

DOLORES WATER CONSERVANCY DISTRICT

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2017

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Office of the State Auditor

June 19, 2018

DOLORES WATER CONSERVANCY DISTRICT

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INTRODUCTORY SECTION

DOLORES WATER CONSERVANCY DISTRICT

ROSTER OF OFFICIALS

Year Ended December 31, 2017

District Officials

Michael Preston	-	General Manager
Kenneth Curtis III	-	Chief of Engineering & Construction
LLOYD Johnson	-	Maintenance Supervisor
Lisa Jordan	-	Office Administrator
Gina Espeland	-	Accounting Clerk

Appointed Officials

Bruce Smart	-	President
Simon Martinez	-	Vice President
Wes Wilson	-	Director
David Frederick	-	Director
Godwin Oliver	-	Director
Don Schwindt	-	Director
Glen Fish	-	Director

FINANCIAL SECTION

HAMBLIN AND ASSOCIATES, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants

23720 Pondview Place
Golden, CO 80401

(303) 694-2727

President and Members of the District Board
Dolores Water Conservancy District
Cortez, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Dolores Water Conservancy District (the "District") as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Dolores Water Conservancy District as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 29–30 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules for the enterprise funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules for the enterprise funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules for the enterprise funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hamblin and Associates

Golden, Colorado

April 6, 2018

BASIC FINANCIAL STATEMENTS

DOLORES WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

December 31, 2017

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 1,240,514	\$ 1,368,291	\$ 2,608,805
Cash and Investments - Restricted	1,718,251	4,894,255	6,612,506
Receivables:			
Taxes	945,056	-	945,056
Accounts	41,550	778,210	819,760
Contracts Receivable	<u>9,347,676</u>	<u>7,518,237</u>	<u>16,865,913</u>
TOTAL CURRENT ASSETS	<u>13,293,047</u>	<u>14,558,993</u>	<u>27,852,040</u>
CAPITAL ASSETS			
Less Accumulated Depreciation	<u>(179,116)</u>	<u>(1,613,198)</u>	<u>(1,792,314)</u>
NET CAPITAL ASSETS	<u>9,100,803</u>	<u>3,032,807</u>	<u>12,133,610</u>
TOTAL ASSETS	<u>22,393,850</u>	<u>17,591,800</u>	<u>39,985,650</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	15,068	81,087	96,155
Unearned Revenue	-	234,843	234,843
Current Portion of Long-Term Debt	<u>150,240</u>	<u>225,835</u>	<u>376,075</u>
TOTAL CURRENT LIABILITIES	<u>165,308</u>	<u>541,765</u>	<u>707,073</u>
LONG-TERM LIABILITIES			
Contracts Payable, Net of Current Portion	9,197,436	7,292,402	16,489,838
Accumulated Unpaid Employee Benefits	<u>-</u>	<u>169,114</u>	<u>169,114</u>
TOTAL LONG-TERM LIABILITIES	<u>9,197,436</u>	<u>7,461,516</u>	<u>16,658,952</u>
TOTAL LIABILITIES	<u>9,362,744</u>	<u>8,003,281</u>	<u>17,366,025</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	<u>945,056</u>	<u>-</u>	<u>945,056</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>945,056</u>	<u>-</u>	<u>945,056</u>
NET POSITION			
Net Investment in Capital Assets	9,100,803	3,032,807	12,133,610
Restricted for Emergencies	43,702	-	43,702
Restricted	1,905,539	1,073,870	2,979,409
Unrestricted	<u>1,036,006</u>	<u>5,481,842</u>	<u>6,517,848</u>
TOTAL NET POSITION	<u>\$ 12,086,050</u>	<u>\$ 9,588,519</u>	<u>\$ 21,674,569</u>

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

DOLORES WATER CONSERVANCY DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	CONTRACT REVENUE	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	
FUNCTIONS/PROGRAMS						
Government Activities						
Current:						
Administrative	\$ 991,824	\$ -	\$ 16	\$ (991,808)	\$ -	\$ (991,808)
Power Plant	464,916	-	228,469	(236,447)	-	(236,447)
TOTAL GOVERNMENTAL ACTIVITIES	1,456,740	-	228,485	(1,228,255)	-	(1,228,255)
Business - Type Activities						
Current:						
Operations and Maintenance	3,647,094	3,302,018	585,918	-	240,842	240,842
Towaoc/Highline Canal Committee	574,918	-	550,476	-	(24,442)	(24,442)
Dove Creek Lawn and Garden	30,990	41,361	-	-	10,371	10,371
TOTAL BUSINESS - TYPE ACTIVITIES	4,253,002	3,343,379	1,136,394	-	226,771	226,771
TOTAL PRIMARY GOVERNMENT	\$ 5,709,742	\$ 3,343,379	\$ 1,364,879	(1,228,255)	226,771	(1,001,484)
GENERAL REVENUES						
Property Taxes				1,072,061	-	1,072,061
Interest Income				15,989	92,376	108,365
Miscellaneous				3,996	93,147	97,143
TRANSFERS				(78,000)	78,000	-
TOTAL GENERAL REVENUES AND TRANSFERS				1,014,046	263,523	1,277,569
CHANGE IN NET POSITION				(214,209)	490,294	276,085
NET POSITION - Beginning of Year				12,300,259	9,098,225	21,398,484
NET POSITION - End of Year				\$ 12,086,050	\$ 9,588,519	\$ 21,674,569

