

THE BIJOU IRRIGATION DISTRICT
AUDITED FINANCIAL STATEMENTS

December 31, 2017

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October 1, 2018



LIITTJOHANN, KAUFFMAN, and PEDERSON
Certified Public Accountants

THE BIJOU IRRIGATION DISTRICT
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December 31, 2017

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LIITTJOHANN, KAUFFMAN, and PEDERSON
Certified Public Accountants

David A. Kauffman, C.P.A., P.C.

Daniel M. Pederson, C.P.A.'s, P.C.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Bijou Irrigation District

We have audited the accompanying financial statements of the governmental activities, and each major fund of The Bijou Irrigation District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Bijou Irrigation District, as of December 31, 2017, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

420 East Platte Avenue, Suite A
Ft. Morgan, CO 80701
(970) 867-4922

106 East First Street
Julesburg, CO 80737
(970) 474-3326

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents 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.



Fort Morgan, Colorado
September 10, 2018

THE BIJOU IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 1,511,914
Investments	528,027
Prepaid expenses	24,264
Total Current Assets	2,064,205
Capital Assets	
Land	430,732
Ditch rights	15,772
Empire reservoir and improvements	7,381,344
Bijou canal, reservoir and improvements	1,699,066
Empire spillway	807,633
Equipment	248,958
Real estate and improvements	231,569
Chace Pond	99,047
Goedert ponds rights	87,188
Diversion rehabilitation structure	2,918,620
Less: Accumulated depreciation	(3,898,894)
Total Capital Assets, net	10,021,035
Other Assets	
Cash restricted	37,376
Investments - restricted	548,316
Water rights and decree	1,077,168
Retained patronage	10,949
Unamortized debt issuance costs - net	56,393
Total Other Assets	1,730,202
Total Assets	13,815,442
Deferred Outflows of Resources	
Acreage assessments receivable	893,257
Liabilities	
Accounts payable	18,663
Accrued interest payable	72,212
Current maturities of long-term notes payable	132,530
Total Current Liabilities	223,405
Long-term Liabilities	
Notes payable	5,741,205
Total Liabilities	5,964,610
Deferred Inflows of Resources	
Deferred acreage assessment revenue	893,257
Net Position	
Net invested in capital assets	4,147,300
Restricted	396,963
Unrestricted	3,306,569
Total Net Position	\$ 7,850,832

The accompanying notes and independent auditors'
report should be read with this statement.

THE BIJOU IRRIGATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

		<u>Program Revenues</u>		
Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Government Grants</u>	<u>Net Governmental Activities</u>
Governmental Activities				
General government	\$ 300,401	\$ 15,000	\$ -	\$ (285,401)
Conservation of natural resources	918,192	499,569	7,394	(411,229)
Interest on long-term debt	136,114	-		(136,114)
	<u>1,354,707</u>	<u>514,569</u>	<u>7,394</u>	<u>(832,744)</u>
General Revenues				
Acreage/stock assessments				1,069,253
Well augmentation assessments				305,453
Interest				26,195
Patronage income				3,102
Other				<u>276,456</u>
Total General Revenues				<u>1,680,459</u>
Change in Net Position				847,715
Net Position, Beginning of Year				<u>7,003,117</u>
Net Position, End of Year				<u>\$ 7,850,832</u>

The accompanying notes and independent auditors' report should be read with this financial statement.

