

**Annual Financial Report**

**The Henrylyn Irrigation District**  
**Keenesburg, Colorado**

**For the Year Ended December 31, 2017**

**E**

**RECEIVED**

Office of the State Auditor

May 4, 2018

# THE HENRYLYN IRRIGATION DISTRICT

---

## *Table of Contents*

December 31, 2017

	<b>Page</b>
<b>Financial Section</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance	12
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	13
Notes to the Basic Financial Statements	14-28
Required Supplemental Information:	
Schedule of Revenues – Budget to Actual – Operating Fund	29
Schedule of Expenditures – Budget to Actual – Operating Fund	30
Reconciliation of Budgetary Basis to GAAP Basis – Budget to Actual - Operating Fund	31



*Tim*  
**Chavies & Associates, Inc.**

*Certified Public Accountants  
1707 61st Avenue, Suite 101  
Greeley, Colorado 80634  
(970) 356-2284 / Fax (970) 353-9701*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Henrylyn Irrigation District  
Keenesburg, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of The Henrylyn Irrigation District, State of Colorado as of and for the years 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 the 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 of 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, based on our audit, 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 Henrylyn Irrigation District, State of Colorado as of December 31, 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters – Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 29-31 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.

Greeley, Colorado  
April 24, 2018

*Tim Chavies & Associates, Inc.*

Tim Chavies & Associates, Inc.  
Certified Public Accountants

**THE HENRYLYN IRRIGATION DISTRICT**  
**29490 County Road 14**  
**Keenesburg, Colorado 80643**  
**(303) 536-4702**

Management's Discussion and Analysis  
December 31, 2017

The management's discussion and analysis (MD&A) of The Henrylyn Irrigation District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year. It should be read in conjunction with the accompanying basic financial statements. When available, the District has included comparative analysis of such data.

**Financial Highlights**

- The District's total net position increased \$262,556 or 2.63% between 2017 and 2016.
- Total revenues were \$2,547,251 in 2017 compared to \$1,522,420 in 2016, an increase of \$1,024,831 or 67.32%.
- Total administrative and general expenses were \$1,937,279 in 2017 compared to \$1,857,428 in 2016, an increase of \$79,851 or 4.30%.
- The District's note to the Colorado Water Conservation Board was paid in accordance with the amortization schedule.

**Overview of the Financial Statements**

The discussion and analysis serve as an introduction to The Henrylyn Irrigation District's basic financial statements which are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the basic financial statements, and 4) other required supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** are comprised of the Statement of Net Position and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the District's finances utilizing the full accrual method of accounting, in a manner similar to the private-sector business.

**The Statement of Net Position** presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, including capital assets and long-term liabilities with the difference between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include only the general government. The District does not have any business-type activities or component units.

**Fund Financial Statements** focus on current available resources and are organized and operated on the basis of funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the District can be divided into three categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements utilize the modified accrual basis of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as on balances on spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

The District only maintains one governmental fund (operating) and adopts an annually appropriated budget for this governmental fund. Budgetary comparison statements for the governmental fund are required to be presented and are included as part of the other supplementary schedules of this report.

The District does not have any **Proprietary Funds or Fiduciary Funds**.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** includes certain required supplementary information containing budgetary comparison schedules of revenues, expenditures and changes in fund balances for all funds.

## Government-Wide Financial Analysis

Condensed financial information from the **Statement of Net Position**:

<b>December 31.</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current and other assets	\$ 5,043,684	\$ 4,945,024
Capital assets, net	7,442,290	6,963,820
<b>Total Assets</b>	<b>12,485,974</b>	<b>11,908,844</b>
<b>Deferred Outflows</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>		
Long-term debt outstanding	1,632,222	1,681,473
Other liabilities	541,281	175,149
<b>Total Liabilities</b>	<b>2,173,503</b>	<b>1,856,622</b>
<b>Deferred Inflows</b>	<b>71,400</b>	<b>73,707</b>
<b>Net Position:</b>		
Net investment in capital assets	5,760,816	5,233,942
Restricted - debt	277,132	275,916
Unrestricted	4,203,123	4,468,657
<b>Total Net Position</b>	<b>\$ 10,241,071</b>	<b>\$ 9,978,515</b>

Net position of the District was affected by 5K Agreement money being received from FRICO, increase in sale of water and permits, long-term debt decreasing by principal payments and net capital assets increasing due to actual purchases of new capital assets being more than depreciation.

Condensed financial information from the **Statement of Activities**:

<b>December 31.</b>	<b>2017</b>	<b>2016</b>
<b>Revenues:</b>		
Operating revenues	\$ 582,925	\$ 593,343
Other revenues	1,956,649	921,810
Earnings on investments	7,677	7,267
<b>Total Revenues</b>	<b>2,547,251</b>	<b>1,522,420</b>
<b>Expenses:</b>		
Administrative and general	1,937,279	1,857,428
Depreciation	341,052	320,263
Interest on debt	29,841	32,724
<b>Total Expenses</b>	<b>2,308,172</b>	<b>2,210,415</b>
<b>Other Financing Sources (Uses):</b>		
Proceeds on sale of assets	23,477	6,081
<b>Total Other Financing Sources (Uses)</b>	<b>23,477</b>	<b>6,081</b>
<b>Net Change in Net Position</b>	<b>262,556</b>	<b>(681,914)</b>
Net Position - beginning of year	9,978,515	10,660,429
<b>Net Position - end of year</b>	<b>\$ 10,241,071</b>	<b>\$ 9,978,515</b>

The Net Position of the District increased by \$262,556 during 2017. The increase was due to higher amounts received for sale of water of \$983,603 compared to \$114,900 and permits of \$262,000 compared to \$54,000, and purchase capital assets and depreciation on capital assets.

### Governmental Funds Financial Analysis

**Governmental funds.** All of the District's functions are reported in the general (operating) fund. The focus of this fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of its fiscal year.

**Proprietary and Fiduciary funds.** As mentioned earlier, the District does not have any of these types of funds.

### Budgetary Highlights

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. Budget and actual comparison schedules are provided in the other supplementary information section of this report. The budget and actual comparison schedules show the original adopted budget, the final revised budget, actual results, and variance between the final budget and actual results for the general (operating) fund, the only fund of the District.

There were differences from the original adopted and the final revised budget due to additional appropriations being passed.

### Capital Assets and Debt Administration Capital Assets (Net of Depreciation)

<b>December 31.</b>	<b>2017</b>	<b>2016</b>
Water stocks	\$ 71,500	\$ 71,500
Irrigation system	5,618,010	5,288,177
Rights of way	-	-
Building and improvements	1,021,810	1,143,943
Equipment	718,735	444,222
Office furniture and equipment	12,235	15,978
Construction in progress	-	-
<b>Total</b>	<b>\$ 7,442,290</b>	<b>\$ 6,963,820</b>

Capital assets – net of depreciation increased during 2017 due to capital outlay of \$1,009,779 (assets acquired) and depreciation of \$341,052. See Note 4 for further discussion.

