

**BOSTWICK PARK WATER  
CONSERVANCY DISTRICT**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

December 31, 2017 and 2016

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Office of the State Auditor

May 17, 2018

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INDEPENDENT AUDITOR'S REPORT

# **DONALD R. MORELAND & ASSOCIATES, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Bostwick Park Water Conservancy District  
Montrose, Colorado 81401

We have audited the accompanying financial statements of Bostwick Park Water Conservancy District, as of and for the years ended December 31, 2017 and 2016, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bostwick Park Water Conservancy District as of December 31, 2017 and 2016, and respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
Bostwick Park Water Conservancy District  
Page Two

**Other-Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Donald R. Moreland & Associates, P.C.*

Montrose, Colorado  
May 3, 2018

MANAGEMENT' S DISCUSSION AND ANALYSIS

## Management's Discussion and Analysis

As management of the Bostwick Park Water Conservancy District, we offer readers of the Bostwick Park Water Conservancy District's financial statements this narrative overview and analysis of the financial activities of the Bostwick Park Water Conservancy District for the fiscal years ended December 31, 2017 and 2016.

### Financial Highlights

- The assets of the Bostwick Park Water Conservancy District (also referred to as the District) exceeded its liabilities and deferred inflows of resources at December 31, 2017 and 2016 by \$2,970,055 and \$3,080,734, respectively (net position). Of this amount, \$147,726 and \$842,180, respectively (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased (decreased) by \$(110,679) and \$(86,232) for the years ended December 31, 2017 and 2016, respectively.
- District revenues and expenses remained relatively consistent with prior years, with the exception of increased reimbursement revenue, increased personnel costs and depreciation and decreased repairs and maintenance.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Bostwick Park Water Conservancy District's basic financial statements. The Bostwick Park Water Conservancy District's basic financial statements are presented as a special purpose government engaged only in business type activities - providing irrigation water and managing the Silverjack Reservoir.

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

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

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

The basic financial statements can be found on pages 7 through 9 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 through 17 of the report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the Bostwick Park Water Conservancy District's budgetary comparisons for revenues and expenditures. Supplementary information can be found on page 18 of this report.

**Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the Bostwick Park Water Conservancy District, assets exceeded liabilities and deferred inflows of resources by \$2,970,055 and \$3,080,734, respectively, at December 31, 2017 and 2016.

Approximately 72 percent of the District's net position at December 31, 2017 reflects its investment in capital assets (e.g., land, buildings, equipment, project works, canals, reservoirs and water rights), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to agricultural water users and citizens; consequently, these assets are not available for future spending.

**Bostwick Park Water Conservancy District Net Position**

	<u>2017</u>	<u>2016</u>
Current assets	\$ 589,140	1,070,856
Restricted assets	10,000	10,000
Capital assets	<u>2,956,836</u>	<u>2,459,081</u>
Total assets	<u>3,555,976</u>	<u>3,539,937</u>
Current liabilities	185,512	40,698
Long-term debt	<u>183,767</u>	<u>207,147</u>
Total liabilities	<u>369,279</u>	<u>247,845</u>
Deferred inflows of resources	<u>216,642</u>	<u>211,358</u>
Total deferred inflows of resources	<u>216,642</u>	<u>211,358</u>
Net position:		
Net investment in capital assets	2,812,329	2,228,554
Restricted	10,000	100,000
Unrestricted	<u>147,726</u>	<u>752,180</u>
Total net position	<u>\$2,970,055</u>	<u>3,080,734</u>

At the end of the current fiscal year, the Bostwick Park Water Conservancy District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

Under the GASB 34 reporting model the audit shows the District's net position increased (decreased) by \$(110,679) and \$(86,232), respectively, during the fiscal years ended December 31, 2017 and 2016.