THE BIJOU IRRIGATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash	\$ 192,356	\$ 1,319,558	\$ 1,511,914
Cash - restricted	-	37,376	37,376
Investments	528,027	-	528,027
Investments - restricted	548,316	-	548,316
Prepaid expenses	12,132	12,132	24,264
Deposits	-	-	-
Water investments	434,127	643,041	1,077,168
Total Assets	1,714,958	2,012,107	3,727,065
Deferred Outflows of Resources			
Acreage assessments receivable	893,257	-	893,257
Total Assets and Deferred Outflows of Resources	\$ 2,608,215	\$ 2,012,107	\$ 4,620,322
Liabilities			
Accounts payable	\$ 10,986	\$ 6,753	\$ 17,739
Due to others	-	924	924
Total Liabilities	10,986	7,677	18,663
Deferred Inflows of Resources			
Deferred acreage assessment revenue	893,257	-	893,257
Fund Equity			
Fund balance			
Nonspendable:			
Prepaid expenses	12,132	12,132	24,264
Restricted for:			
Debt service	316,887	37,376	354,263
Emergency	25,300	17,400	42,700
Unassigned	1,349,653	1,937,522	3,287,175
Total Fund Equity	1,703,972	2,004,430	3,708,402
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	\$ 2,608,215	\$ 2,012,107	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets, retained patronage and debt issuance costs used in governmental activities are not financial resources and, therefore, are not reported in the fund.			10,088,377
Long-term liabilities, including capital leases and accrued interest are not due and payable in the current period and, therefore, are not reported in the fund.			(5,873,735)
Interest is accrued on outstanding long-term debt and is not due and payable in the current period and, therefore, is not reported in the fund.			(72,212)
Net Position of Governmental Activities			\$ 7,850,832

The accompanying notes and independent auditors' report should be read with this financial statement.

THE BIJOU IRRIGATION DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenue			
Acreage/stock assessments	\$ 893,253	\$ 176,000	\$ 1,069,253
Well augmentation assessments	-	305,453	305,453
Running fees	-	135,713	135,713
CBT water lease	-	199,920	199,920
Recreation fees	15,000	-	15,000
Boating lease revenue	156,000	-	156,000
Grant revenue	7,394	-	7,394
Interest	23,140	3,055	26,195
Other	200,969	85,163	286,132
Total Revenue	<u>1,295,756</u>	<u>905,304</u>	<u>2,201,060</u>
Expenditures			
General government	149,079	151,322	300,401
Conservation of natural resources	355,216	343,852	699,068
Capital outlay	20,643	44,162	64,805
Capital outlay - small materials	-	4,739	4,739
Total Expenditures	<u>524,938</u>	<u>544,075</u>	<u>1,069,013</u>
Revenues in Excess (Deficiency) of Expenditures	770,818	361,229	1,132,047
Other Financing Uses			
Debt service - Principal	(192,705)	(23,138)	(215,843)
Interest	(124,182)	(14,238)	(138,420)
Total Other Financing Uses	<u>(316,887)</u>	<u>(37,376)</u>	<u>(354,263)</u>
Changes in Fund Balance	453,931	323,853	777,784
Fund Balance - Beginning of Year as previously reported	<u>1,250,041</u>	<u>1,680,577</u>	<u>2,930,618</u>
Fund Balance - End of Year	<u><u>\$ 1,703,972</u></u>	<u><u>\$ 2,004,430</u></u>	<u><u>\$ 3,708,402</u></u>

The accompanying notes and independent auditors' report should be read with this financial statement.

THE BIJOU IRRIGATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balance of governmental fund \$ 777,784

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense in the period.

Depreciation expense	\$(208,086)	
Capital outlays	<u>61,059</u>	(147,027)

Retained patronage amounts are not available to pay current-period expenditures. This amount represents the decrease in retained patronage. 1,361

Repayment of a note payable is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt repayments. 215,842

In the statement of activities, certain operating expenses such as interest are measured by the amounts incurred during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount represents the net effect of interest payable on the statement of activities. 2,306

Debt issuance costs associated with long-term notes payable are recognized as expenditures and other financing uses in the governmental funds at the time the debt is issued. However, these items are capitalized in the statement of activities and amortized over the life of the debt. This is the amount of amortization on debt issuance costs. (2,551)

Change in net position of governmental activities \$ 847,715

The accompanying notes and independent auditors' report should be read with this financial statement.

THE BIJOU IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Bijou Irrigation District (the District) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to the state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

A. Reporting Entity

The financial reporting entity consists of the District and organizations for which the District is financially accountable and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the District.

Based upon the application of these criteria, The Bijou Irrigation Company has been included as a component unit in the accompanying financial statements.

