-	68	68
 TOTAL REVENUES	 -	 2,135	 2,135
EXPENDITURES			
Master Plan			
Administration and General	-	2,067	(2,067)
Watershed Restoration	50,428	72,772	(22,344)
Greenview Trust Project	-	2,549	(2,549)
 TOTAL EXPENDITURES	 50,428	 77,388	 (26,960)
 NET CHANGE IN FUND BALANCE	 (50,428)	 (75,253)	 (24,825)
FUND BALANCE, Beginning	75,428	75,412	(16)
FUND BALANCE, Ending	<u>\$ 25,000</u>	<u>\$ 159</u>	<u>\$ (24,841)</u>

See the accompanying Independent Auditor's Report.

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

**NOTE 1: BUDGETARY INFORMATION**

**Budgets and Budgetary Accounting**

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

- In September, District management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

**Legal Compliance**

The Master Plan Fund expenditures exceeded budgeted amounts by \$26,960 for the year ended December 31, 2016. This may be a violation of State statute.

## **SUPPLEMENTARY INFORMATION**

FOUNTAIN CREEK WATERSHED, FLOOD CONTROL,  
AND GREENWAY DISTRICT

BUDGETARY COMPARISON SCHEDULE  
WATER ACTIVITY ENTERPRISE  
Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Grants and Contributions			
Monetary Mitigation Fund	\$ 9,700,000	\$ 9,623,317	\$ (76,683)
Pueblo Dredging Project	-	2,000,000	2,000,000
Interest Income	40,000	-	(40,000)
	9,740,000	11,623,317	1,883,317
<b>EXPENDITURES</b>			
Administration and General	186,164	40,366	145,798
Engineering	180,000	-	180,000
Projects	2,500,000	-	2,500,000
Drainage Criteria Manual	-	71,349	(71,349)
Masciantonio Bank Restoration	-	91,523	(91,523)
Pueblo Levee Dredging	-	331,486	(331,486)
	2,866,164	534,724	2,331,440
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,873,836	11,088,593	4,214,757
FUNDS AVAILABLE, Beginning	-	-	-
FUNDS AVAILABLE, Ending	\$ 6,873,836	\$ 11,088,593	\$ 4,214,757
Funds Available is Computed as Follows:			
Current Assets		\$ 11,211,476	
Current Liabilities		(122,883)	
		\$ 11,088,593	

See the accompanying Independent Auditors' Report.