### Long-Term Debt

<b>December 31.</b>	<b>2017</b>	<b>2016</b>
State of Colorado - CWCB	\$ 1,681,474	\$ 1,729,878
<b>Total</b>	<b>\$ 1,681,474</b>	<b>\$ 1,729,878</b>

Long-term debt decreased \$48,404 by principal payment.

**Economic Factors**

The District's revenues are not generally dependent on economic factors. Approximately twenty percent of the District's revenues are from the collection of a per acre water tax levied upon all real property within the District. Other revenues are comprised of consideration for water right agreements with municipalities, permit fees and earnings on investments. Such revenues are anticipated to increase over time as the Denver Metro area continues to develop and require additional water supplies.

**Financial Contact**

This financial report is designed to provide a general overview of the District's finances for those who have an interest in the District. If you have any questions about the report or need additional financial information, please contact Rodney Baumgartner, Manager at 29490 County Road 14, Keenesburg Colorado 80643. Phone (303) 536-4702.

***BASIC FINANCIAL STATEMENTS***

# THE HENRYLYN IRRIGATION DISTRICT

## Statement of Net Position

December 31, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash on hand and in checking	\$ 98,281	\$ 178,480
Cash in savings	4,258,697	4,346,486
Accounts receivable	265,914	5,000
Accrued interest receivable	453	439
Tax sale certificates receivable	8,237	2,961
Prepaid expenditures	63,570	62,035
<b>Total Current Assets</b>	<b>4,695,152</b>	<b>4,595,401</b>
<b>Noncurrent Assets:</b>		
Installment sale receivable	71,400	73,707
Restricted assets:		
Certificates of deposit	277,132	275,916
<b>Total Noncurrent Assets</b>	<b>348,532</b>	<b>349,623</b>
<b>Capital Assets:</b>		
Water stocks	71,500	71,500
Irrigation system	11,583,924	11,083,435
Rights of way	40,074	40,074
Buildings and improvements	1,081,075	1,176,112
Equipment	1,699,457	1,359,383
Office furniture and equipment	26,993	26,993
Construction in progress	-	-
<b>Total Capital Assets</b>	<b>14,503,023</b>	<b>13,757,497</b>
Less: accumulated depreciation	(7,060,733)	(6,793,677)
<b>Net Capital Assets</b>	<b>7,442,290</b>	<b>6,963,820</b>
<b>Total Assets</b>	<b>12,485,974</b>	<b>11,908,844</b>
<b>DEFERRED OUTFLOWS</b>		
Grant expenditures paid in advance of meeting timing requirements	-	-
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	379,481	24,348
Separation benefit payable	97,553	86,969
Accrued interest payable	14,995	15,427
Compensated absences	-	-
Current portion of long-term debt	49,252	48,404
<b>Total Current Liabilities</b>	<b>541,281</b>	<b>175,148</b>
<b>Non-Current Liabilities:</b>		
Note payable - State of Colorado	-	-
Note payable - State of Colorado	1,681,474	1,729,878
Less: portion due within one year	(49,252)	(48,404)
<b>Total Non-Current Liabilities</b>	<b>1,632,222</b>	<b>1,681,474</b>
<b>Total Liabilities</b>	<b>2,173,503</b>	<b>1,856,622</b>
<b>DEFERRED INFLOWS</b>		
Unavailable revenue - installment sale	71,400	73,707
<b>NET POSITION</b>		
Net Investment in capital assets	5,760,816	5,233,942
Restricted - debt	277,132	275,916
Unrestricted	4,203,123	4,468,657
<b>Total Net Position</b>	<b>\$ 10,241,071</b>	<b>\$ 9,978,515</b>

See accompanying notes to basic financial statements

**THE HENRYLYN IRRIGATION DISTRICT***Statement of Activities*

For the Year Ended December 31, 2017 and 2016

	2017	2016
<b>Expenses:</b>		
Administrative and general	\$ 1,937,279	\$ 1,857,428
Depreciation	341,052	320,263
Interest on debt	29,841	32,724
<b>Total Expenses</b>	<b>2,308,172</b>	<b>2,210,415</b>
<b>Revenues:</b>		
Operating revenues	582,925	593,343
Miscellaneous revenues	1,956,649	921,810
Investment income	7,677	7,267
<b>Total Revenues</b>	<b>2,547,251</b>	<b>1,522,420</b>
<b>Other Financing Sources (Uses):</b>		
Proceeds from sale of assets	23,477	6,081
<b>Total Other Financing Sources (Uses)</b>	<b>23,477</b>	<b>6,081</b>
<b>Net Change in Net Position</b>	<b>262,556</b>	<b>(681,914)</b>
Net Position - beginning of year	9,978,515	10,660,429
<b>Net Position - end of year</b>	<b>\$ 10,241,071</b>	<b>\$ 9,978,515</b>

See accompanying notes to basic financial statements

**THE HENRYLYN IRRIGATION DISTRICT**

*Governmental Funds*

*Balance Sheet*

December 31, 2017 and 2016

	Operating	Total Governmental Funds	
		2017	2016
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash on hand and in checking	\$ 98,281	\$ 98,281	\$ 178,480
Cash in savings	4,258,697	4,258,697	4,346,486
Accounts receivable	265,914	265,914	5,000
Accrued interest receivable	453	453	439
Tax sale certificates receivable	8,237	8,237	2,961
Prepaid expenditures	63,570	63,570	62,035
<b>Total Current Assets</b>	<b>4,695,152</b>	<b>4,695,152</b>	<b>4,595,401</b>
<b>Noncurrent Assets:</b>			
Installment sale receivable	71,400	71,400	73,707
Restricted assets:			
Certificates of deposit	277,132	277,132	275,916
<b>Total Noncurrent Assets</b>	<b>348,532</b>	<b>348,532</b>	<b>349,623</b>
<b>Total Assets</b>	<b>5,043,684</b>	<b>5,043,684</b>	<b>4,945,024</b>
<b>DEFERRED OUTFLOWS</b>			
Grant expenditures paid in advance of meeting timing requirements	-	-	-
<b>Total Assets and Deferred Outflows</b>	<b>\$ 5,043,684</b>	<b>\$ 5,043,684</b>	<b>\$ 4,945,024</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 379,481	\$ 379,481	\$ 24,348
Separation benefit payable	97,553	97,553	86,969
Accrued interest payable	14,995	14,995	15,427
Compensated absences	-	-	-
<b>Total Current Liabilities</b>	<b>492,029</b>	<b>492,029</b>	<b>126,744</b>
<b>Total Liabilities</b>	<b>492,029</b>	<b>492,029</b>	<b>126,744</b>
<b>DEFERRED INFLOWS</b>			
Unavailable revenue - installment sale	71,400	71,400	73,707
<b>Total Liabilities and Deferred Inflows</b>	<b>563,429</b>	<b>563,429</b>	<b>200,451</b>
<b>FUND BALANCE</b>			
Nonspendable - prepaid	63,570	63,570	62,035
Restricted - debt	277,132	277,132	275,916
Committed - subsequent year's expenditures	1,308,598	1,308,598	734,265
Assigned	-	-	-
Unassigned	2,830,955	2,830,955	3,672,357
<b>Total Fund Balance</b>	<b>4,480,255</b>	<b>4,480,255</b>	<b>4,744,573</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<b>\$ 5,043,684</b>	<b>\$ 5,043,684</b>	<b>\$ 4,945,024</b>