**Bostwick Park Water Conservancy District Changes in Net Position**

	<u>2017</u>	<u>2016</u>
Revenues:		
Operating revenue	\$ 181,985	125,615
Non-operating revenue	<u>253,240</u>	<u>235,170</u>
Total revenues	<u>435,225</u>	<u>360,785</u>
Expenses:		
Operating expenses:		
Administrative and general	317,973	290,411
Office building	13,185	12,522
Depreciation	210,185	139,981
Non-operating expenses	<u>4,294</u>	<u>4,103</u>
Total expenses	<u>545,904</u>	<u>447,017</u>
Change in net position	(110,679)	(86,232)
Net position - beginning of year	<u>3,080,734</u>	<u>3,166,966</u>
Net position - end of year	<u>\$2,970,055</u>	<u>3,080,734</u>

Total expenses have remained relatively consistent from 2016 to 2017, with the exception of increased administrative and general expenses and depreciation. Non-operating revenue incurred an increase mainly due to increased reimbursement revenue.

**Budgetary highlights**

Changes between actual revenues and budgeted amounts were primarily due to decreased revenue from federal grants and increased reimbursement revenue.

Changes between actual expenses and budgeted amounts were primarily due to decreased capital outlay and increased personnel costs and maintenance expense.

**Capital Asset and Debt Administration**

**Capital assets.** The Bostwick Park Water Conservancy District's investment in capital assets as of December 31, 2017 and 2016 amounted to \$2,956,836 and \$2,459,081, respectively, (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, project works, canals, reservoirs and water rights.

The major capital asset events during the years ended December 31, 2017 and 2016 was the following:

- Siphon Lateral improvements as part of the Colorado River Salinity Reduction Program, other canal and reservoir improvements, building construction and improvements and the purchase of equipment.

**Bostwick Park Water Conservancy District Capital Assets**  
(net of depreciation)

	2017	2016
Water rights	\$ 19,494	19,494
Easement	100,000	100,000
Project works	324,404	318,946
Canals and reservoirs	1,648,976	1,448,673
Buildings	302,501	300,942
Equipment	561,461	271,026
Total capital assets	\$2,956,836	2,459,081

Additional information on the District's capital assets can be found in Note 4 of this report.

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

- The District has applied for grants through the Basin States Program operated by the United States Bureau of Reclamation for the replacement of portions of the delivery system and to install salinity control measures to reduce salinity in the Colorado River and its tributaries.
- The District will continue to assist the Cimarron Canal and Reservoir Company to improve and enlarge the water distribution system to alleviate possible drought related conditions.

**Request for information**

This financial report is designed to provide a general overview of the Bostwick Park Water Conservancy District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Bostwick Park Water Conservancy District, 400 South Third, Montrose, Colorado, 81401.

**FINANCIAL STATEMENTS**

BOSTWICK PARK WATER CONSERVANCY DISTRICT

## STATEMENT OF NET POSITION

December 31, 2017 and 2016

	2017	2016
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 45,232	263,934
Certificates of deposits		503,587
Due from other governments	35,889	19,550
Receivables, property taxes	216,642	211,358
Receivables, water	4,320	2,689
Receivable, related party	176,562	60,337
Inventory	99,504	
Accrued interest		93
Prepaid insurance	10,991	9,308
TOTAL CURRENT ASSETS	<u>589,140</u>	<u>1,070,856</u>
<u>RESTRICTED ASSETS</u>		
Cash and cash equivalents	10,000	
Certificates of deposit		10,000
<u>PROPERTY AND EQUIPMENT</u>		
Water rights	19,494	19,494
Easement	100,000	100,000
Project works	1,290,483	1,239,162
Canals and reservoirs	1,790,950	1,523,618
Buildings	464,938	445,537
Equipment	893,010	551,157
	4,558,875	3,878,968
Accumulated depreciation	(1,602,039)	(1,419,887)
PROPERTY AND EQUIPMENT - NET	<u>2,956,836</u>	<u>2,459,081</u>
TOTAL ASSETS	<u>3,555,976</u>	<u>3,539,937</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	14,404	15,318
Revolving line of credit	144,507	
Accrued interest payable	559	
Payroll taxes withheld and accrued	2,662	2,000
Long term debt due in one year	23,380	23,380
TOTAL CURRENT LIABILITIES	<u>185,512</u>	<u>40,698</u>
LONG-TERM DEBT - NET	183,767	207,147
TOTAL LIABILITIES	<u>369,279</u>	<u>247,845</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred revenue, property taxes	216,642	211,358
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>216,642</u>	<u>211,358</u>
<u>NET POSITION</u>		
Net investment in capital assets	2,812,329	2,228,554
Restricted - operations and maintenance	10,000	10,000
Unrestricted	147,226	842,180
TOTAL NET POSITION \$	<u>2,970,055</u>	<u>3,080,734</u>

See Notes to Financial Statements.