Blended Component Unit

The District owns controlling interest (68%) of The Bijou Irrigation Company (the Company), a Colorado non-profit corporation. The Company owns and maintains the Bijou Number Two Reservoir Facility, which is an integral part of the District's ditch operations.

The entities are homogeneous in operation of the total water supply and irrigation system and have several common board directors as well as arrangements for sharing office space, personnel and expenses.

The Bijou Irrigation Company is reported as if it were part of the primary government because of the District's controlling interest of the Company and homogeneous operations. The Company's information is also reported on a calendar-year basis.

The component unit issues separately audited financial statements. Copies of the component unit report can be obtained from The Bijou Irrigation Company, 229 Prospect Street, Fort Morgan, Colorado 80701.

B. Nature of Operations

The Bijou Irrigation District is a political subdivision of the State of Colorado governed by a five-member board of directors. The District is a Colorado local government unit, which owns and maintains the Empire Reservoir and ditch systems.

C. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

THE BIJOU IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basic Financial Statements (continued)

Government-wide financial statements report information about the reporting government as a whole. The effect of inter-fund activity has been removed from these statements. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities. These statements do not include Fiduciary Funds or component units which are fiduciary in nature.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. 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 business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Assessments and other items not included among program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Assessments are recognized as revenues in the year for which they are assessed. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in fund balance (i.e., revenues and other financing sources and expenditures and other financing uses).

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end except for federal and state grants for which a ninety day period is used.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis revenues from assessments are recognized in the fiscal year for which the assessments are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

THE BIJOU IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: assessments, fees, lease revenue, reimbursements, and interest income collected within sixty days after year-end.

The District reports the following major governmental funds:

General Fund

This fund accounts for the financial resources of the District which are not accounted for in any other fund. Principal sources of revenue are acreage assessments and recreation fees. Primary expenditures are for operations, maintenance and general administration.

The Bijou Irrigation Company (Blended Component Unit)

The Bijou Irrigation Company (the Company) owns and maintains water reservoir and distribution facilities. This fund consists of all the activities of The Bijou Irrigation Company, a non-profit corporation, during the period January 1, 2017 to December 31, 2017.

E. Budgets

The District adopts an annual budget for the General Fund, which is prepared on the cash basis of accounting. The District may authorize supplemental appropriations during the budget year. All budgetary appropriations lapse at year-end..

Colorado statutes provide the following timetable, which is followed in the adoption of budgets:

- 1) Submission of the proposed budget to the local governing body by October 15 of each year.
- 2) Certification of acreage assessments to the Board of County Commissioners by December 15.
- 3) Final adoption of budget and appropriations by December 31 of each year.
- 4) Acreage assessments due by April 30 of each year if paid in full, or in two installments due February 28 and June 15 of each year.
- 5) Liens placed on property for which taxes are delinquent in November each year.

F. Encumbrances

The District does not utilize encumbrance accounting.

G. Cash and Investments

Cash and cash equivalents are considered to be cash on demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are recorded at fair value, which approximates cost.

H. Receivables

All trade and acreage assessments receivable are shown net of an allowance for uncollectible accounts. Based upon a review of existing receivables and prior collection experience, the District has determined all receivables to be collectible and no allowance has been established for 2017.

THE BIJOU IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

J. Capital Assets

Capital assets, which include land and machinery and equipment (furniture, vehicles, computers, etc.), are reported in the Governmental Activities column of the Government-Wide Financial Statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not substantially add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and diversion rehabilitation structure	25-100 years
Empire reservoir	50-75 years
Bijou canal and reservoir	15-75 years
Equipment	3-20 years

K. Retained Patronage

Retained patronage includes the District's portion of undistributed earnings in two electrical cooperatives in Colorado. The amount is recorded at cost.

L. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: Deferred acreage assessments which are based on current year land values but will not be realized until the following year.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: Deferred acreage assessment revenue which is based on current year land values but will not be recognized as revenue until the following year.

THE BIJOU IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

M. Net Position

Net position is comprised of the various net earnings from operating income, non operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of restricted or "net investment in capital assets."