See accompanying notes to basic financial statements

**THE HENRYLYN IRRIGATION DISTRICT**

*Governmental Funds*

*Reconciliation of the Balance Sheet to the Statement of Net Position*

December 31, 2017 and 2016

	2017	2016
<b>Total Governmental Fund Balance</b>	\$ 4,480,255	\$ 4,744,573
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund:		
Capital assets	14,503,023	13,757,497
Less: accumulated depreciation	(7,060,733)	(6,793,677)
	<u>7,442,290</u>	<u>6,963,820</u>
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds	-	-
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Note payable - State of Colorado	-	-
Note payable - State of Colorado	(1,681,474)	(1,729,878)
	<u>(1,681,474)</u>	<u>(1,729,878)</u>
<b>Net Position of Governmental Activities</b>	<b>\$ 10,241,071</b>	<b>\$ 9,978,515</b>

**THE HENRYLYN IRRIGATION DISTRICT***Governmental Funds**Statement of Revenues, Expenditures and Changes in Fund Balance*

December 31, 2017 and 2016

	Operating	Total Governmental Funds	
		2017	2016
<b>Revenues</b>			
Operating revenues	\$ 582,925	\$ 582,925	\$ 593,343
Miscellaneous revenues	1,956,649	1,956,649	921,810
Earnings on investments	7,677	7,677	7,267
<b>Total Revenues</b>	<b>2,547,251</b>	<b>2,547,251</b>	<b>1,522,420</b>
<b>Expenditures:</b>			
Administrative and general	1,937,279	1,937,279	1,857,428
Capital outlay	1,009,779	1,009,779	388,224
Debt service:			
Principal	48,404	48,404	1,083,182
Interest	29,841	29,841	32,724
<b>Total Expenditures</b>	<b>3,025,303</b>	<b>3,025,303</b>	<b>3,361,558</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(478,052)</b>	<b>(478,052)</b>	<b>(1,839,138)</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of assets	213,734	213,734	13,293
Long-term debt proceeds	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>213,734</b>	<b>213,734</b>	<b>13,293</b>
<b>Net Change in Fund Balance</b>	<b>(264,318)</b>	<b>(264,318)</b>	<b>(1,825,845)</b>
Fund balance - beginning of year	4,744,573	4,744,573	6,570,418
<b>Fund balance - end of year</b>	<b>\$ 4,480,255</b>	<b>\$ 4,480,255</b>	<b>\$ 4,744,573</b>

See accompanying notes to basic financial statements

**THE HENRYLYN IRRIGATION DISTRICT**

*Governmental Funds*

*Reconciliation of Statement of Revenues, Expenditures and Changes*

*in Fund Balance to the Statement of Activities*

December 31, 2017 and 2016

	2017	2016
<b>Net change in fund balance - total governmental funds</b>	\$ (264,318)	\$ (1,825,845)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	1,009,779	388,224
Depreciation expense	(341,052)	(320,263)
	<u>668,727</u>	<u>67,961</u>
The net effect of various miscellaneous transactions involving capital assets is to decrease net position (i.e. sales, disposals and trade-ins)	(190,257)	(7,212)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Donated capital assets	-	-
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Note payable - State of Colorado	-	1,035,610
Note payable - State of Colorado	48,404	47,572
	<u>48,404</u>	<u>1,083,182</u>
Issuance of new debt to purchase capital assets increases long-term liabilities in the Statement of Net Position:		
Long-term debt proceeds	-	-
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued interest payable	-	-
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 262,556</b>	<b>\$ (681,914)</b>

***NOTES TO THE BASIC FINANCIAL STATEMENTS***

## THE HENRYLYN IRRIGATION DISTRICT

---

### *Notes to the Basic Financial Statements*

December 31, 2017

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Henrylyn Irrigation District (District) is a public or quasi-municipal corporation that was created by order of the Board of County Commissioners of Weld County, Colorado, on October 7, 1907. The District was organized pursuant to a petition of the landowners setting forth the boundaries of the District for the purpose of providing for the irrigation and drainage work necessary to maintain the irrigability of the land within the District and to purchase, acquire, lease or rent such ditches, canals and reservoirs and their franchises.

The financial statements of the Henrylyn Irrigation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards followed by governmental entities.

#### **Reporting Entity**

The District is a primary government that has a separately elected governing board and is legally separate, as well as financially independent of other state and local governments. The primary government may appoint a simple majority of the organization's governing board or have the ability to impose its will on the organization. A component unit may be a financial benefit or burden to the primary government and which is a legally separate organization of which the elected officials of the primary government are financially accountable. The District does not have any component units.

#### **New Accounting Pronouncements**

GASB Statement No 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement address accounting and reporting for other postemployment benefits (OPEB) plans, which include postemployment healthcare benefits including medical, dental, vision, hearing, and other benefits such as death benefits, life insurance, disability, and long-term care. The District has no OPEB plans, therefore, for year ended December 31, 2017 implementation had no impact to the District's financial statements.

GASB Statement No 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No 14*. This statement clarifies the financial statement presentation requirements for certain component units and enhances comparability of financial statements among state and local governments. The District has no component units, therefore, for year ended December 31, 2017 implementation had no impact to the District's financial statements.

GASB Statement No 81, *Irrevocable Split-Interest Agreements*. This statement improves the accounting and financial reporting by establishing recognition and measurement requirements for irrevocable split-interest agreements. The District has no irrevocable split-interest agreements, therefore, for year ended December 31, 2017 implementation had no impact to the District's financial statements.