BOSTWICK PARK WATER CONSERVANCY DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>OPERATING REVENUES</u>		
Water assessments	\$ 27,643	27,643
Property rent	16,280	21,780
Reimbursement	137,403	75,581
Miscellaneous	659	611
TOTAL OPERATING REVENUES	<u>181,985</u>	<u>125,615</u>
<u>OPERATING EXPENSES</u>		
Salaries	76,789	59,271
Payroll taxes	6,105	4,712
Employee benefits	7,441	5,389
Director reimbursement	46,331	25,953
Canal maintenance	60,196	81,378
Equipment fuel and repairs	23,995	40,959
Repairs and maintenance	6,229	6,289
Supplies	11,954	
Equipment rental	200	5,954
Waste disposal	3,335	4,794
Licenses and fees	2,262	1,341
Postage	285	311
Office	4,429	2,072
Rent	200	200
Utilities	1,822	3,164
Communications	9,575	6,553
Website	424	499
Professional fees	28,876	20,596
Insurance and bonds	19,356	15,353
Advertising and public notices	181	996
Silverjack dam expenses	3,206	3,243
Miscellaneous	339	598
Travel and training	3,884	786
Depreciation	203,362	132,891
Interest	559	
Office building:		
Utilities	4,942	4,566
Janitorial	4,800	4,800
Repairs and maintenance	2,180	1,475
Supplies	631	672
Insurance	632	1,009
Depreciation	7,090	7,090
TOTAL OPERATING EXPENSES	<u>541,610</u>	<u>442,914</u>
OPERATING INCOME (LOSS)	<u>(359,625)</u>	<u>(317,299)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Property and specific ownership tax	243,480	229,356
Income from investments	460	5,814
Gain on sale of equipment	9,300	
Treasurer's fees	(4,294)	(4,103)
NET NON-OPERATING REVENUES (EXPENSES)	<u>248,946</u>	<u>231,067</u>
CHANGE IN NET POSITION	(110,679)	(86,232)
NET POSITION		
BEGINNING OF YEAR	<u>3,080,734</u>	<u>3,166,966</u>
END OF YEAR	<u>\$ 2,970,055</u>	<u>3,080,734</u>

See Notes to Financial Statements.

BOSTWICK PARK WATER CONSERVANCY DISTRICT  
STATEMENT OF CASH FLOWS  
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from users	\$ 73,307	45,139
Payments to suppliers	(223,375)	(229,164)
Payments to employees	(89,673)	(67,824)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(239,741)</u>	<u>(251,849)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Property and specific ownership tax - net	<u>239,186</u>	<u>225,253</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Purchase and construction of property and equipment	(708,207)	(552,330)
Payment of long-term debt	(23,380)	(23,380)
Proceeds from sale of capital assets	<u>9,300</u>	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(722,287)</u>	<u>(575,710)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Certificate of deposit purchase		(513,587)
Certificate of deposit redemption	503,587	1,005,129
Interest received on certificates of deposit and demand accounts	<u>553</u>	<u>15,064</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>504,140</u>	<u>506,606</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(218,702)	(95,700)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>263,934</u>	<u>359,634</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 45,232</u>	<u>263,934</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ (359,625)	(317,299)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	210,452	139,981
Changes in assets and liabilities:		
Decrease (increase) due from other governments	(16,339)	212
Decrease (increase) in water receivable	(1,631)	1,547
Decrease (increase) in receivable, related party	(116,225)	(60,337)
Decrease (increase) in inventory	(99,504)	
Decrease (increase) in prepaid insurance	(1,683)	(2,626)
Increase (decrease) in accounts payable	(914)	5,370
Increase (decrease) in account payable, related party		(20,245)
Increase (decrease) in revolving line of credit	144,507	
Increase (decrease) in accrued interest payable	559	
Increase (decrease) in payroll taxes withheld and accrued	<u>662</u>	<u>1,548</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (239,741)</u>	<u>(251,849)</u>
<u>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Fixed asset additions in accounts payable at end of year	\$ 7,927	7,427