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

N. Fund Balance

As of December 31, 2017, fund equity balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can only be used for specific purposes determined by a formal action of the Board of Directors.

Assigned - amounts intended to be used for specific purposes that are neither restricted nor committed.

Unassigned - all other spendable amounts.

O. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

THE BIJOU IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2. CASH AND INVESTMENTS

A. Cash

The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories with eligibility determined by the state regulators.

Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The 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 be at least equal to 102% of the aggregate uninsured deposits. Cash deposits of the Governmental activities totaled \$192,306 including restricted cash at various financial institutions, at year-end.

Cash deposits of the Company totaled \$1,319,558 at year-end, on deposit with several financial institutions. Federal Deposit Insurance Corporation (FDIC) coverage is \$250,000 per institution, and as of December 31, 2017, there were no deposits that exceeded the coverage limit in any one institution. The Company has not experienced, nor does it anticipate, any losses due to this excess.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. All of the District's deposits are covered by the PDPA; therefore, the District does not have custodial credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is defined as the risk an issuer or other counterparts to an investment in debt securities will not fulfill its obligations. The District has not formally adopted policies regarding interest rate risk and credit risk.

B. Cash and Investments

The District has invested \$1,076,343 in the Colorado Government Liquid Asset Trust (COLOTRUST). State law limits investments for special districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency.

State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating by one or more nationally recognized rating agencies. The investment in COLOTRUST meets the state law requirement as the Trust has over \$1 billion in assets, is rated AAA by Standard and Poor's, and maintains a constant net asset value of \$1 per share.

The Colorado Water Conservation Board (CWCB) note payable (see Note 5) requires the District to have a payments reserve of all monies levied for debt service. The reserves at December 31, 2017 totaled \$549,461, which consisted of \$34,647 for the Spillway Note, \$96,751 for the Diversion Structure Rehabilitation Note, \$186,020 for the Dike Rehabilitation Project Note, \$232,043 for future repair and maintenance projects.

THE BIJOU IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 3. WATER INVESTMENTS

General Fund

Water industry related investments are recorded at cost and estimated cost details are as follows:

	Cost or Estimated Cost
Water rights 1871 priority Direct Flow Decree dated March 29, 1909 under which the District is entitled to withdraw 40 cubic feet per second of water from the South Platte River	\$ 120,000
Bijou Irrigation Company (component unit) 2,718 shares	313,127
Total	\$ 433,127

Special Revenue Fund - The Bijou Irrigation Company (Blended Component Unit)

Water rights represent the estimated cost of water stock and three different water rights under which the Company is entitled to withdraw 516 - 1/3 cubic feet per second of water from the South Platte River. During 1985, the Company acquired a new water decree, which allows for an additional 600 cubic feet per second of water for augmentation purposes. During 2014, the Company purchased 5 Putnam Ditch Company water rights associated with a property purchased by the District. Water rights summary at December 31, 2016, is as follows:

Water decrees	\$ 450,733
Water augmentation decree	102,991
Water stock – 980 units of Colorado Big Thompson	1
Water stock – 5 shares Putnam Ditch Company	89,316
Total	\$ 643,041

THE BIJOU IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5. NOTES PAYABLE (continued)

The total amount of restricted cash reserves with respect to the Spillway note payable at December 31, 2017 was \$34,589.

Principal and interest payments are summarized as follows:

Payment Due Date	Interest Rate	Principal Maturity	Interest Requirements	Total Debt Requirements
1/1/2018	2.50%	\$ -	\$ -	\$ -
1/1/2019	2.50%	21,109	13,480	34,589
1/1/2020	2.50%	21,637	12,952	34,589
1/1/2021	2.50%	22,177	12,412	34,589
1/1/2022	2.50%	22,731	11,858	34,589
2023-2027	2.50%	122,471	50,472	172,943
2028-2032	2.50%	138,565	34,378	172,943
2033-2037	2.50%	156,773	16,170	172,943
2038	2.50%	33,745	844	34,589
		\$ 539,208	\$ 152,566	\$ 691,774