GASB Statement No 82, *Pension Issues – an amendment of GASB Statements No 67, No 68, and No 73*. This statement addresses implementation issues that arose during the implementation of the GASB pension suite (Nos. 67, 68, and 73). The District has no pension plans, therefore, for year ended December 31, 2017 implementation had no impact to the District's financial statements.

## THE HENRYLYN IRRIGATION DISTRICT

---

### *Notes to the Basic Financial Statements*

December 31, 2017

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Basic Financial Statements**

Government-Wide Financial Statements are presented on an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows. Government-wide financial statements consist of Statement of Net Position and Statement of Activities. The Statement of Net Position includes all assets, deferred outflow of resources, liabilities, and deferred inflows of resources.

Governmental Fund Financial Statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period which they become both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal year.

##### **Budgets and Budgetary Accounting**

An annual budget and appropriation resolution is adopted by the District in accordance with the Colorado State Statutes. The budget for the Operating Fund is prepared on a basis consistent with generally accepted accounting principles, except that loan proceeds are treated as other financing sources and debt service principal payments and capital outlays are treated as expenditures.

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

- On or about September 20, the District staff submits to the District Board a proposed operating budget for the fiscal year commencing January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments. Prior to November 1, the District certifies the number of acres of land subject to assessment for the budget year and certifies the levy per acre to the Board of County Commissioners.
- Prior to December 31, the budget is legally adopted by the District. Colorado law requires that the Operating Fund have a legally adopted budget and total expenditures cannot exceed the amount appropriated. Appropriations lapse at the end of the fiscal year, but appropriations may be increased prior to the end of the fiscal year provided that the increase is offset by unanticipated resources.

##### **Encumbrances**

Encumbrances are commitments under purchase orders, contracts, and other commitments (as opposed to expenditures) and are shown in the governmental fund types as a designated portion of fund balance for subsequent fiscal year's expenditures.

## **THE HENRYLYN IRRIGATION DISTRICT**

---

### *Notes to the Basic Financial Statements*

December 31, 2017

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Compensated Absences**

Employees are granted vacation time in varying amounts depending upon the length of continuous service the employee has given the District. Vacation time cannot be accumulated from one anniversary year to another anniversary year. (Anniversary year commences on the date of employment). There is no policy for sick pay.

##### **Cash and Cash Equivalents**

For purposes of the basic financial statements, the District considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within three months of the date they are acquired.

##### **Certificates of Deposit**

Certificates of deposit are carried at cost plus accrued interest, which approximates fair value.

##### **Investments**

Investments are carried at fair value plus accrued interest with net appreciation or depreciation on investments included in earnings on investments. See Note 3 for further discussion.

##### **Prepaid Expenses**

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

##### **Capital Assets**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the governmental-wide financial statements. The District records its property and equipment at historical cost. Contributed capital assets are valued at their estimated fair value on the date donated. Maintenance and repairs are charged to current period operating expenses, whereas additions and improvements are capitalized. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in operations. Interest costs relating to construction are capitalized. During years ended December 31, 2017 and 2016, no interest was capitalized. The District's capitalization level is \$500 for capital assets.

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (continued)**

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Distribution system	25 to 50
Buildings and improvements	20
Office equipment and furnishings	5 to 10
Operation and maintenance equipment	5 to 10
Vehicles	5 to 10
Computer equipment	3 to 5

As a result of the implementation of Statement No. 34, the District is accounting for infrastructure and capital assets on its financial statements. The government-wide financial statements include those assets that were completed during the fiscal year-end, considered construction in progress or purchased or constructed in prior years.

**Use of Estimates**

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

**Restricted Assets**

Restricted assets include the certificates of deposits that were placed as collateral for the State of Colorado Water Conservation Board (CWCB) loan. See Note 5 for further discussion on the CWCB loan.

**Fund Equity**

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. (1) Nonspendable fund balance cannot be spent because of its form. (2) Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. (3) Committed fund balance is a limitation imposed by the District's board through approval of resolutions. (4) Assigned fund balance is a limitation imposed by a designee of the District's board. (5) Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposed for which amounts in any of those unrestricted fund balance classifications can be used.

## THE HENRYLYN IRRIGATION DISTRICT

### *Notes to the Basic Financial Statements*

December 31, 2017

#### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Article X, Section 20, of the Colorado Constitution contains several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes that it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

In September, 1998, according to the District's lawyer, the District has been held to be exempt from the provisions of Colorado Amendment #1 (TABOR) - Colorado Constitution Article X, Section 20, by the Colorado Supreme Court in Case No. 97 SA 303, Campbell vs. Orchard Mesa Irrigation District: Taxpayer Bill of Rights (Amendment One). The opinion states that in answer to a certified question an irrigation district formed pursuant to Colorado Statute is a public corporation that exercises limited public powers, that is to provide ways and means of supplying water to lands for the benefit of landowners within the district. But "that we hold that an irrigation district is not a 'district' for purposes of Article X, Section 20 of the Colorado Constitution because it is not a local government entity thereunder".

#### **NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

##### **Cash Deposits**

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

The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Total cash deposits at December 31, 2017 and 2016 were as follows:

	2017	2016
Cash on hand and Cash with Weld County Treasurer	\$ 55	\$ 137
Cash in Checking	98,226	178,343
Cash in Savings	4,258,697	4,346,486
<b>Total Cash Deposits</b>	<b>\$ 4,356,978</b>	<b>\$ 4,524,966</b>

The State Regulatory Commissions for banks are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2017

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which a political subdivision may invest, which include:

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2017:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investments by Fair Value Level:</b>				
US Treasury Bond/Note	\$ -	\$ -	\$ -	\$ -
Federal Agency Obligations	-	-	-	-
Equities	-	-	-	-
Mutual Funds	-	-	-	-
Subtotal	\$ -	\$ -	\$ -	-
<b>Investments measured at Amortized Cost:</b>				
Certificates of Deposit -restricted				277,132
<b>Total Investments</b>				<b>\$ 277,132</b>

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified in Level 3 are valued using discounted cash flow techniques or valued using consensus pricing.

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2017

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

Maturities of investments at December 31, 2017 were as follows:

	Investment Maturities in Years				Total
	Less than 1	1 to 5	6 to 10	More than 10	
Certificates of deposit -restricted	\$ 277,132	\$ -	\$ -	\$ -	\$ 277,132
Annuities	-	-	-	-	-
Investments at fair value	-	-	-	-	-
<b>Total Investments</b>	<b>\$ 277,132</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 277,132</b>

The District's policy is to hold investments until maturity.

**Custodial Credit Risk** is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investment (or related collateral securities that are held by an outside party). The District had no custodial credit risk for its investments at December 31, 2017 and 2016.

**Credit Risk** is the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The District's investment policy follows Colorado Revised State Statues.

