

Animas-La Plata Water Conservancy District

Annual Financial Report

December 31, 2017

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**Haynie &
Company**

Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

Report of Independent Certified Public Accountants

To the Board of Directors
Animas-La Plata Water Conservancy District

We have audited the accompanying financial statements of the governmental activities and the major fund of Animas-La Plata Water Conservancy 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 of material misstatement.

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Animas-La Plata Water Conservancy District, as of December 31, 2017 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison for the general fund, 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.



Littleton, Colorado
June 19, 2018

Animas-La Plata Water Conservancy District Management's Discussion and Analysis (Unaudited) December 31, 2017

As management of the Animas La Plata Water Conservancy District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017.

This discussion and analysis is intended to be an easily readable analysis of the Animas La Plata Water Conservancy District's financial activities based on currently known facts, decisions and conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

Besides this Management's Discussion and Analysis (MD&A), the report consists of financial statements, the notes to the financial statements, and other supplementary information. Animas La Plata Water Conservancy District is a proprietary fund entity whose primary function for several years was to plan for and oversee the development of the Animas La Plata Project. This project has been completed. It is now coordinating the acquisition and transfer of project water allocations. The financial statements of Animas La Plata Water Conservancy District consist of two primary statements: the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

The Statement of Net Position reflects the cumulative financial condition of the District on December 31, 2017. Net position reflects the sum total of earnings and contributions to the District over its lifetime, net of any losses incurred.

The Statement of Revenues, Expenses and Changes in Net Position shows the change in financial condition from operations and other activities during the calendar year ending December 31, 2017.

This MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior year. Significant changes from the prior year are explained following the reports.

Budgetary Highlights

The budgetary comparison schedule for the District is included in other Supplementary information.

Statement of Net Position:

	2017	2016	Change
Assets			
Cash and Cash Equivalents	\$ 282,205	\$ 253,540	\$ 28,665
Prepaid Expenses	9,080	7,415	1,665
Property Taxes Receivable	277,588	267,085	10,503
Capital Assets	<u>1,361,959</u>	<u>1,231,127</u>	<u>130,832</u>
Total Assets	1,930,832	1,759,167	171,665
Liabilities			
Accounts Payable	<u>-</u>	<u>875</u>	<u>(875)</u>
Total Liabilities	-	875	(875)
Deferred Inflow of Resources			
Property Tax Revenue	<u>277,588</u>	<u>267,085</u>	<u>10,503</u>
Total Deferred Inflow of Resources	277,588	267,085	10,503
Net Position			
Net Investment in Capital Assets	1,361,959	1,231,127	130,832
Restricted for Emergency Reserves	5,762	8,144	(2,382)
Unrestricted	<u>285,523</u>	<u>251,936</u>	<u>33,587</u>
Total Net Position	1,653,244	1,491,207	162,037
Total Liabilities, Deferred Inflow of Resources & Net Position	<u>\$ 1,930,832</u>	<u>\$ 1,759,167</u>	<u>\$ 171,665</u>

During the year ended December 31, 2017, total assets increased by \$171,665. This increase was due primarily to purchasing additional water allocations of \$280,832 less sale of allocations of \$150,000, net of \$130,832.

Statement of Activities:

Revenues	2017	2016	Change
Taxes			
Property Taxes Receivable	\$ 265,661	\$ 259,904	\$ 5,757
Specific Ownership Taxes	28,591	22,598	5,993
Interest & Penalties	669	606	63
Interest Income	709	462	247
Reimbursement of Operation, Maintenance and Repair			
Costs	11,471	-	11,471
Other Local Sources	102	100	2
Total Revenues	<u>307,203</u>	<u>283,670</u>	<u>23,533</u>
Expenses			
General Government			
Board Expenses	5,551	6,384	(833)
Administration			
Personnel	50,380	51,082	(702)
Other Services	4,944	4,530	414
County Treasurer Fees	7,908	7,734	174
Rent	13,962	14,007	(45)
Dues & Memberships	2,033	1,720	313
Professional & Technical Services	12,734	13,649	(915)
Supplies	373	328	45
Water Conservation and Assistance Activities			
Professional & Technical Services	5,000	5,000	-
Other Services	42,283	40,226	2,057
Total Expenditures	<u>145,168</u>	<u>144,660</u>	<u>508</u>
Excess of Revenues Over Expenditures	<u>\$ 162,035</u>	<u>\$ 139,010</u>	<u>\$ 23,025</u>

During the year ended December 31, 2017, the District's Revenues increased by \$23,535. This increase was due primarily to a reimbursement for operation, maintenance, and repair costs resulting from a water allocation sale to Lake Durango.