District - Colorado Water Conservation Board - Diversion Structure Rehabilitation - On March 7, 2008, the District issued a promissory note in the amount of \$654,480 to the Colorado Water Conservation Board (CWCB) for the Diversion Structure Rehabilitation project. On December 1, 2008 the District received an additional amount of \$1,436,220 for a total of \$2,090,700. The note requires annual principal and interest payments in the amount of \$96,589. The note bears interest at 2.25% with a thirty-year term. The diversion structure is provided as collateral on the note. The February 1, 2017 payment was made during 2016, and therefore there is no "current" portion due. The balance of the note payable to CWCB at December 31, 2017 was \$1,310,054 and the amount of interest paid during 2017 was \$30,953.

The District levied an annual special assessment to the stockholders in the amount of \$96,644 to fund the annual payment of the note and the debt service reserve account. A component of the note agreement requires the District to establish a reserve of all levied amounts pertaining to note repayment. In addition, the note agreement requires the District to establish a debt service reserve account. The District has combined both reserves into a single account held at ColoTrust (See Note 2). The debt service reserve amount is equal to one note payment with one-tenth of the payment amount (\$96,589) deposited on the due date of the first payment and annually thereafter for the first ten years. In lieu of the ten-year funding option, the District has deposited an amount equal to one annual payment (\$96,589) in one lump sum payment into the ColoTrust account noted above. The balance in the reserve account at December 31, 2017 was \$96,750, including accumulated interest of \$161 (see Note 2).

The total amount of restricted cash reserves with respect to the Diversion Structure Rehabilitation note payable at December 31, 2017 was \$96,589.

Principal and interest payments are summarized as follows:

Payment Due Date	Interest Rate	Principal Maturity	Interest Requirements	Total Debt Requirements
2/1/2018	2.25%	\$ -	\$ -	\$ -
2/1/2019	2.25%	67,113	29,476	96,589
2/1/2020	2.25%	68,623	27,966	96,589
2/1/2021	2.25%	70,167	26,422	96,589
2/1/2022	2.25%	71,746	24,843	96,589
2023-2027	2.25%	383,681	99,264	482,945
2028-2032	2.25%	428,831	54,114	482,945
2033-2035	2.25%	219,893	8,612	228,505
		\$ 1,310,054	\$ 270,697	\$ 1,580,751

THE BIJOU IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 5. NOTES PAYABLE (continued)

District - Colorado Water Conservation Board - Dike Rehabilitation Project - On March 7, 2008, the District obtained a note with the CWCB in the amount of \$2,408,850 for the Dike Rehab Project. On December 1, 2008 the District received an additional loan amount of \$2,045,250 for a total of \$4,454,100. The note bears an interest rate of 2.25% and has a thirty-year term. The project was deemed substantially complete in March 2011 with the first annual note payment due in March 2012. At December 31, 2017, the total principal outstanding was \$3,415,021. The District paid \$79,234 of interest on this note during 2017.

Annual principal and interest payments are \$185,710 and the note is secured by the structure and pledged assessment revenues. A component of the note agreement requires the District to establish a reserve of all levied amounts pertaining to note repayment. In addition, the note agreement requires the District to establish a debt service reserve account. The debt service reserve amount will be equal to one note payment with one-tenth of the payment amount set aside each year.

In lieu of the ten-year funding option, the District has deposited an amount equal to one annual payment (\$185,710) in one lump sum payment into the ColoTrust account noted above. The balance in the reserve account at December 31, 2017 was \$186,021, including accumulated interest of \$311. The District levied an annual assessment to District land owners in the amount of \$185,095 for debt servicing. The total amount of restricted cash reserves with respect to the Dike Rehabilitation Project note payable at December 31, 2017 was \$185,095.