**Interest Rate Risk** is the risk that changes in the interest rate will adversely affect the fair value of an investment. The District can minimize the interest rate risk of its investments by holding the investment until maturity.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District has no such policy limiting how much can be with one financial institution due to the Colorado Public Deposit Protection Act (PDPA).

**Foreign Currency Risk** is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The District has no policy for foreign currency risk.

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2017

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**Summary**

Total cash deposits and investments at December 31, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Cash deposits	\$ 4,356,978	\$ 4,524,966
Investments	277,132	275,916
<b>Total Cash Deposits and Investments</b>	<b>\$ 4,634,110</b>	<b>\$ 4,800,882</b>

**Investment Income**

	<b>2017</b>	<b>2016</b>
Interest income	\$ 7,677	\$ 7,267
Net increase (decrease) in the fair value of investments	-	-
<b>Total Investment Income</b>	<b>\$ 7,677</b>	<b>\$ 7,267</b>

The net increase (decrease) in the fair value of investments represents the difference in fair value from one year to the next. This figure will vary year to year depending on the fair market value of the investments at year end and is not a budgetary item.

Calculation of net increase (decrease) in fair value of investments is as follows:

	<b>2017</b>	<b>2016</b>
Fair value at end of year	\$ -	\$ -
Less: Fair value at beginning of prior year	-	-
Less: Fair value at beginning of year	-	-
Add: Cost basis of investment sold	-	-
<b>Net increase (decrease) in Fair Value</b>	<b>\$ -</b>	<b>\$ -</b>

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2017

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of capital assets as of December 31, 2017:

<b>Governmental Activities</b>	<b>Beginning</b>			<b>Ending</b>
<b>Non-Depreciable Assets:</b>	<b>Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance</b>
Water stocks	\$ 71,500	\$ -	\$ -	\$ 71,500
<b>Depreciable Assets:</b>				
Irrigation system	11,083,435	500,489	-	11,583,924
Rights of way	40,074	-	-	40,074
Buildings and improvements	1,176,112	2,880	(97,917)	1,081,075
Equipment	1,359,383	506,410	(166,336)	1,699,457
Furniture and fixtures	26,993	-	-	26,993
Construction in progress	-	-	-	-
<b>Totals at Historical Cost</b>	<b>13,757,497</b>	<b>1,009,779</b>	<b>(264,253)</b>	<b>14,503,023</b>
<b>Less: Accumulated Depreciation for:</b>				
Irrigation system	(5,795,258)	(170,656)	-	(5,965,914)
Rights of way	(40,074)	-	-	(40,074)
Buildings and improvements	(32,169)	(27,096)	-	(59,265)
Equipment	(915,161)	(139,557)	73,996	(980,722)
Furniture and fixtures	(11,015)	(3,743)	-	(14,758)
<b>Total Accumulated Depreciation</b>	<b>(6,793,677)</b>	<b>(341,052)</b>	<b>73,996</b>	<b>(7,060,733)</b>
<b>Capital Assets - Net</b>	<b>\$ 6,963,820</b>	<b>\$ 668,727</b>	<b>\$ (190,257)</b>	<b>\$ 7,442,290</b>

Depreciation expense was charged to governmental functions as follows:

Administration and general	\$ 341,052
<b>Total Depreciation Expense</b>	<b>\$ 341,052</b>

**NOTE 5 – LONG-TERM DEBT**

**Note Payable - State of Colorado**

The State of Colorado Water Conservation Board pursuant to the provisions of 37-60-119, Colorado Revised Statutes, 1973, as amended, loaned to the District money in the principal amount of \$2,184,327 (including the 1% loan service charge) to repair the outlet works and add toe drains at Horse Creek Reservoir and repair the outlet works at Prospect Reservoir. As a requirement for this loan, the District must maintain a loan reserve fund, which consists of a Certificate of Deposit. The loan bears interest at the rate of 2.25% and is to be repaid in 30 annual installments of \$100,914.47, the first of which will be due on February 1, 2014 and on February 1 of each succeeding year. The balance due to the State of Colorado Water Conservation Board (CWCB) as of December 31, 2017 and 2016 is \$0 and \$0, respectively. This note was paid in full during 2016.

**THE HENRYLYN IRRIGATION DISTRICT***Notes to the Basic Financial Statements*

December 31, 2017

**NOTE 5 – LONG-TERM DEBT (CONTINUED)****Note Payable - State of Colorado**

The State of Colorado Water Conservation Board pursuant to the provisions of 37-60-119, Colorado Revised Statutes, 1973, as amended, loaned to the District money in the principal amount of \$2,967,279 (including the 1% loan service charge) to rehabilitate the upslope of the Prospect dam to increase both the erosion protection and the stability of the dam. As a requirement for this loan, the District must maintain a loan reserve fund, which consists of a Certificate of Deposit. The loan bears interest at the rate of 1.75% and is to be repaid in 30 annual installments upon completion of the project. The balance due to the State of Colorado Water Conservation Board (CWCB) as of December 31, 2017 and 2016 is \$1,681,474 and \$1,729,878, respectively.

**Changes in Long Term Debt**

	12/31/2016	Additions	Reductions	12/31/2017	Amounts Due Within One Year
Note Pay - State of Colo	\$ -	\$ -	\$ -	\$ -	\$ -
Note Pay - State of Colo	1,729,878	-	(48,404)	1,681,474	49,252
Totals	\$ 1,729,878	\$ -	\$ (48,404)	\$ 1,681,474	\$ 49,252

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2017

**NOTE 6 - DEBT SERVICE REQUIREMENTS**

Summary of debt service requirements - Annual principal and interest to maturity:

Year	State of Colorado		State of Colorado		Total		Annual
	Principal	Interest	Principal	Interest	Principal	Interest	Principal & Interest
2018	-	-	49,252	29,425	49,252	29,425	78,677
2019	-	-	50,113	28,564	50,113	28,564	78,677
2020	-	-	50,990	27,687	50,990	27,687	78,677
2021	-	-	51,883	26,794	51,883	26,794	78,677
2022	-	-	52,791	25,886	52,791	25,886	78,677
<b>5yr</b>	-	-	<b>255,029</b>	<b>138,356</b>	<b>255,029</b>	<b>138,356</b>	<b>393,385</b>
2023	-	-	53,715	24,962	53,715	24,962	78,677
2024	-	-	54,655	24,022	54,655	24,022	78,677
2025	-	-	55,611	23,066	55,611	23,066	78,677
2026	-	-	56,584	22,093	56,584	22,093	78,677
2027	-	-	57,575	21,102	57,575	21,102	78,677
<b>10yr</b>	-	-	<b>278,140</b>	<b>115,245</b>	<b>278,140</b>	<b>115,245</b>	<b>393,385</b>
2028	-	-	58,582	20,095	58,582	20,095	78,677
2029	-	-	59,607	19,070	59,607	19,070	78,677
2030	-	-	60,650	18,027	60,650	18,027	78,677
2031	-	-	61,712	16,965	61,712	16,965	78,677
2032	-	-	62,792	15,885	62,792	15,885	78,677
<b>15yr</b>	-	-	<b>303,343</b>	<b>90,042</b>	<b>303,343</b>	<b>90,042</b>	<b>393,385</b>
2033	-	-	63,891	14,786	63,891	14,786	78,677
2034	-	-	65,009	13,668	65,009	13,668	78,677
2035	-	-	66,146	12,531	66,146	12,531	78,677
2036	-	-	67,304	11,373	67,304	11,373	78,677
2037	-	-	68,482	10,195	68,482	10,195	78,677
<b>20yr</b>	-	-	<b>330,832</b>	<b>62,553</b>	<b>330,832</b>	<b>62,553</b>	<b>393,385</b>
2038	-	-	69,680	8,997	69,680	8,997	78,677
2039	-	-	70,899	7,778	70,899	7,778	78,677
2040	-	-	72,140	6,537	72,140	6,537	78,677
2041	-	-	73,403	5,274	73,403	5,274	78,677
2042	-	-	74,687	3,990	74,687	3,990	78,677
<b>25yr</b>	-	-	<b>360,809</b>	<b>32,576</b>	<b>360,809</b>	<b>32,576</b>	<b>393,385</b>
2043	-	-	75,994	2,683	75,994	2,683	78,677
2044	-	-	77,327	1,394	77,327	1,394	78,721
2045	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-
<b>30yr</b>	-	-	<b>153,321</b>	<b>4,077</b>	<b>153,321</b>	<b>4,077</b>	<b>157,398</b>
<b>Total</b>	-	-	<b>1,681,474</b>	<b>442,849</b>	<b>1,681,474</b>	<b>442,849</b>	<b>2,124,323</b>

**NOTE 7 - ASSESSMENTS**

Water assessments are assessed on a per acre basis. The per acre amount is determined in the prior year for budgeting purposes, and the assessments are made and collected in the year in which water is to be delivered. Although the amount is measurable in the prior year, the revenue is not available until the current year, when water is delivered.

**THE HENRYLYN IRRIGATION DISTRICT**

*Notes to the Basic Financial Statements*

December 31, 2017

**NOTE 7 – ASSESSMENTS (CONTINUED)**

The 2017 fiscal year assessments calendar is as follows:

Lien Date	January 1, 2017
Assessment Date	November 1, 2016
Assessment bills mailed	January 1, 2017
First installment due	February 28, 2017
Second installment due	June 15, 2017
If paid in full, due	April 30, 2017
Tax sale - delinquent assessments	November 15, 2017

As of December 31, 2017, and 2016 there were no delinquent assessments or uncollected assessments.

**NOTE 8 - LIABILITY INSURANCE FOR CANALS OR RESERVOIRS**

The District has been held to be a public entity, subject to protection from the Governmental Immunity Act. Therefore, any tort actions for damages resulting from the operation of the District, its canals or reservoirs, would be subject to a maximum judgment amount of \$150,000 for any one person and \$400,000 for any single occurrence.

On November 5, 1985, the District adopted a resolution which shall indemnify any employee, landowner, officer or member of the Board of Directors of the Henrylyn Irrigation District in the event such employee, landowner, officer or member of the Board of Directors is determined to be liable for any damage arising from leakage or overflow of waters from any reservoir or canal of the District, or any damage arising from floods caused by breaking of the embankments of any reservoir or canal of the District, unless it is also determined that the act or omission of such employee, landowner, officer or member of the Board of Directors of the District was dishonest, fraudulent, malicious or criminal. This resolution was passed by a special election held on December 3, 1985.

**NOTE 9 - FARMERS GUN CLUB AGREEMENT**

On October 1, 2016, the District entered into another agreement with the Farmers Gun Club for exclusive use for the hunting and recreational rights and the Farmers Gun Club agrees to pay the District annual payments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2016	\$ 160,950	2021	\$ 186,585
2017	\$ 165,779	2022	\$ 192,183
2018	\$ 170,752	2023	\$ 197,948
2019	\$ 175,874	2024	\$ 203,887
2020	\$ 181,151	2025	\$ 210,003

## **THE HENRYLYN IRRIGATION DISTRICT**

---

### *Notes to the Basic Financial Statements*

December 31, 2017

#### **NOTE 10 - CITY OF THORNTON - EXCHANGE AGREEMENT**

On July 18, 1985, an agreement was made between the District and the City of Thornton which granted the City of Thornton the first right to use up to 100 cubic feet a second of the excess capacity in the Main Burlington Ditch. Upon execution of the agreement, the District received \$125,000.

In addition, each and every year within 20 days of receipt thereof from the District, the City of Thornton is to pay the District a sum equal to 15% of the amount charged by Farmers Reservoir and Irrigation Company to the District as the District's share of the operation and maintenance expenses for the Burlington Ditch and O'Brian Canal, from the headgate on the South Platte River to Barr Lake. The sum is not to exceed \$5,000 per year.

#### **NOTE 11 - RISK FINANCING**

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 subcontractors; and natural disasters. As indicated in Note 8, the District is held to be a public entity and subject to protection from the Governmental Immunity Act and subject to maximum judgments. The District purchases commercial insurance for most risks of loss. As of December 31, 2017, and 2016, the District did not have any liabilities in excess of insurance limits. Claims have not exceeded insurance coverage in the prior three years.

#### **NOTE 12 - CONTINGENCIES**

The District had no material pending or threatened litigation, claims, and assessments. Furthermore, the District is unaware of any unasserted possible claims or assessments that are probable of assertion and must be disclosed in accordance with FASB Accounting Standards Codification No. 450 as of December 31, 2017 and 2016.

#### **NOTE 13 - OFFER TO PURCHASE 5,000 ACRE-FOOT WATER SUPPLY (5K WATER)**

On July 18, 2000, the District, the Farmers Reservoir & Irrigation Company ("FRICO"), and the Burlington Ditch, Reservoir & Land Company (Burlington) collectively (the "Companies") received an offer from the South Adams Water and Sanitation District ("SACWSD") to purchase a permanent municipal water supply. SACWSD offered to purchase 5,000 acre-feet of fully consumable water at \$12,000 per acre-foot from the Companies, which fully consumable water the Companies are legally entitled to receive from the Denver Water Board ("Denver") pursuant to a previous water rights litigation Settlement Agreement in case no. 1996 CW 145 – Water Division I.