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

DOLORES WATER CONSERVANCY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2017

	GENERAL (ADMINISTRATIVE)	POWER PLANTS	TOTALS
ASSETS			
Cash and Investments	\$ 1,013,063	\$ 227,451	\$ 1,240,514
Cash and Investments - Restricted	1,718,251	-	1,718,251
Receivables:			
Taxes	945,056	-	945,056
Accounts	41,550	-	41,550
	<u>3,717,920</u>	<u>227,451</u>	<u>3,945,371</u>
TOTAL ASSETS	<u>\$ 3,717,920</u>	<u>\$ 227,451</u>	<u>\$ 3,945,371</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 10,651	\$ 4,417	\$ 15,068
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	945,056	-	945,056
FUND BALANCES			
Reserved for:			
Restricted - Emergencies	43,702	-	43,702
Restricted	1,388,427		1,388,427
Committed	294,078	223,034	517,112
Unassigned	1,036,006	-	1,036,006
	<u>2,762,213</u>	<u>223,034</u>	<u>2,985,247</u>
TOTAL FUND BALANCES	<u>2,762,213</u>	<u>223,034</u>	<u>2,985,247</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,717,920</u>	<u>\$ 227,451</u>	<u>\$ 3,945,371</u>
FUND BALANCE - GOVERNMENTAL FUNDS			\$ 2,985,247
Capital assets used in governmental activities are not resources and are not reported in the funds:			
Capital Assets			9,279,919
Accumulated Depreciation			(179,116)
Contract payments to be provided by system users			9,347,676
Long-term liabilities are not due and payable in the current period			<u>(9,347,676)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES			<u>\$ 12,086,050</u>

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

DOLORES WATER CONSERVANCY DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS**
Year Ended December 31, 2017

	<u>GENERAL (ADMINISTRATIVE)</u>	<u>POWER PLANTS</u>	<u>TOTALS</u>
REVENUES			
Property Tax	\$ 1,072,061	\$ -	\$ 1,072,061
Reimbursement Contracts	16	228,469	228,485
Interest	15,762	227	15,989
TOTAL REVENUES	<u>1,091,835</u>	<u>228,696</u>	<u>1,320,531</u>
EXPENDITURES			
Current:			
Contracts	782,782	-	782,782
Directors	15,473	-	15,473
Office	32,895	-	32,895
Professional Services	128,466	-	128,466
Project Promotion	5,555	-	5,555
Training	4,259	3,932	8,191
Treasurer's Fees	22,394	-	22,394
Operating Expenses	-	246,084	246,084
Electric Power	-	737	737
Insurance	-	11,044	11,044
Materials, Parts & Supplies	-	203,119	203,119
TOTAL EXPENDITURES	<u>991,824</u>	<u>464,916</u>	<u>1,456,740</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	100,011	(236,220)	(136,209)
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(78,000)	-	(78,000)
REVENUES AND OTHER SOURCES IN EXCESS (DEFICIENCY) OF EXPENDITURES AND OTHER USES	22,011	(236,220)	(214,209)
FUND BALANCE, Beginning of Year	<u>2,740,202</u>	<u>459,254</u>	<u>3,199,456</u>
FUND BALANCE, Ending	<u>\$ 2,762,213</u>	<u>\$ 223,034</u>	<u>\$ 2,985,247</u>
Net Change in Fund Balances - Total Governmental Funds			<u>\$ (214,209)</u>
Change in Net Position - Governmental Activities			<u>\$ (214,209)</u>

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

DOLORES WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
December 31, 2017

	<u>OPERATIONS AND MAINTENANCE</u>	<u>TOWAOC/ HIGHLINE CANAL COMMITTEE</u>	<u>DOVE CREEK LAWN AND GARDEN SECONDARY SYSTEM</u>	<u>TOTAL</u>
ASSETS				
Current Assets:				
Cash and Investments	\$ 805,332	\$ 286,003	\$ 276,956	\$ 1,368,291
Cash and Investments - Restricted	4,798,118	77,464	18,673	4,894,255
Contracts Receivable	7,518,237	-	-	7,518,237
Accounts Receivable	733,354	-	44,856	778,210
TOTAL CURRENT ASSETS	13,855,041	363,467	340,485	14,558,993
CAPITAL ASSETS				
Water Rights	2,266,000	-	-	2,266,000
Equipment	2,380,005	-	-	2,380,005
Total Capital Assets	4,646,005	-	-	4,646,005
Accumulated Depreciation	(1,613,198)	-	-	(1,613,198)
NET CAPITAL ASSETS	3,032,807	-	-	3,032,807
TOTAL ASSETS	16,887,848	363,467	340,485	17,591,800
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	78,045	3,042	-	81,087
Unearned Revenue	-	234,843	-	234,843
Current Portion of Contracts Payable	225,835	-	-	225,835
TOTAL CURRENT LIABILITIES	303,880	237,885	-	541,765
LONG-TERM LIABILITIES				
Contracts Payable	7,292,402	-	-	7,292,402
Accumulated Unpaid Employee Benefits	169,114	-	-	169,114
TOTAL LONG-TERM LIABILITIES	7,461,516	-	-	7,461,516
TOTAL LIABILITIES	7,765,396	237,885	-	8,003,281
NET POSITION				
Net Investment in Capital Assets	3,032,807	-	-	3,032,807
Restricted for Projects	977,733	77,464	18,673	1,073,870
Unrestricted	5,111,912	48,118	321,812	5,481,842
TOTAL NET POSITION	\$ 9,122,452	\$ 125,582	\$ 340,485	\$ 9,588,519