Principal and interest payments are summarized as follows:

Payment Due Date	Interest Rate	Principal Maturity	Interest Requirements	Total Debt Requirements
3/1/2018	2.25%	\$ 108,872	\$ 76,838	\$ 185,710
3/1/2019	2.25%	111,321	74,389	185,710
3/1/2020	2.25%	113,826	71,884	185,710
3/1/2021	2.25%	116,387	69,323	185,710
3/1/2022	2.25%	119,006	66,704	185,710
2023-2027	2.25%	636,419	292,129	928,548
2028-2032	2.25%	711,311	217,237	928,548
2033-2037	2.25%	795,017	133,531	928,548
2038-2041	2.25%	702,862	39,976	742,838
		<u>\$ 3,415,021</u>	<u>\$ 1,042,011</u>	<u>\$ 4,457,032</u>

Note Payable - The Bijou Irrigation Company (Blended Component Unit)

On October 5, 2007, the Company issued a note payable for an amount of \$800,299 with an interest rate of 2.25% to the Colorado Water Conservation Board (CWCB). The note financed the construction of the Diversion Rehabilitation Structure. The Structure is provided as collateral on the note. The note requires annual payments of principal and interest of \$37,376, with the initial payment due June 2009. The term of the note repayment is 30 years, and the amount outstanding at December 31, 2017 was \$609,452. The Company paid \$14,238 of interest during 2017.

THE BIJOU IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5. NOTES PAYABLE (continued)

Note Payable - The Bijou Irrigation Company (Blended Component Unit)

The Company levies an annual special assessment to the stockholders to fund the annual principal and interest payments on the note. A component of the note agreement requires the Company to establish a reserve of all levied amounts pertaining to note repayment. During 2017, assessments for debt service totaled \$37,360. In addition, the note agreement requires the Company to establish a debt service reserve account. The debt service reserve amount is equal to one note payment with one-tenth of the payment amount deposited on the due date of the first payment and annually thereafter for the first ten years. In lieu of the ten-year funding option, the Company has deposited an amount equal to one annual payment in one lump sum into a separate, interest-bearing depository account. The balance in the depository reserve account at December 31, 2017 was \$38,182, including accumulated interest of \$806.

The amount of restricted cash reserves at December 31, 2017 was \$37,376 (Note 2).

Principal and interest payments are summarized as follows:

<u>Payment Due Date</u>	<u>Interest Rate</u>	<u>Principal Maturity</u>	<u>Interest Requirements</u>	<u>Total Debt Requirements</u>
6/1/2018	2.25%	\$ 23,658	\$ 13,718	\$ 37,376
6/1/2019	2.25%	24,191	13,186	37,376
6/1/2020	2.25%	24,735	12,641	37,376
6/1/2021	2.25%	25,291	12,085	37,376
6/1/2022	2.25%	25,860	11,516	37,376
2023-2027	2.25%	138,296	48,583	186,879
2028-2032	2.25%	154,570	32,309	186,879
2033-2037	2.25%	172,759	14,120	186,879
2038	2.25%	20,092	455	20,547
		<u>\$ 609,452</u>	<u>\$ 158,612</u>	<u>\$ 768,064</u>

NOTE 6. CHANGES IN LONG-TERM DEBT

	<u>Balance 12/31/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2017</u>	<u>Due in one year</u>
Governmental-type Activities:					
Note Payable – Spillway	\$ 559,801	\$ -	\$ 20,593	\$ 539,208	\$ -
Note Payable – Diversion Structure	1,375,690	-	65,636	1,310,054	-
Note Payable – Diversion Structure (Special Revenue Fund)	632,589 3,521,497	- -	23,137 106,476	609,452 3,415,021	23,658 108,872
Note Payable – Dike Rehab	-	-	-	-	-
Total	<u>\$ 6,089,577</u>	<u>\$ -</u>	<u>\$ 215,842</u>	<u>\$ 5,873,735</u>	<u>\$ 132,530</u>

NOTE 7. LINE OF CREDIT

During 2017, the District had available, an operating line of credit with a bank in the amount of \$1,300,000. Interest is payable monthly at a variable rate, based on the bank's index rate of 4.5% at December 31, 2017. No advances were made on the line during 2017 and no amount was outstanding at December 31, 2017. The current note agreement has a maturity date of January 1, 2018. The note is collateralized by deposit accounts, receivables, and property.