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

BOSTWICK PARK WATER CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The Bostwick Park Water Conservancy District is incorporated as a conservancy district under the laws of the State of Colorado with a judicially appointed board of six directors. The District provides irrigation water and manages the Silverjack Reservoir. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the District consist only of the enterprise fund of the District, a stand-alone government. Based on criteria set forth by GASB, there are no component units for which the District is financially accountable. The more significant of the District's accounting policies are described below.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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

BOSTWICK PARK WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2017 and 2016

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1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET ASSETS

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

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

*Restricted assets.* These assets consist of certificates of deposit restricted as to use by covenants of the government contract payable.

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

*Inventory.* Inventory is stated at the lower of cost, determined by the first-in, first-out method, or market. Inventory is adjusted for estimated obsolescence and written down to net realizable value based upon estimates of future demand, technology developments, and market conditions.

*Capital assets.* Purchased or constructed capital assets are reported at cost or estimated historical cost. Capital assets acquired from the United States under the contract dated March 18, 1966, are stated at the contract cost amounts. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Project works	10 - 53 years
Canals	25 years
Buildings	20 - 25 years
Equipment	5 - 10 years

The cost of water rights include acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

*Long-term debt.* The District has recorded the full original amount of the \$188,980 and \$18,167 contracts payable to the United States, described in Note 6, without recognition of imputed interest.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*Reclassifications.* Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

E. BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budget.

- a. The District's treasurer submits a proposed operating budget to the Board and a public hearing is held prior to December for the following calendar year. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to January 1, the budget is enacted by passage of a resolution. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that grants are budgeted as revenues, principal payments, and capital outlays are budgeted as expenditures, and no provision is made for depreciation. Budgeted expenditures are appropriated in total for the District and the level of control is in total.
- c. The Board of Directors may authorize supplemental appropriations during the year. During 2017 and 2016, no supplemental appropriations were adopted.
- d. Appropriations lapse at the end of the year.

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by the banking institution. 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 the aggregate uninsured deposits.

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017 and 2016 none of the District's bank balances of \$66,719 and \$784,636, respectively, were exposed to custodial credit risk as \$66,719 and \$513,272, respectively, were insured and \$-0- and \$271,364, respectively, were collateralized by securities pledged by the financial institution.

BOSTWICK PARK WATER CONSERVANCY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (continued)  
 December 31, 2017 and 2016

2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

At December 31, 2017 and 2016 the carrying amount of the District's deposits were presented on the balance sheet as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 45,232	263,934
Certificates of deposit		503,587
Restricted Assets -		
Cash and cash equivalents	10,000	
Certificates of deposit		<u>10,000</u>
	<u>\$ 55,232</u>	<u>777,521</u>

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts.

The District had no investments during the years ended December 31, 2017 and 2016.

3 - RESERVE FUND FOR OPERATIONS AND MAINTENANCE

Pursuant to the contract between the United States of America and Bostwick Park Water Conservancy District for Advancement and Subsequent Repayment of Funds Expended for Emergency Work dated September 27, 1984, the District is required to accumulate a reserve fund of \$10,000 for extraordinary operation and maintenance as defined in the agreement. Expenditures from the fund must have the prior review and approval of the Bureau of Reclamation. The District was in compliance with the contract at December 31, 2017 and 2016.