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

DOLORES WATER CONSERVANCY DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION -
PROPRIETARY FUNDS**

Year Ended December 31, 2017

	OPERATIONS AND MAINTENANCE	TOWAOC/ HIGHLINE CANAL COMMITTEE	DOVE CREEK LAWN AND GARDEN SECONDARY SYSTEM	TOTAL
OPERATING REVENUES				
Users' Fees	\$ 3,302,018	\$ -	\$ 41,361	\$ 3,343,379
Reimbursement Contracts	585,918	550,476	-	1,136,394
Other	93,147	-	-	93,147
TOTAL OPERATING REVENUES	3,981,083	550,476	41,361	4,572,920
OPERATING EXPENSES				
Contracts	999,273	-	-	999,273
Electric Power	487,039	15,816	3,993	506,848
Employee	1,377,795	-	-	1,377,795
Insurance	74,181	-	-	74,181
Materials, Parts & Supplies	462,637	-	23,679	486,316
Office Expense	56,860	-	-	56,860
Professional Expense	8,540	-	-	8,540
Training	26,182	-	-	26,182
Operating Expenses	-	130,105	-	130,105
Administration	-	11,843	3,318	15,161
Maintenance	-	417,154	-	417,154
Contingency	1,211	-	-	1,211
Capital Outlay	19,912	-	-	19,912
Depreciation	93,592	-	-	93,592
TOTAL OPERATING EXPENSES	3,647,094	574,918	30,990	4,253,002
OPERATING INCOME (LOSS)	333,989	(24,442)	10,371	319,918
OTHER INCOME (EXPENSE)				
Interest Income	90,321	1,652	403	92,376
OTHER INCOME (EXPENSE)	90,321	1,652	403	92,376
NET INCOME (LOSS) BEFORE TRANSFERS	424,310	(22,790)	10,774	412,294
TRANSFERS				
Transfers In	78,000	-	-	78,000
NET TRANSFERS	78,000	-	-	78,000
NET INCOME (LOSS)	502,310	(22,790)	10,774	490,294
NET POSITION, Beginning of Year	8,620,142	148,372	329,711	9,098,225
NET POSITION, Ending	\$ 9,122,452	\$ 125,582	\$ 340,485	\$ 9,588,519

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

DOLORES WATER CONSERVANCY DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

Year Ended December 31, 2017

	OPERATIONS AND MAINTENANCE	TOWAOC/ HIGHLINE CANAL COMMITTEE	DOVE CREEK LAWN AND GARDEN SECONDARY SYSTEM	TOTAL
Cash Flows From Operating Activities:				
Cash Received from Users and Contracts	\$ 3,561,655	\$ 752,313	\$ 38,564	\$ 4,352,532
Cash Paid to Suppliers for Goods and Services	(2,125,027)	(622,102)	(30,990)	(2,778,119)
Cash Paid to Employees for Services and Administration	(1,393,439)	-	-	(1,393,439)
Net Cash Provided (Used) by Operating Activities	43,189	130,211	7,574	180,974
Cash Flows From Noncapital Financing Activities:				
Transfers In (Out)	78,000	-	-	78,000
Net Cash Provided (Used) by Noncapital Financing Activities	78,000	-	-	78,000
Cash Flows From Capital and Related Financing Activities:				
Net (Acquisition) Disposition of Capital Assets	(328,927)	-	-	(328,927)
Net Cash Provided (Used) by Capital and Related Financing Activities	(328,927)	-	-	(328,927)
Cash Flows From Investing Activities:				
Interest Received from Investments	90,321	1,652	403	92,376
Net Cash Provided (Used) by Investing Activities	90,321	1,652	403	92,376
Net Increase (Decrease) in Cash	(117,417)	131,863	7,977	22,423
CASH AND INVESTMENTS, Beginning	5,720,867	231,604	287,652	6,240,123
CASH AND INVESTMENTS, Ending	\$ 5,603,450	\$ 363,467	\$ 295,629	\$ 6,262,546
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 333,989	\$ (24,442)	\$ 10,371	\$ 319,918
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	93,592	-	-	93,592
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(419,428)	-	(2,797)	(422,225)
(Increase) Decrease in Contracts Receivable	221,980	-	-	221,980
Increase (Decrease) in Accounts Payable	50,680	(47,184)	-	3,496
Increase (Decrease) in Current Debt	(221,980)	-	-	(221,980)
Increase (Decrease) in Unearned Revenue	-	201,837	-	201,837
Increase (Decrease) in Accumulated Unpaid Benefits	(15,644)	-	-	(15,644)
Total Adjustments	(290,800)	154,653	(2,797)	(138,944)
Net Cash Provided (Used) by Operating Activities	\$ 43,189	\$ 130,211	\$ 7,574	\$ 180,974

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

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Dolores Water Conservancy District, Colorado (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

A. Definition of the Reporting Entity

The Dolores Water Conservancy District (District) is a political subdivision of the State of Colorado and is included in parts of Montezuma and Dolores Counties. The District is governed by a seven member board of directors appointed by the 22nd Judicial District Court in Cortez, Colorado.