During the year ended December 31, 2017, the District's expenses increased by \$508. This was primarily due to an increase in water conservation and assistance activities.

Financial Contact

The District's financial statements are designed to present citizens with a general overview of the District's finances and demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact Executive Director, Bruce Whitehead, 841 E. 2nd Avenue, Durango, Colorado 81301 or 970 247-2659.

Basic Financial Statements

Animas-La Plata Water Conservancy District
Statement of Net Position
December 31, 2017

Assets	Governmental Activities
Cash and cash equivalents	\$ 282,205
Other assets	9,080
Property taxes receivable	277,588
Capital assets, net	<u>1,361,959</u>
Total assets	<u>\$ 1,930,832</u>
Deferred Inflow of Resources	
Property tax revenue	<u>277,588</u>
Total deferred inflow of resources	<u>277,588</u>
Net Position	
Net investment in capital assets	1,361,959
Restricted - emergency reserves	5,762
Unrestricted	<u>285,523</u>
Total Net Position	<u>1,653,244</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 1,930,832</u>

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

Animas-La Plata Water Conservancy District
Statement of Activities
For the Year Ended December 31, 2017

<u>Functions/Program Activities</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Governmental Activities</u>
Governmental activities:		
General government	\$ 5,551	\$ (5,551)
Administration	92,332	(92,332)
Water conservation and assistance activities	47,283	(47,283)
Total governmental activities	145,166	(145,166)
General revenues:		
Taxes		
Property taxes		265,661
Specific ownership taxes		28,591
Interest and penalties		669
Interest income		709
Reimbursement of operations, maintenance, and repair costs from sale of water allocation		11,471
Other local sources		102
Total general revenues		307,203
Change in net position		162,037
Net position - beginning of year		1,491,207
Net position - end of year		\$ 1,653,244

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

Animas-La Plata Water Conservancy District
Governmental Fund Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2017

	<u>Total Governmental Funds</u>
Assets	
Cash and cash equivalents	\$ 282,205
Prepaid expense	9,080
Property taxes receivable	<u>277,588</u>
Total assets	<u><u>\$ 568,873</u></u>
Liabilities	
Accounts payable	\$ -
Total liabilities	<u>-</u>
Deferred Inflow of Resources	
Property tax revenue	<u>277,588</u>
Total deferred inflow of resources	<u>277,588</u>
Fund Balances	
Restricted for emergency reserves	5,762
Assigned - subsequent year's expenditures	<u>285,523</u>
Total Fund Balances	<u>291,285</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balance	<u><u>\$ 568,873</u></u>

Reconciliation of Fund Balance to Net Position

Fund Balances - Total Governmental Funds	\$ 291,285
Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:	
Capital assets used in governmental activities are not financial resources and are excluded from the funds.	
Governmental capital assets	<u>1,361,959</u>
Net position of governmental activities	<u><u>\$ 1,653,244</u></u>

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

Animas-La Plata Water Conservancy District
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2017

	Total
Revenues	
Taxes	
Property taxes	\$ 265,661
Specific ownership taxes	28,591
Interest and penalties	669
Interest income	709
Water sale	150,000
Reimbursement of operation, maintenance and repair costs	11,471
Other local sources	100
Total Revenues	457,203
Expenses	
General government	
Board expenses	5,551
Administration	
Personnel	50,380
Other services	4,944
County treasurers' fees	7,908
Rent	13,962
Dues and subscriptions	2,033
Professional and technical services	12,734
Supplies	371
Capital outlay - purchase of water allocations	280,832
Water conservation and assistance activities	
Professional and technical services	5,000
Other Services	42,283
Total Expenditures	425,998
Excess of Revenues over Expenditures	31,205
Fund balances:	
Beginning of the year	260,080
End of the year	\$ 291,285

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

Animas-La Plata Water Conservancy District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2017

Net change in fund balance—total governmental funds \$ 31,205

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

Governmental funds report capital outlays, such as purchases of water depletions, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives. Additionally, governmental funds report capital sales, such as sales of water depletions, as revenues. However, in the statement of activities, sales of water depletion are recorded as a reduction to the corresponding asset sold with a resulting gain or loss.