The directors from all three entities (Henrylyn, FRICO and Burlington) negotiated and executed a Stock Purchase Agreement ("5K Agreement") with SACWSD, dated December 5, 2001, which agreement was presented to the entities (Henrylyn, FRICO and Burlington) for final approval.

## **THE HENRYLYN IRRIGATION DISTRICT**

---

### *Notes to the Basic Financial Statements*

December 31, 2017

#### **NOTE 13 - OFFER TO PURCHASE 5,000 ACRE-FOOT WATER SUPPLY (5K WATER) (CONTINUED)**

On December 4, 2001, the District held an election with a Special Question requesting District landowner approval of the 5K Agreement, this Special Question passed by a majority vote. During 2001, FRICO and Burlington shareholders also approved the 5K Agreement.

Pursuant to previous agreements with FRICO and Burlington, the District is entitled to receive one-third of all net revenues realized from the 5K Agreement. Payment is structured over time as stated in the 5K Agreement, which is available at the District's office in Keenesburg, Colorado.

An initial purchase of 500-acre feet of fully consumable water "as is/where is" pursuant to the 5K Agreement closed on April 12, 2002, with the District receiving one third of \$3.5 million dollars, or \$1,166,667.

This initial purchase of 500-acre feet of fully consumable water by SACWSD from the Companies under the 5K Agreement was reviewed by the Water Court, State Engineer and Division Engineer for final approval in case no. 2002 CW 105A – Water Division I.

The Companies negotiated an Amended Stock Purchase Agreement ("Amended 5K Agreement") with SACWSD dated September 8, 2006 which Amended 5K Agreement provided for the direct delivery of the 5,000-acre feet of fully consumable water from Denver to SACWSD, obviating the necessity of the Companies pursuing a water court application to approve any exchange of the 5K fully consumable water. The Water Court for Water Division I entered its Decree in case no. 2002 CW 105A – Water Division I on December 19, 2006 approving the exchange of FRICO's Barr Lake storage water right with the District's Horse Creek and Prospect Reservoirs storage water rights.

The District received \$416,066 and \$554,100 of 5K Agreement money in 2017 and 2016, respectively.

#### **NOTE 14 – MUTUAL WATER CARRIAGE AND STORAGE AGREEMENT**

On October 16, 2002, the District, the Farmers Reservoir & Irrigation Company ("FRICO"), and the Burlington Ditch, Reservoir & Land Company ("Burlington") entered into a Mutual Water Carriage and Storage Agreement with Silver Peaks Metropolitan District No. 1 ("Silver Peaks").

This agreement was originally a requirement of the 5K Water Agreement (See Note 13) that required the companies to acquire, construct and maintain water diversion and storage facilities necessary to exchange up to 5,000-acre feet of the Companies' decreed water rights for a like amount of fully consumable water to be delivered to the Companies from Denver. The Amended 5K Agreement executed on September 8, 2006 provided for the direct delivery of the 5,000-acre feet of fully consumable water from Denver to SACWSD, obviating the necessity of the Companies pursuing a water court application to approve any exchange of the 5K fully consumable water.

## **THE HENRYLYN IRRIGATION DISTRICT**

---

### *Notes to the Basic Financial Statements*

December 31, 2017

#### **NOTE 14 – MUTUAL WATER CARRIAGE AND STORAGE AGREEMENT (CONTINUED)**

These Agreements, together with companion operating and maintenance agreements, condominium declarations, and corresponding option rights, provide the Companies with 2,000 acre feet of storage in the Brannon Reservoir, a lined gravel pit at 124<sup>th</sup> Avenue and Brighton Road, and an undivided one-half interest in a diversion structure from the South Platte River, a pump plant from the river through the Brannon Reservoir and a 36” pipeline from the Brannon Reservoir to the Burlington-O’Brian Canal. Notwithstanding that these facilities are no longer required to facilitate an exchange of the 5K fully consumable water, the Companies have agreed to own and utilize these facilities for their joint purposes in the future.

#### **NOTE 15 – POST-EMPLOYMENT BENEFITS**

On August 5, 2003, the District adopted a Separation Benefit available to all qualifying full-time employees of the District who were employed as of June 1, 2003 or are hereafter employed by the District. This benefit shall be applicable to all qualifying full-time employees of the District, not including independent contractors or retained professionals, irrespective of the reason for such qualified employee’s respective separation of employment from the District.

To qualify for this Separation Benefit, the full-time employee shall have been continuously employed by the District for not less than five (5) years. Upon separation of employment after not less than five (5) years of service, a qualified employee shall be entitled to an additional compensation benefit calculated as equal to one week’s salary, as of date of separation, for each full completed year of service.

If the Separation Benefit payable exceeds the amount a qualified employee’s then existing weekly wage would have been at date of separation for a period of thirteen (13) weeks, then the benefit payable shall be made in regular quarterly installments, commencing within one (1) quarter after separation and continuing quarterly thereafter until paid in full.

Regular deduction for payroll taxes, social security, medicare and other mandated withholdings shall apply to the payment of any Separation Benefit payable.

As of December 31, 2017, and 2016, the Separation Benefit payable was \$97,553 and \$86,969, respectively.

#### **NOTE 16 – ECONOMICS DEPENDENCY**

The past water years were universally recognized in Colorado as some of the driest years on record in the last 300 years.

#### **NOTE 17 – SUBSEQUENT EVENTS**

The District has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through April 26, 2017, the date on which the financial statements were issued, and did not identify any event or transaction that would have a material impact on the financial statements.