The District was formed in 1961 for the purpose of acquiring and appropriating waters of the Dolores River, its tributaries and other sources of supply, to divert, impound and store such water and conduct such water in and to the District and use such water for domestic, irrigation, power, manufacturing and other purposes. In 1977, the District entered into a contract with the United States Bureau of Reclamation (Bureau) to manage the water and maintain the facilities of the Dolores Project and make repayment to the Bureau for the construction costs. The Dolores Project includes: the McPhee Dam; tunnel; and canals for distribution of water to various areas in Montezuma and Dolores Counties of Colorado.

The President, Vice-President and Secretary-Treasurer are elected at the first regular meeting in even numbered years and serve a two-year term of office. This Board serves as the legislative and policymaking body of the District. The District Manager, chief administrative officer for the District, is appointed by the Board and is responsible for the general administration of all District business.

The accompanying financial statements present the activities of the Dolores Water Conservancy District, Colorado. Accounting principles generally accepted in the United States require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the financial statements. The District has no component units and is not included in any other governmental reporting entity.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The government-wide financial statement (i.e., the statement of net position and the statement of activities) reports information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities (which normally are supported by taxes, charges for services and intergovernmental revenues) are reported separately from business-type activities (which rely to a significant extent on user charges for support).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Fund Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

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

The District reports the following major governmental funds:

- The General Fund is called the Administrative fund and is used to account for all revenues and expenditures not accounted for in another fund. The Administrative fund accounts for the general administrative activities of the District. The Fund's revenues consist primarily of property taxes and interest.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Financial Statements (Continued)

- The Power Plants Fund accounts for the operation and maintenance of the project's power plants. The power plants have not been transferred to the District as part of the project but are maintained by the District under contract with the Bureau. The Fund's revenues consist primarily of reimbursement contract amounts.

The District reports the following major business-type activity funds:

- The Operations and Maintenance Fund accounts for the operations and maintenance of project facilities for which responsibility for operations and maintenance has been transferred to the District from the Bureau.
- The Towaoc/Highline Canal Committee Fund accounts for operations and maintenance of the Towaoc/Highline Canal portion of the Dolores Project. This fund is required according to an agreement among: the District; Bureau; Montezuma Valley Irrigation Company; and the Ute Mountain Ute Tribe.
- The Dove Creek Lawn and Garden Secondary System Fund was established in 2003. It is used to account for the revenues and costs associated with the construction of a secondary watering system to be used for lawns and gardens in the Dove Creek area. This fund also accounts for the operation and maintenance of the system.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is typically 60 days. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on general long-term debt, which is recognized when due and (2) compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available resources.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Those revenues susceptible to accrual are reimbursement contracts and charges for services. Entitlement revenues are not susceptible to accrual because generally they are not measurable until received. Grant revenues are recognized as they are earned. The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The statement of revenues, expenses, and changes in net position distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations.

E. Cash and Cash Equivalents

For the purposes of the statement of cash flows of the enterprise funds, cash and cash equivalents consist of operating and restricted cash and highly liquid securities with an initial maturity of three months or less.

F. Investments

Investments are stated at fair value based on quoted market values, with the exception of money market funds and external investment pools. These are stated at cost, which is equal to fair value.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required management to make: (1) estimates and assumptions that affect the reported amounts of assets and liabilities and (2) disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Property Taxes

Property taxes for the current year are levied and attached 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.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalized assets are defined by the District as assets that have a useful life of one or more years and for which the initial, individual value equals or exceeds the following dollar amounts:

<u>Assets Class</u>	<u>Dollar Value</u>
Water Rights	No Minimum
Vehicles and Equipment	\$ 5,000

All purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Vehicles and Equipment	5 - 30 years

J. Long-Term Liabilities

In the government-wide financial statements, and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise fund type statement of net position.

The long-term compensated absences are serviced from revenues of the Operations and Maintenance Fund from future appropriations.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities for Compensated Absences

Compensated absences arise from policies concerning vacation and sick leave. Vacation leave accumulates at a rate of 6.667 hours per month of employment. Any unused sick leave will be paid to employees upon termination at 25 percent of their regular rate, and 50 percent upon retirement.