Purchase of water allocations	280,832
Sale of water rights	<u>(150,000)</u>

Change in net position of governmental activities \$ 162,037

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

Animas-La Plata Water Conservancy District

Notes to Financial Statements

December 31, 2017

1. Definition of Reporting Entity

Animas-La Plata Water Conservancy District (the District), operates under the statutes governing conservancy districts of the State of Colorado. Animas-La Plata Water Conservancy District (the District) was organized in 1981 to acquire and appropriate water of the Animas and La Plata rivers and their tributaries by means of “works” as defined in the “Water Conservancy Act” and to divert, store, transport, conserve and stabilize all of these supplies of water for beneficial uses within and for the District. The District operates under a Board of Directors, which is appointed by the Water Court Judge.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, the District's ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

Animas-La Plata Water Conservancy District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

2. Summary of Significant Accounting Policies

This summary of the Animas-La Plata Water Conservancy District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Animas-La Plata Water Conservancy District

Notes to Financial Statements (continued)

December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and liabilities are included on the balance sheet, and the fund balance includes only spendable resources. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both "measurable and available." Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are recorded when a liability is incurred as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

The District has one governmental fund:

General Fund - The general fund is the District's primary operating fund. It accounts for all financial resources of the general government.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

On or before October 15, the District staff submits to the Board a proposed budget for the next fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for 2017.

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

Animas-La Plata Water Conservancy District
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include water allocation and land, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives, as applicable. The District uses the straight line depreciation method over the calculated useful life of applicable assets. Due to the nature of the capital assets currently recorded as non-depreciating assets, the District has not recorded any depreciation expense in the current year.

The District has implemented GASB 51, which changes the way intangible assets are treated and amortized on the financial statements. The District's intangible assets are water allocations (depletions). Based on GASB 51, intangible assets with an indefinite life should not be amortized unless their useful life is subsequently determined to be no longer indefinite due to a change in circumstances. The District has determined that its water allocations (depletions) have an indefinite life and will not be amortized.

Allowance for Uncollectibles

No allowance for uncollectibles has been provided because the District's receivables are property taxes, and the County Treasurer is empowered to file liens on properties where delinquencies exist. Accordingly, the District believes any delinquencies will eventually be paid.

Reserves

The District records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use. The following is a list of reserves used by the District and a description of each:

Reserved for Emergencies - An account used to reflect equity of the District which is restricted for emergency purposes by the Tabor Amendment of the State of Colorado Constitution. "Emergency" excludes economic conditions, revenue shortfalls, or District salary and fringe benefit increases.

Animas-La Plata Water Conservancy District

Notes to Financial Statements (continued)

December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition - Property Taxes

In the governmental fund financial statements property tax revenue is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date. This receivable represents taxes certified by the District to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year in which the taxes are collected.

The District's property taxes, levied by December 15, on assessed valuation as of the preceding January 1, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: 1) in full on or before April 30, 2) one-half on or before February 28, and the remaining one-half on or before June 15. All unpaid taxes levied for the preceding year become delinquent June 16.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints.

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Animas-La Plata Water Conservancy District
Notes to Financial Statements (continued)
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

Subsequent Events

The District evaluated all events or transactions that occurred after December 31, 2017 through June 19, 2018, the date the financial statements were available to be issued.

On March 9, 2018, the District sold an additional 25 acre/feet of water allocation depletion to the Lake Durango Water Authority, for \$150,000, representing a total of 75 acre/feet sold out of the contracted 200 acre/feet of depletion.

On March 22, 2018, the District sold an additional 25 acre/feet of water allocation depletion to the Lake Durango Water Authority, for \$81,764, representing a total of 100 acre/feet sold out of the contracted 200 acre/feet of depletion.