***REQUIRED SUPPLEMENTAL INFORMATION***

**THE HENRYLYN IRRIGATION DISTRICT**

*Schedule of Revenues*

*Budget to Actual - Operating Fund*

Year Ended December 31, 2017

With Comparative Actual Amounts For the Year Ended December 31, 2016

<i>Non-GAAP Budgetary Basis</i>	2017				2016 Actual
	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)	
<b>Revenues:</b>					
<b>Operating Revenues:</b>					
Assessments:					
Assessments - current	\$ 585,996	\$ 585,996	\$ 582,056	\$ (3,940)	\$ 585,226
Prior year assessments	-	-	869	869	8,117
Total Assessments	585,996	585,996	582,925	(3,071)	593,343
Other Operating Revenues:	-	-	-	-	-
<b>Total Operating Revenues</b>	585,996	585,996	582,925	(3,071)	593,343
<b>Miscellaneous Revenues:</b>					
Augmentation water - Central Colorado Water Conservancy District	1,000	1,000	1,000	-	10,336
5K Water Agreement	488,222	488,222	416,066	(72,156)	554,100
Sale of water	285,000	285,000	983,603	698,603	114,900
Maintenance reimbursements	1,716	1,716	1,716	-	1,716
Lease - Farmers Gun Club	165,779	165,779	165,779	-	160,950
Lease - Oil & gas	8,000	8,000	97,091	89,091	-
Rentals	-	-	300	300	300
Permits	20,000	20,000	262,000	242,000	54,000
Proceeds from sale of assets	10,000	10,000	213,734	203,734	13,293
Oil royalties	6,000	6,000	5,860	(140)	5,488
Other income	15,000	15,000	23,234	8,234	20,020
Loan proceeds	-	-	-	-	-
<b>Total Miscellaneous Revenues</b>	1,000,717	1,000,717	2,170,383	1,169,666	935,103
<b>Investment Income:</b>					
Interest income	3,000	3,000	7,677	4,677	7,267
Net increase (decrease) in the fair value of investments	-	-	-	-	-
<b>Total Investment Income</b>	3,000	3,000	7,677	4,677	7,267
<b>Total Revenues</b>	<b>\$ 1,589,713</b>	<b>\$ 1,589,713</b>	<b>\$ 2,760,985</b>	<b>\$ 1,171,272</b>	<b>\$ 1,535,713</b>

**THE HENRYLYN IRRIGATION DISTRICT**

*Schedule of Expenditures*

*Budget to Actual - Operating Fund*

Year Ended December 31, 2017

With Comparative Actual Amounts For the Year Ended December 31, 2016

<i>Non-GAAP Budgetary Basis</i>	2017		Actual	Variance -	2016 Actual
	Original Budget	Final Budget		Favorable (Unfavorable)	
<b>Expenditures:</b>					
<b>Administrative and General:</b>					
Canal and Reservoir expenses:					
O'Brian Canal	\$ 300,000	\$ 300,000	\$ 124,247	\$ 175,753	\$ 313,218
Denver Hudson Canal	100,000	100,000	-	100,000	8,886
Other Laterals:					
Repairs and maintenance	100,000	100,000	48,884	51,116	64,853
Horsecreek Reservoir:					
Electricity	6,000	6,000	3,155	2,845	3,014
Repairs and maintenance - house	-	-	-	-	-
Repairs and maintenance - dike	100,000	100,000	123,702	(23,702)	11,556
Prospect Reservoir:					
Electricity	3,000	3,000	2,156	844	2,482
Repairs and maintenance - dike	20,000	20,000	5	19,995	150
Lord Reservoir	5,000	5,000	122	4,878	-
Office salaries	475,000	475,000	470,110	4,890	457,315
Office expenses	30,000	30,000	23,650	6,350	36,425
Other labor	2,000	2,000	-	2,000	-
Materials and supplies	20,000	20,000	9,818	10,182	15,576
Director salaries	7,200	7,200	7,200	-	7,200
Payroll taxes	36,000	36,000	37,476	(1,476)	36,479
Employee group insurance	84,000	84,000	81,027	2,973	74,611
Employee benefit programs	25,000	25,000	20,000	5,000	10,018
Equipment costs:					
Repairs and maintenance	30,000	30,000	36,377	(6,377)	29,250
Gas and oil	40,000	40,000	39,614	386	34,222
Vehicle licenses	4,000	4,000	6,467	(2,467)	6,301
Water assessments	18,500	18,500	18,639	(139)	18,393
Water leases	25,000	25,000	-	25,000	-
Engineering	200,000	200,000	127,206	72,794	166,003
Audit	9,500	9,500	9,975	(475)	9,500
Legal	250,000	550,000	558,030	(8,030)	422,828
Professional services	-	-	70,700	(70,700)	-
Insurance and bonds	60,000	60,000	64,253	(4,253)	59,598
County Treasurer's fee	100	100	100	-	100
Weed control	40,000	40,000	26,237	13,763	27,241
Other expenses	50,000	50,000	28,129	21,871	42,209
Crop damages	5,000	5,000	-	5,000	-
<b>Total Administrative and General</b>	<b>2,045,300</b>	<b>2,345,300</b>	<b>1,937,279</b>	<b>408,021</b>	<b>1,857,428</b>
<b>Capital Outlay</b>	<b>200,000</b>	<b>1,200,000</b>	<b>1,009,779</b>	<b>190,221</b>	<b>388,224</b>
<b>Debt Service:</b>					
Principal payments on debt	48,405	48,405	48,404	1	1,083,182
Interest paid	30,273	30,273	29,841	432	32,724
<b>Total Debt Service</b>	<b>78,678</b>	<b>78,678</b>	<b>78,245</b>	<b>433</b>	<b>1,115,906</b>
<b>Total Expenditures</b>	<b>\$ 2,323,978</b>	<b>\$ 3,623,978</b>	<b>\$ 3,025,303</b>	<b>\$ 598,675</b>	<b>\$ 3,361,558</b>

**THE HENRYLYN IRRIGATION DISTRICT**

*Reconciliation of Budgetary Basis to GAAP Basis*

*Budget to Actual - Operating Fund*

Year Ended December 31, 2017

With Comparative Actual Amounts For the Year Ended December 31, 2016

	2017				2016 Actual
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	
<b>Non-GAAP Budgetary Basis</b>					
<b>Revenues:</b>					
Operating revenues	\$ 585,996	\$ 585,996	\$ 582,925	\$ (3,071)	\$ 593,343
Miscellaneous revenues	1,000,717	1,000,717	2,170,383	1,169,666	935,103
Investment income	3,000	3,000	7,677	4,677	7,267
<b>Total Revenues</b>	<b>1,589,713</b>	<b>1,589,713</b>	<b>2,760,985</b>	<b>1,171,272</b>	<b>1,535,713</b>
<b>Expenditures:</b>					
Administrative and general	2,045,300	2,345,300	1,937,279	408,021	1,857,428
Capital outlay	200,000	1,200,000	1,009,779	190,221	388,224
Debt service	78,678	78,678	78,245	433	1,115,906
<b>Total Expenditures</b>	<b>2,323,978</b>	<b>3,623,978</b>	<b>3,025,303</b>	<b>598,675</b>	<b>3,361,558</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ (734,265)</b>	<b>\$ (2,034,265)</b>	<b>(264,318)</b>	<b>\$ 1,769,947</b>	<b>(1,825,845)</b>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>					
Capital asset purchases capitalized			1,009,779		388,224
Capital assets sold			(190,257)		(7,212)
Depreciation expense			(341,052)		(320,263)
Long-term debt payments			48,404		1,083,182
Long-term debt proceeds			-		-
<b>Net Change in Net Position</b>			<b>\$ 262,556</b>		<b>\$ (681,914)</b>