BOSTWICK PARK WATER CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017 and 2016

4 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2017 and 2016, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<b>2017</b>				
Capital assets not being depreciated:				
Water rights	\$ 19,494			19,494
Easement	100,000			100,000
Total capital assets not being depreciated	<u>\$ 119,494</u>			<u>119,494</u>
Capital assets being depreciated:				
Project works	1,239,162	51,321		1,290,483
Canals and reservoirs	1,523,618	267,332		1,790,950
Buildings	445,537	19,401		464,938
Equipment	551,157	307,153	28,300	893,010
Total capital assets being depreciated	<u>3,759,474</u>	<u>708,207</u>	<u>28,300</u>	<u>4,439,381</u>
Less accumulated depreciation for:				
Project works	920,216	45,865		966,079
Canals and reservoirs	74,945	67,029		141,974
Buildings	144,595	17,840		162,437
Equipment	280,131	79,718	28,300	331,549
Total accumulated depreciation	<u>1,419,887</u>	<u>210,452</u>	<u>28,300</u>	<u>1,602,039</u>
Total capital assets, net	<u>\$2,459,081</u>	<u>497,755</u>		<u>2,956,836</u>
<b>2016</b>				
Capital assets not being depreciated:				
Water rights	\$ 19,494			19,494
Easement	100,000			100,000
Total capital assets not being depreciated	<u>\$ 119,494</u>			<u>119,494</u>
Capital assets being depreciated:				
Project works	1,219,230	19,932		1,239,162
Canals and reservoirs	1,298,183	225,435		1,523,618
Buildings	372,328	74,430	1,221	445,537
Equipment	318,624	232,533		551,157
Total capital assets being depreciated	<u>3,208,365</u>	<u>552,330</u>	<u>1,221</u>	<u>3,759,474</u>
Less accumulated depreciation for:				
Project works	875,602	44,614		920,216
Canals and reservoirs	20,551	54,394		74,945
Buildings	130,107	15,709	1,221	144,595
Equipment	254,867	25,264		280,131
Total accumulated depreciation	<u>1,281,127</u>	<u>139,981</u>	<u>1,221</u>	<u>1,419,887</u>
Total capital assets, net	<u>\$2,046,732</u>	<u>412,349</u>		<u>2,459,081</u>

BOSTWICK PARK WATER CONSERVANCY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (continued)  
 December 31, 2017 and 2016

5 - SHORT-TERM DEBT

On November 17, 2017, the District entered into an agreement with American AgCredit for a \$200,000 variable rate revolving line of credit. The funds borrowed during the year were for capital additions.

Short-term debt activity for the years ended December 31, 2017 and 2016 was as follows:

	BALANCE BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE END OF YEAR
2017				
Revolving line of credit	\$ <u>0</u>	<u>144,507</u>	<u>0</u>	<u>144,507</u>
2016				
Revolving line of credit	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

As of December 31, 2017, \$55,493 of the revolving line of credit was unused and available.

6 - LONG-TERM DEBT

On March 18, 1966, the District entered into a contract with the United States providing for the construction, operation and maintenance of the Bostwick Park Project as a participating project under the Colorado River Storage Project Act. The total original amount of the contract of \$859,000 is to be paid in equal annual installments over a period of 50 years without interest, except a .50% per month charge on payments delinquent in excess of 30 days.

On September 27, 1984, the District entered into a contract with the United States providing for the advancement and subsequent repayment of funds expended for emergency work. The total original amount of the contract of \$222,767 is to be paid in equal annual installments of \$6,200 with the first installment due on December 31, 1985 and continuing each year thereafter without interest, except a late payment charge of not less than .50% per month on delinquent payments. Upon final repayment of this obligation, the \$6,200 annual payment will be applied to the contract dated March 18, 1966 or to an improved maintenance program approved by the United States.