Vacation time accrues at a rate of 6.667 hours per month for the first four years of employment. After that it accrues at a rate of 10 hours per month. Employees may accrue up to 240 hours, which will be paid upon termination if not used. The following amounts were vested as of December 31, 2017:

Vacation and Compensatory Leave: \$169,114

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period, so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. The District has items that qualify for reporting in this category. Accordingly, the item, *unavailable revenue – property taxes*, is reported in the government-wide statement of net position and in the governmental funds balance sheet.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position/ Fund Balances

Net Position Net position in the government-wide financial statements are classified as: (1) net invested in capital assets; (2) restricted; and (3) unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balances In the governmental fund financial statements, the following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders or other debt holders, contributors, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority through an ordinance or resolution. Committed fund balance can also include contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action (ordinance or resolution) to remove or change the constraint
- Assigned fund balance – amounts the District intends to use for a specific purpose; intent can be expressed by the governing body or an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned.

N. Interfund Transactions

All interfund transfers are reported as transfers in or transfers out.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 2: BUDGETARY REQUIREMENTS

The District Board follows the procedures listed below in establishing the budgetary data reflected in the financial statements.

- 1) On or before October 15, the District Manager shall submit to the Board a proposed budget for the next ensuing budget year with an explanatory message. The proposed budget provides a complete financial plan for the District.
- 2) The budget is in sufficient detail to show each fund's estimated revenues by source and estimated expenditures. The budget is arranged to show comparative figures for receipts and expenditures for the last completed fiscal year, estimates for the current year, and the District Manager's recommendations for the ensuing year.
- 3) A public hearing is conducted to obtain taxpayer comments.
- 4) The Board shall adopt an annual budget no later than the regular December meeting of the District for the ensuing year, pursuant to the "Local Government Budget Law of Colorado." The District Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the District Board.
- 5) The level on which expenditures may not legally exceed appropriations is the legally adopted annual operating budget for each fund in total.
- 6) The District Board may legally amend the budget by ordinance once it has been approved. Budgeted amounts are shown as adopted by the District Board, including all amendments.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between fund balances (total governmental funds and net position) and governmental activities, as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances and changes in net position of governmental activities, as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the government fund statements during the consolidation of governmental activities.

NOTE 4: CASH, DEPOSITS AND INVESTMENTS

The District cash, deposits and investments at December 31, 2017 are:

<u>Type</u>	<u>Rating</u>	<u>Carrying Value</u>
Deposits:		
Checking		\$ 1,325,141
Investments:		
Money Market	NA	315,312
CD	NA	3,699,467
COLOTRUST	AAA by S & P	3,636,001
US Treasuries	Aaa by Moody's	245,390
Total Investments		<u>7,896,170</u>
Total deposits and investments		<u>\$ 9,221,311</u>

Reconciliation to Statement of Net Position

Current:		
Cash and Investments		\$ 1,636,155
Restricted:		
Investments		<u>7,585,156</u>
		<u>\$ 9,221,311</u>

Cash Invested - Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local government investment pools and obligations of the United States Government. The District maintains a cash pool for checking transactions that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash".

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 4: CASH, DEPOSITS AND INVESTMENTS (Continued)

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash only in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by the financial institution. The eligible collateral is determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution and held in trust for all the uninsured public deposits as a group. Colorado State Statutes require the market value of the collateral to be at least 102 percent of the aggregate uninsured deposits.

Interest Rate Risk - The District's reserve investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's reserve investment policy does not further limit its investment choices.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

The District invests excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are: 1) safety; 2) liquidity; and 3) yield.

The District invests in an investment pool: the Colorado Liquid Assets Trust (COLOTRUST). COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by Colorado Securities Commissioner. The pool invests in securities that are specified by the Colorado Revised Statutes (24-75-601). Authorized securities include U.S. treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pool is rated AAAM by the Standard & Poor's Corporation. At December 31, 2017, the District had an investment of \$3,636,001 in COLOTRUST.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was:

	<u>Balances January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances December 31, 2017</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Water Rights	\$ 9,100,803	\$ -	\$ -	\$ 9,100,803
Capital Assets, Being Depreciated:				
Equipment/ Plant	179,116	-	-	179,116
Less Accumulated Depreciation For Equipment/Plant	(179,116)	-	-	(179,116)
Total Capital Assets, Being Depreciated, Net	-	-	-	-
Governmental Activities Capital Assets, Net	\$ 9,100,803	\$ -	\$ -	\$ 9,100,803
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Water Rights	\$ 2,266,000	\$ -	\$ -	\$ 2,266,000
Capital Assets, Being Depreciated:				
Equipment	2,115,079	328,928	64,002	2,380,005
Total Capital Assets, Being Depreciated	2,115,079	328,928	64,002	2,380,005
Less Accumulated Depreciation For:				
Equipment	(1,583,608)	(93,592)	(64,002)	(1,613,198)
Total Accumulated Depreciation	(1,583,608)	(93,592)	(64,002)	(1,613,198)
Total Capital Assets Being Depreciated, Net	531,471	235,336	-	766,807
Business-Type Activities Capital Assets, Net	\$ 2,797,471	\$ 235,336	\$ -	\$ 3,032,807

All business-type depreciation is related to the Operations and Maintenance Fund.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 6: CONTRACTS AND COMMITMENTS

On September 23, 1977, the District entered into a contract with the United States Bureau of Reclamation (the Bureau) for the repayment of the cost of the Dolores Project.