THE BIJOU IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8. RESTRICTED FUND BALANCE

The Boards of Directors of the District and Company have restricted \$25,300 and \$17,400, respectively, of the ending Fund Balance for emergencies at December 31, 2017 as required by Section 20 to Article X of the Colorado Constitution, also known as the Taxpayer's Bill of Rights (TABOR). The restricted amounts are equal to three percent of nonexempt revenues.

The District and Company have also restricted \$316,887 and \$37,376, respectively, of fund balance for use in debt repayment in connection with terms of the various note agreements with the Colorado Water Conservancy Board.

NOTE 9. WATER LEASE

During 2017, the Company leased its units of Colorado Big Thompson (CBT) water to various entities, including Central Colorado Water Conservatory District and A & W Services, Inc., under cash lease agreements. The fee was \$199,920 for 2017.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District and the Company purchases commercial insurance to cover all of the risks listed above. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 11. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued. No events were noted that would require adjustment to or disclosure in the financial statements.

THE BIJOU IRRIGATION DISTRICT
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
December 31, 2017

	General Fund			Special Revenue Fund		
	Budgeted Amts		Variance - Favorable (Unfavorable)	Budgeted Amts		Variance - Favorable (Unfavorable)
	Original & Final	Actual Amounts		Original & Final	Actual Amounts	
Revenue						
Acresage/stock assessments	\$ 893,257	\$ 893,253	\$ (4)	\$ 176,000	\$ 176,000	\$ -
Well augmentation assessments	-	-	-	306,076	305,453	(623)
Grant revenues	-	7,394	7,394	-	-	-
Interest	7,000	23,140	16,140	1,000	3,055	2,055
Legal and engineering reimbursements	-	-	-	-	-	-
Other	238,257	371,969	133,712	207,949	285,083	77,134
Running fees	-	-	-	85,516	135,713	50,197
Total Revenue	1,138,514	1,295,756	157,242	776,541	905,304	128,763
Expenditures						
General Government	205,796	149,079	56,717	198,490	151,322	47,168
Conservation of Natural Resources	429,491	355,216	74,275	414,544	343,852	70,692
Capital outlay	262,156	20,643	241,513	68,763	44,162	24,601
Capital outlay" small equipment	-	-	-	12,500	4,739	7,761
Total Expenditures	897,443	524,938	372,505	694,297	544,075	150,222
Revenues in Excess (Deficiency) of Expenditures	<u>241,071</u>	<u>770,818</u>	<u>529,747</u>	<u>82,244</u>	<u>361,229</u>	<u>278,985</u>
Other Financing Sources (Uses)						
Debt service - principal	(192,705)	(192,705)	-	(23,138)	(23,138)	-
- interest	(124,182)	(124,182)	-	(14,238)	(14,238)	-
Total Other Financing Sources (Uses)	(316,887)	(316,887)	-	(37,376)	(37,376)	-
Revenues and Other Financing Sources (Uses) in Excess of Expenditures - Budget Basis	<u>\$ (75,816)</u>	<u>453,931</u>	<u>\$ 529,747</u>	<u>\$ 44,868</u>	<u>323,853</u>	<u>\$ 278,985</u>
Fund Balance Beginning of year as previously reported		<u>1,250,041</u>			<u>1,480,577</u>	
Fund Balance End of year (Note 8)		<u>\$ 1,703,972</u>			<u>\$ 1,804,430</u>	