The government contracts payable at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Contract payable in annual installments of \$17,180	\$188,980	206,160
Contract payable in annual installments of \$6,200	<u>18,167</u>	<u>24,367</u>
	207,147	230,527
Less amounts due in one year	<u>23,380</u>	<u>23,380</u>
	LONG-TERM DEBT - NET <u>\$183,767</u>	<u>207,147</u>

BOSTWICK PARK WATER CONSERVANCY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (continued)  
 December 31, 2017 and 2016

6 - LONG-TERM DEBT (continued)

Long-term debt is payable as follows:

2018	\$23,380
2019	23,380
2020	23,380
2021	23,380
2022	23,380
2023 - 2025	90,247

Long-term liability activity for the years ended December 31, 2017 and 2016 was as follows:

	BALANCE BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE END OF YEAR	DUE WITHIN ONE YEAR
<b>2017</b>					
1966 contract payable	\$206,180		17,180	188,980	17,180
1984 contract payable	<u>24,367</u>		<u>6,200</u>	<u>18,167</u>	<u>6,200</u>
	<u>\$230,527</u>		<u>23,380</u>	<u>207,147</u>	<u>23,380</u>
<b>2016</b>					
1966 contract payable	\$223,340		17,180	206,160	17,180
1984 contract payable	<u>30,567</u>		<u>6,200</u>	<u>24,367</u>	<u>6,200</u>
	<u>\$253,907</u>		<u>23,380</u>	<u>230,527</u>	<u>23,380</u>

7 - RELATED PARTY TRANSACTIONS

The Bostwick Park Water Conservancy District (District) has an agreement for the carriage and distribution of irrigation water with the Cimarron Canal and Reservoir Company (Company) dated March 18, 1966 whereby the cost of operation, maintenance, and repair of all Company and District project works is to be borne mutually in the ratio of 35 percent by the Company and 65 percent by the District. In years prior to 2013, the cost was borne mutually in the ratio of 65% by the Company and 35% by the District. The agreement was amended in 2013 to more accurately reflect the cost of operation.

In 2013, the District acquired an undivided co-interest in the Company ditch-easement rights in exchange for a \$50,000 reduction of the Company payable and a \$50,000 note payable in five equal annual installments of \$10,000 without interest. Future annual installments are as follows:

2018 \$10,000

BOSTWICK PARK WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2017 and 2016

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7 - RELATED PARTY TRANSACTIONS (continued)

The District leases a residence and certain outbuildings to the Company under an operating lease. Annual lease payments are \$5,000 through 2024 with an option for an additional ten year term. Net buildings on operating leases totaled \$245,865 and \$226,284 at December 31, 2017 and 2016, respectively. The buildings are depreciated on a straight-line basis over ten to twenty-five years. The accumulated depreciation on these buildings was \$142,348 and \$131,597 at December 31, 2017 and 2016, respectively. The corresponding annual depreciation expense was \$10,931 and \$8,620 in 2017 and 2016, respectively.

The District by assignment from the Company also leases real estate under a noncancellable operating lease. The lease is for a period of thirty years and expires January 1, 2024. Annual lease payments are \$200. Future minimum lease payments total \$1,600 at December 31, 2017 are scheduled as follows:

2018	\$200
2019	200
2020	200
2021	200
2022	200
2023 - 2024	400

At December 31, 2017 and 2016, the District had a net receivable (payable) to the Company in the amount of \$176,562 and \$60,337, respectively.

The District will transfer title to the siphon at the Vernal Mesa Ditch Slide Point and the attendant easement to the Company on December 31, 2019.

8 - TAX, SPENDING AND DEBT LIMITATIONS

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

9 - RISK MANAGEMENT

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

10 - COMMITMENTS

The District has entered into contracts for the System Optimization Plan and the System Lateral Pipeline Project totaling \$65,000, at December 31, 2014. At December 31, 2017, \$42,065 of the contracts had been completed.

SUPPLEMENTARY INFORMATION

REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

**BOSTWICK PARK WATER CONSERVANCY DISTRICT**  
**SUPPLEMENTARY INFORMATION - REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the years ended December 31, 2017 and 2016**