The contract stipulates that the District is to begin payments as water becomes available for the various end users. The payment for municipal and industrial water (domestic water) will include interest at 6.063 percent per annum over 50 annual payments. The domestic water payments can be deferred (all or part) without interest for up to ten years from which the water is first available. Payments for irrigation water are to begin five (5) years after the facilities are in full operation. No interest is charged for the payments of irrigation water.

On June 4, 1985, the District entered into a contract with the Bureau to provide service as needed for the completion and maintenance of the Dolores Project until the facilities are transferred to the District for maintenance. The agreement states that the Bureau will advance the District monies to perform the services and the District will do whatever is required by the Bureau to complete the project and maintain the facilities. The agreement was substantially completed in 1998.

NOTE 7: CONTRACTS RECEIVABLE

In accordance with the repayment contract with the Bureau, the District is to provide water to various entities and individuals through out the District. These entities and individuals are required to pay for their share of the project costs under a 50 year repayment contract with the District. The District uses the proceeds to partially repay its obligation to the Bureau.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 7: CONTRACTS RECEIVABLE (Continued)

Contracts receivable consist of the following:

	<u>Balance</u> <u>12/31/17</u>
City of Cortez had water available and began using it in 1987, and began payoff of the obligation. Interest accrues at 6.063 percent per annum on the unpaid principal balance. Annual payments, including interest, are \$246,125 and are due February 1st of each year.	\$ 3,063,923
Town of Dove Creek had water available and began using it in 1991. They also began to pay their obligation at that time. Interest accrues at 6.063 percent per annum on the unpaid principal balance. Annual payments, including interest, are \$29,948 and are due February 1st of each year.	377,426
Montezuma Valley Irrigation Company began repayment in 1990. The contract calls for annual payments of \$63,220 with no interest.	2,134,068
Full-service users are farmers whose land has been allocated a portion of irrigation water from the project. The contract calls for payments with no interest to begin five years after the irrigation system is in full operation. The Fair View and Cahone canals became operational in 1992, the South canal in 1994 and the Dove Creek canal in 1995. The total annual payments to be assessed the users of these canals is \$73,300 annually.	264,000
Montezuma Valley Irrigation Company is also obligated to pay \$10 for each account (users to whom water is delivered) each year, for the 50 year period. The number of accounts is to be determined every five years. Currently, Montezuma Valley Irrigation Company pays for 1,416 accounts or \$14,160 each year.	1,390,400
Full-service users are also obligated to pay \$50 each, each year for 50 years beginning five years after service became available. There are currently 191 full-service users with total annual payments of \$9,550.	<u>288,420</u>
Total Contracts Receivable - Business-Type Activities	<u><u>\$ 7,518,237</u></u>

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 8: CONTRACTS PAYABLE

In 1977, the District entered into a contract with the United States Bureau of Reclamation to repay the construction costs of the Dolores Project. The contract calls for the repayment to begin when various portions of the project are completed and placed in service. In 1996, the taxpayers of the District voted to raise the mill levy and assume a portion of the obligation which the City of Cortez and the Town of Dove Creek had agreed to pay in the original contract, but were seeking relief because of the lack of need. The portion of the obligation, which is being paid from fee collections and from contracts receivable, are accounted for in the enterprise fund.

Business-Type Activities

Contracts payable at December 31, 2017 are as follows:

Business-Type Activities

Municipal and industrial water for domestic use in the City of Cortez and in the Town of Dove Creek was first available in 1987. Partial payments began at that time. Interest accrues on the unpaid balance at 6.063 percent. Annual payments, including interest, are \$246,125 and \$29,948 for the City of Cortez and Town of Dove Creek, respectively, due February 1st of each year.

\$ 3,441,349

Irrigation water was available beginning in 1990. Payments began in 1995. Annual payments are \$158,410. No interest is charged for this portion of the obligation.

4,076,888

Total Contracts Payable - Business-Type Activities

\$ 7,518,237

The annual requirements to amortize this portion of the contract as of December 31, 2017 are as follows:

Year	City of Cortez		Town of Dove Creek		Fairview & Cahone Systems	Dove Creek Block	South Canal Block	Full Service Users	Montezuma Valley Irrigation	Montezuma Valley Irrigation	Total
	Principal	Interest	Principal	Interest	Principal	Principal	Principal	Principal	Principal	Principal	Principal
2018	\$ 60,360	\$ 185,765	\$ 7,065	\$ 22,883	\$ 36,654	\$ 8,376	\$ 28,270	\$ 8,800	\$ 63,200	\$ 13,110	\$ 225,835
2019	64,018	182,107	7,493	22,455	36,654	8,376	28,270	8,800	63,200	13,110	229,921
2020	67,901	178,224	7,946	22,002	36,654	8,376	28,270	8,800	63,200	13,110	234,257
2021	72,017	174,108	8,430	21,518	36,654	8,376	28,270	8,800	63,200	13,110	238,857
2022	76,384	169,741	8,940	21,008	36,654	8,376	28,270	8,800	63,200	13,110	243,734
2023-27	457,265	773,360	53,518	96,222	183,270	41,880	141,350	44,000	316,000	65,550	1,302,833
2028-32	613,741	616,884	71,834	77,906	183,270	41,880	141,350	44,000	316,000	65,550	1,477,625
2033-37	755,035	406,854	96,417	53,323	183,270	41,880	141,350	44,000	316,000	65,550	1,643,502
2038-42	602,008	192,778	108,651	20,779	183,270	41,880	141,350	44,000	126,400	26,220	1,273,779
2043-47	295,194	46,051	7,132	776	109,962	41,880	141,350	44,000	-	-	639,518
2048	-	-	-	-	-	8,376	-	-	-	-	8,376
	<u>\$ 3,063,923</u>	<u>\$ 2,925,872</u>	<u>\$ 377,426</u>	<u>\$ 358,872</u>	<u>\$ 1,026,312</u>	<u>\$ 259,656</u>	<u>\$ 848,100</u>	<u>\$ 264,000</u>	<u>\$ 1,390,400</u>	<u>\$ 288,420</u>	<u>\$ 7,518,237</u>

Total interest paid for business-type activities in 2017 was \$212,503

**DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017**

NOTE 8: CONTRACTS PAYABLE (Continued)

Governmental Activities

Municipal and industrial water for domestic use in the Montezuma and Dolores County rural area was first available in 1987. Partial payments began at that time. Interest accrues at 6.063 percent interest. Annual payments, including interest, are \$546,175 and due February 1st of each year. \$ 7,367,701

Ad valorem tax of 1/2 mills of the assessed value of all taxable property within the District is to be paid as it is collected for 50 years after water becomes available to the District. The total obligation will depend on the assessed value of property each year. 1,979,975

Total Contracts Payable - Governmental Activities \$ 9,347,676

The annual requirements to amortize this portion of the contract are:

Year	Blocks 2-4, 2-5		Block 3-6		Ad valorem	Total	Total
	Principal	Interest	Principal	Interest	Tax Principal	Principal	Interest
2018	\$ 93,278	\$ 418,762	\$ 6,193	\$ 27,942	\$ 50,769	\$ 150,240	\$ 446,704
2019	98,935	413,105	6,569	27,566	50,769	156,273	440,671
2020	104,932	407,108	6,967	27,168	50,769	162,668	434,276
2021	111,294	400,746	7,389	26,746	50,769	169,452	427,492
2022	118,041	393,999	7,837	26,298	50,769	176,647	420,297
2023-27	706,643	1,853,557	46,916	123,759	253,845	1,007,404	1,977,316
2028-32	948,461	1,611,739	62,972	107,703	253,845	1,265,278	1,719,442
2033-37	1,270,339	1,287,167	84,522	86,153	253,845	1,608,706	1,373,320
2038-42	1,692,585	854,180	113,447	57,228	253,845	2,059,877	911,408
2043-47	1,762,334	274,970	118,047	18,415	253,845	2,134,226	293,385
2048-52	-	-	-	-	253,845	253,845	-
2053-56	-	-	-	-	203,076	203,076	-
	<u>\$ 6,906,842</u>	<u>\$ 7,915,333</u>	<u>\$ 460,859</u>	<u>\$ 528,978</u>	<u>\$ 1,979,991</u>	<u>\$ 9,347,676</u>	<u>\$ 8,444,311</u>

Total interest paid for governmental activities in 2017 was \$452,390

DOLORIS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 9: LONG-TERM LIABILITIES

The following table summarizes the changes in the District's long-term liability activity for the year ended December 31, 2017:

Governmental Activities	Balance January 1, 2017	Borrowings	Repayments	Balance December 31, 2017	Due within One Year
Contracts Payable	\$ 9,492,230	\$ -	\$ 144,554	\$ 9,347,676	\$ 150,240
Totals	<u>\$ 9,492,230</u>	<u>\$ -</u>	<u>\$ 144,554</u>	<u>\$ 9,347,676</u>	<u>\$ 150,240</u>

Business Type Activities	Balance January 1, 2017	Borrowings	Repayments	Balance December 31, 2017	Due within One Year
Contracts Payable	\$ 7,740,217	\$ -	\$ 221,980	\$ 7,518,237	\$ 225,835
Compensated Absences	184,758	-	15,644	169,114	-
Totals	<u>\$ 7,924,975</u>	<u>\$ -</u>	<u>\$ 237,624</u>	<u>\$ 7,687,351</u>	<u>\$ 225,835</u>

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 10: INTERFUND TRANSACTIONS

Following is a summary of transfers from and to other funds at December 31, 2017:

	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
Administrative Fund	\$ -	\$ 78,000
Operations and Maintenance Fund	78,000	-
	<u>\$ 78,000</u>	<u>\$ 78,000</u>

Planned transfers may be adjusted during the year as cash flow needs change. The transfers reported above were budgeted cash flow transfers.

Other transfers between funds are classified as fees and expenditures as they represent user fees per agreements.