THE BIJOU IRRIGATION DISTRICT
SCHEDULES OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Budgeted Amts		Actual Amounts	Variance - Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance - Favorable (Unfavorable)
	Original & Final	Final			Original	Final		
Revenue								
Acreage/stock assessments	893,257	893,257	893,253	(4)	893,257	893,257	893,258	1
Interest	7,000	7,000	23,140	16,140	2,250	2,250	19,570	17,320
Miscellaneous	23,919	23,919	72,453	48,534	21,773	21,773	195,822	174,049
Boating lease revenue	145,000	145,000	156,000	11,000	135,000	135,000	155,500	20,500
Recreation fees	15,000	15,000	15,000	-	14,500	14,500	14,500	-
Grant revenues	28,338	28,338	7,394	(20,944)	-	-	-	-
Crossing fees	10,000	10,000	112,516	102,516	10,000	10,000	75,000	65,000
Empire rights assessments	16,000	16,000	16,000	-	16,000	16,000	16,000	-
Total Revenue	1,138,514	1,138,514	1,295,756	157,242	1,092,780	1,092,780	1,369,650	276,870
Expenditures								
General Government								
Salary	48,140	48,140	48,350	(210)	48,140	48,140	46,929	1,211
Employee benefits	19,137	19,137	9,084	10,053	19,137	19,137	9,818	9,319
Rent	4,950	4,950	5,105	(155)	4,950	4,950	4,881	69
Telephone	2,250	2,250	1,644	606	2,750	2,750	1,616	1,134
Supplies	1,850	1,850	1,375	475	2,300	2,300	1,346	954
Miscellaneous	9,950	9,950	4,599	5,351	11,500	11,500	7,726	3,774
Licenses and fees	5,850	5,850	3,851	1,999	5,100	5,100	4,841	259
Directors fees	10,000	10,000	7,900	2,100	10,000	10,000	7,100	2,900
Insurance	35,000	35,000	20,528	14,472	35,000	35,000	32,015	2,985
Legal and accounting	60,500	60,500	42,981	17,519	120,500	124,517	96,968	27,549
Utilities	750	750	807	(57)	1,000	1,000	684	316
Payroll taxes	7,419	7,419	2,855	4,564	7,419	7,419	2,855	4,564
Total General Government	205,796	205,796	149,079	56,717	267,796	271,813	216,779	55,034
Conservation of Natural Resources								
Operations								
Salary	78,800	78,800	79,736	(936)	98,673	98,673	68,100	30,573
Payroll taxes	6,581	6,581	7,956	(1,375)	6,581	6,581	6,854	(273)
Employee benefits	44,363	44,363	23,943	20,420	17,863	17,863	25,142	(7,279)
Engineering	15,000	15,000	20,682	(5,682)	25,000	25,000	44,775	(19,775)
Utilities	3,500	3,500	2,963	537	3,750	3,750	3,583	167
Communications	5,500	5,500	2,722	2,778	6,000	6,000	4,117	1,883
Mileage	2,000	2,000	2,117	(117)	2,000	2,000	1,130	870
Maintenance								
Maintenance	136,300	136,300	82,865	53,435	445,300	445,300	227,212	218,088
Equipment rental and repairs	14,575	14,575	11,360	3,215	14,575	14,575	11,196	3,379
Contract labor	2,000	2,000	-	2,000	2,500	2,500	806	1,694
Assessments	119,592	119,592	119,592	-	119,592	119,592	119,592	-
Water running fees	1,280	1,280	1,280	-	1,280	1,280	1,280	-
Capital outlay	262,156	262,156	20,643	241,513	24,500	505,105	663,902	(158,797)
Capital outlay - small equipment	-	-	-	-	-	-	-	-
Total Conservation of Natural Resources	691,647	691,647	375,859	315,788	767,614	1,248,219	1,177,689	70,530
Total Expenditures	897,443	897,443	524,938	372,505	1,035,410	1,520,032	1,394,468	125,564
Revenues in Excess (Deficiency) of Expenditures	241,071	241,071	770,818	529,747	57,370	(427,252)	(24,818)	402,434
Other Financing Sources (Uses)								
Debt service - principal	(192,705)	(192,705)	(192,705)	-	(187,926)	(187,926)	(188,416)	(490)
- interest	(124,182)	(124,182)	(124,182)	-	(128,961)	(128,961)	(128,471)	490
Total Other Financing Sources (Uses)	(316,887)	(316,887)	(316,887)	-	(316,887)	(316,887)	(316,887)	-
Change in Fund Balance - Budget Basis	\$ (75,816)	\$ (75,816)	\$ 453,931	\$ 529,747	\$ (259,517)	\$ (744,139)	\$ (341,705)	\$ 402,434