	2017			2016		
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>PROPRIETARY REVENUES</b>						
Water assessments	\$ 27,643	27,643	-	27,643	27,643	-
Property rent	16,280	16,280	-	24,230	21,780	(2,450)
Reimbursement		137,403	137,403	5,000	75,581	75,581
Income from investments	5,000	460	(4,540)	3,095,000	5,814	(3,095,000)
Federal grants	2,500,000		(2,500,000)			
Gain on sale of equipment		9,300	9,300			
Other revenue	1,000	659	(341)	300	611	311
	2,549,923	191,745	(2,358,178)	3,152,173	131,429	(3,020,744)
<b>TOTAL PROPRIETARY REVENUES</b>						
<b>EXPENDITURES</b>						
Salaries	62,000	76,789	(14,789)	22,000	59,271	(37,271)
Payroll taxes	4,929	6,105	(1,176)	1,683	4,712	(3,029)
Employee benefits	7,222	7,441	(219)	5,389	5,389	(5,389)
Director reimbursement	28,000	46,331	(18,331)	25,000	25,953	(953)
Contract services	2,500		2,500	5,000		5,000
Canal maintenance	20,000	60,196	(40,196)	20,000	81,378	(61,378)
Equipment fuel and repairs	5,000	23,995	(18,995)	21,000	40,959	(19,959)
Repairs and maintenance	4,000	6,229	(2,229)	2,000	6,289	(4,289)
Supplies	1,000	11,954	(9,954)			
Equipment rental	1,000	200	800		5,954	(5,954)
Waste disposal	2,000	3,335	(1,335)		4,794	(4,794)
Licenses and fees		2,262	(2,262)		1,341	(1,341)
Postage		285	(285)		311	(311)
Office	1,600	4,429	(2,829)	1,800	2,072	(272)
Rent	200	200	-	200	200	-
Utilities	2,500	1,822	678	2,750	3,164	(414)
Communications	9,000	9,575	(575)	2,750	6,553	(3,803)
Website		424	(424)		499	(499)
Professional fees	25,000	28,876	(3,876)	17,000	20,596	(3,596)
Insurance and bonds	16,000	19,356	(3,356)	12,000	15,353	(3,353)
Advertising and public notices	100	181	(81)	100	996	(896)
Travel and training	500	3,884	(3,384)	500	786	(286)
Interest	15,000	13,185	1,815	20,000	12,522	7,478
Office building expenses	2,500,000	708,207	1,791,793	3,095,000	552,330	2,542,670
Capital outlay	2,000	339	1,661	2,000	598	1,402
Miscellaneous	2,710,551	1,036,159	1,674,392	3,250,783	852,020	2,398,763
<b>TOTAL PROPRIETARY EXPENDITURES</b>						
	(160,626)	(844,414)	(683,786)	(98,610)	(720,591)	(621,981)
<b>EXCESS OF PROPRIETARY REVENUES OVER (UNDER) EXPENDITURES</b>						
	236,358	243,480	7,122	229,629	229,356	(273)
<b>GOVERNMENT REVENUES</b>						
Property and specific ownership taxes						
EXPENDITURES						
Silverjack dam expenses	5,000	3,206	1,794	15,000	3,243	11,757
Treasurer's fees	4,500	4,294	206	6,500	4,103	2,397
Debt retirement	23,380	23,380	-	23,380	23,380	-
Contingency	100,000		100,000	100,000		100,000
	132,880	30,880	102,000	144,880	30,726	114,154
<b>TOTAL GOVERNMENT EXPENDITURES</b>						
	103,478	212,600	109,122	84,749	198,630	113,881
<b>EXCESS OF GOVERNMENT REVENUES OVER GOVERNMENT EXPENDITURES</b>						
	2,786,281	435,225	(2,351,056)	3,381,802	360,785	(3,021,017)
<b>TOTAL DISTRICT REVENUES</b>						
	2,843,431	1,067,039	1,776,392	3,395,663	882,746	2,512,917
<b>TOTAL DISTRICT EXPENDITURES</b>						
	(57,150)	(631,814)	(574,664)	(13,861)	(521,961)	(508,100)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES \$</b>						
<b>RECONCILIATION OF EXCESS OF REVENUES OVER (UNDER) EXPENDITURES TO CHANGE IN FUND NET POSITION:</b>						
Depreciation		(210,452)				(210,452)
Capital outlay		708,207				708,207
Debt retirement		23,380				23,380
		(110,679)				(110,679)