On May 8, 2018, the District purchased 71 acre/feet of water allocation depletion for \$198,903.

On May 29, 2018, the District authorized an investment of \$100,000 with Colostrust, paid in on June 8, 2018.

Animas-La Plata Water Conservancy District
Notes to Financial Statements (continued)
December 31, 2017

3. Capital Assets

	December 31, 2016	Additions	Sales/ Retirements	December 31, 2017
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Equipment (not in use)	15,350	-	-	15,350
Water allocation	<u>715,777</u>	<u>280,832</u>	<u>(150,000)</u>	<u>846,609</u>
Capital assets, net	<u>\$ 1,231,127</u>	<u>\$ 280,832</u>	<u>\$ (150,000)</u>	<u>\$ 1,361,959</u>

There was no depreciation expense for the year ended December 31, 2017. See note 2 above.

4. Cash and Cash Equivalents

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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

As of December 31, 2017, the District's cash deposits had a bank balance of \$293,442 and a carrying balance of \$271,604, of which \$21,604 was not FDIC insured in 2017.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Animas-La Plata Water Conservancy District
Notes to Financial Statements (continued)
December 31, 2017

4. Cash and Cash Equivalents (continued)

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- * Local government investment pools

The local government investment pools, which include the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colotrust) are both rated AAAM by Standard & Poor's.

As of December 31, 2017, the District had the following cash equivalents with terms less than 3 months and that are fully liquid:

ColoTrust	<u>\$ 10,601</u>
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COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's

Animas-La Plata Water Conservancy District

Notes to Financial Statements (continued)

December 31, 2017

4. Cash and Cash Equivalents (continued)

portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust is rated AAAM by Standard & Poors.

5. Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District has made certain interpretations of the amendment's language in order to determine its compliance.

The District has established an emergency reserve of 3% of its 2017 fiscal spending in accordance with the provisions of the Amendment. Restricted net assets and fund balances consist of amounts restricted for emergency purposes by the Tabor Amendment in the amount of \$12,780.

6. Lease Agreements

Occupancy Lease

The District has a month to month sublease agreement for office space and utilities with the Southwestern Water Conservation District. The monthly lease amount is based on the percent of use by Animas La-Plata Water Conservancy District. Total rent expense for 2017 paid by Animas-La Plata Water Conservancy District was \$13,962 and included the District's proportionate share of the office's monthly janitorial service, electric, water, sewer, trash, and gas charges.

7. Payroll Cost Share Agreement

The District has an agreement with Southwestern Water Conservation District wherein Animas-La Plata Water Conservancy District reimburses Southwestern Water Conservation District for a portion of payroll, payroll related liabilities, retirement obligations and health insurance, which are calculated monthly. The District paid the Southwestern Water Conservation District \$50,380 for the expenses in 2017.

Animas-La Plata Water Conservancy District
Notes to Financial Statements (continued)
December 31, 2017

8. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. Commercial insurance is purchased by the District to cover losses or claims arising from such matters. It is not possible to estimate any losses which would not be covered by the commercial insurance; however, settled claims have not exceeded this commercial coverage in any of the three preceding years.

9. Commitments and Water Allocation (Depletion)

The District entered into a cost sharing agreement for the Animas-La Plata Project in 1988. That agreement required the District to pay \$75,000 toward cost sharing of the project with payments of \$5,000 per year, commencing the first year the United States Secretary of the Interior expends funds for the project. As part of the Colorado Ute Indian Water Rights Settlement Act Amendment of 2000, the District was allocated 2,600 acre feet of water depletions from the project in exchange for payment of a portion of the construction costs for the project. The amount of payment required to be paid by the District to the United States in 2000 was \$7,256,750.

The District contracted with the Colorado Water Resources and Power Development Authority to pay the required amount to the United States, and the District assigned its rights to the 2,600 acre feet of water depletions to the Authority.

In April 2005, the District contracted with the Authority to purchase back 700 acre feet of water depletions for their estimated purchase price of \$1,800,000. The District made a down payment of \$90,453, with the balance to be due at closing, when water was available from the project. In December 2012, the District renegotiated its contract and purchased 105 acre feet of water depletions from the Authority in the amount of \$269,126 of which \$112,935 of that amount was the initial down payment and \$156,191 was an additional cash payment.

Animas-La Plata Water Conservancy District
Notes to Financial Statements (continued)
December 31, 2017

9. Commitments and Water Allocation (Depletion)

Including and subsequent to this water allocation purchase contract, the District purchased water depletions as follows:

<u>Description</u>	<u>Year</u>	<u>Acre feet of depletions</u>	<u>Value</u>
Allocation contract	2012	105	\$ 269,126
Purchase of water depletions	2013	32	103,662
Purchase of water depletions	2014	35	114,996
Purchase of water depletions	2015	36	111,976
Purchase of water depletions	2016	36	116,017
Water depletions sold	2017	(50)	(150,000)
Purchase of water depletions	2017	<u>101</u>	<u>280,832</u>
Totals		<u>295</u>	<u>\$ 846,609</u>

The Animas-La Plata Project began operations in 2013 and the District is responsible for its portion of the costs to operate and maintain the project. The District's portion is based on the amount of acre feet of water depletions that the District has purchased. The amount of these costs is determined on an annual basis and was \$11,783 in 2017.

10. Joint Venture

The District is a participant in the Colorado Special Districts' Property and Liability Pool. The Pool is a joint venture between the Special Districts' Association of Colorado and various special districts in Colorado. The Pool provides property and general liability, automobile physical damage and liability, public officials' liability, inland marine, money and security and boiler and machinery coverage to its members. The District has not had any significant reductions in coverage or any losses of a material amount in any of the preceding three years. The District does not know its percentage share of the joint venture. The Pool has contracted with other third parties to operate, administer and manage the Pool. The Pool is responsible for its own budgets. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members.

Animas-La Plata Water Conservancy District
Notes to Financial Statements (continued)
December 31, 2017

10. Joint Ventures (continued)

The Pool issues a publicly available annual financial report that includes financial statements and supplementary information. That report may be obtained by calling the Colorado Special District Association at 303-863-1733 in the Denver metro area and 1-800-886-1733 from outside the metro area.

Required Supplementary Information

Animas-La Plata Water Conservancy District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2017

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property taxes	\$ 267,085	\$ 265,661	\$ (1,424)
Specific ownership taxes	18,000	28,591	10,591
Interest and penalties	500	669	169
Total tax revenue	<u>285,585</u>	<u>294,921</u>	<u>9,336</u>
Other revenue			
Interest earned	450	709	261
Sale of water allocations	157,000	156,768	(232)
Administrative fee for sale of water allocations	4,700	4,703	3
Miscellaneous	100	100	-
Total other revenue	<u>162,250</u>	<u>162,282</u>	<u>32</u>
Total revenue	<u>447,835</u>	<u>457,203</u>	<u>9,368</u>
Expenditures:			
General government			
Board expenses	8,100	5,551	2,549
Administration			
Personnel	54,185	50,380	3,805
Other services	5,540	4,944	596
County treasurers' fees	8,568	7,908	660
Rent	14,700	13,962	738
Dues and subscriptions	2,160	2,033	127
Professional and technical services	26,700	12,734	13,966
Supplies	600	371	229
Water conservation and assistance activities			
Professional and technical services	5,000	5,000	-
Other Services	41,500	42,283	(783)
Total Operating Expenditures	<u>167,053</u>	<u>145,166</u>	<u>21,887</u>
Other Expenditures			
Capital Outlay	280,000	280,832	(832)
Water Infrastructure	25,000	-	25,000
Contingency	20,000	-	-
Emergency Reserves	5,762	-	5,762
Total Other Expenditures	<u>330,762</u>	<u>280,832</u>	<u>29,930</u>
Total Expenditures	<u>497,815</u>	<u>425,998</u>	<u>51,817</u>
Excess Revenue Over (Under)			
Expenditures	<u>(49,980)</u>	<u>31,205</u>	<u>81,185</u>
Fund Balance—Beginning of year	<u>255,582</u>	<u>260,080</u>	<u>4,498</u>
Fund Balance—End of Year	<u>\$ 205,602</u>	<u>\$ 291,285</u>	<u>\$ 85,683</u>