NOTE 11: RESTRICTED EQUITY

The following Investments have been restricted and committed per District agreements or actions:

<u>Activity</u>	<u>Restricted</u>	<u>Committed</u>
Towaoc Highline	\$ 77,464	\$ -
Operating Reserve	-	384,592
TABOR Reserve	35,747	-
Water Supply Management	-	1,600,121
WETPack Reserve	-	164,562
Discretionary Reserve	-	294,078
Dove Creek Project Reserve	18,673	-
Capital Reserve	209,314	-
Future Projects Reserve	-	1,820,407
Repayment/Holding Reserve	11,222	-
Election Water Repayment	1,179,113	-
Replacement Reserve	-	643,423
Deficiency Reserve	-	179,931
McPhee Gate Repair	966,511	-
	<u>\$ 2,498,043</u>	<u>\$ 5,087,113</u>

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 12: RETIREMENT COMMITMENTS

The District provides a deferred compensation plan that is a defined contribution plan under IRS Code Section 457, and is completely voluntary, administered by Nationwide Insurance (“Dolores Water Conservancy District Section 457 Deferred Compensation Plan”). Benefit terms, including contribution requirements, are established & amended by related IRS rules and are approved and adopted by the District Board. Employees are allowed to contribute to the plan up to 25 percent of their annual salaries. The District will match their employee’s contribution, on a 50 percent basis, up to six (6) percent of the employee’s salary. Therefore, the District’s maximum contribution to the plan would be three (3) percent of the employee’s salary. Employees are immediately vested in all contributions. For the year ended December 31, 2017, employee contributions totaled \$71,850, and the District recognized pension expense of \$25,746.

The District also has a single-employer defined contribution plan under IRS Code Section 401(a), administered by Nationwide Insurance (“Dolores Water Conservancy District Money Purchase Plan and Trust”). This Plan is a defined contribution money purchase plan. The District has no future liability to this Plan. Benefit terms, including contribution requirements, are established and amended by related IRS rules and are approved and adopted by the District Board. The District contributes five (5) percent of eligible employees’ salaries to the plan. These contributions are vested at 20 percent each year of service and become fully vested after 5 years. Nonvested District contributions are forfeited upon termination; such forfeitures are used first used to pay any administrative plan expenses and then allocated to the total compensation of all participants. For the year ended December 31, 2016, employee contributions totaled \$20,297, and the District recognized pension expense of \$67,126 which includes \$0 of credited forfeitures.

NOTE 13: RISK MANAGEMENT

The District carries commercial insurance for various risks of loss related to: torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Settled claims resulting from these risks have not exceeded commercial or District coverage in any of the past three years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk. The District is fully self-insured for unemployment compensation and has a \$1,000 deductible for property insurance.

NOTE 14: CONTINGENCIES

Claims and Judgments The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of December 31, 2017 grant expenditures have not been audited, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

DOLORES WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2017

NOTE 15: TAX, SPENDING, REVENUE AND DEBT LIMITATIONS

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used to declare emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$43,702, which is the approximate required reserve at December 31, 2017.

The District's voters approved the following ballot issue on November 3, 2015:

Shall Dolores Water Conservancy District be authorized to collect, retain, and spend all revenues and other funds received from all sources, including without limitation grants, fees, and the District's existing general operating property tax, which property tax shall not be increased without voter approval, commencing January 1, 2015 and in each year thereafter, as a voter approved revenue change and exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution or any other law, and as a permanent waiver of the 5.5% limitation under Section 29-1-301 C.R.S.?

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

NOTE 16: COMPLIANCE WITH STATE STATUTES

Expenditures in the Towaoc/Highline Canal Committee Fund exceeded appropriations by \$24,418 and expenditures in the General (Administrative Fund) exceeded appropriations by \$10,841. This may be a violation of State statutes.

REQUIRED SUPPLEMENTARY INFORMATION

DOLORES WATER CONSERVANCY DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL (ADMINISTRATIVE) FUND

Year Ended December 31, 2017

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Property Tax	\$ 1,052,973	\$ 1,072,061	\$ 19,088
Interest	815	15,762	14,947
Other	15	4,012	3,997
	<u>1,053,803</u>	<u>1,091,835</u>	<u>38,032</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
Contracts	782,782	782,782	-
Directors	19,400	15,473	3,927
Office	30,105	32,895	(2,790)
Professional Services	108,500	128,466	(19,966)
Project Promotion	8,000	5,555	2,445
Training	1,700	4,259	(2,559)
Treasurer's Fees	24,396	22,394	2,002
Miscellaneous	100	-	100
	<u>974,983</u>	<u>991,824</u>	<u>(16,841)</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	78,820	100,011	21,191
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(84,000)	(78,000)	6,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,180)	22,011	27,191
FUND BALANCE, Beginning of Year	<u>14,000</u>	<u>2,740,202</u>	<u>2,726,202</u>
FUND BALANCE, Ending	<u>\$ 8,820</u>	<u>\$ 2,762,213</u>	<u>\$ 2,753,393</u>

See the accompanying Independent Auditor's Report.

DOLORES WATER CONSERVANCY DISTRICT

BUDGETARY COMPARISON SCHEDULE

POWER PLANTS FUND

Year Ended December 31, 2017

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Reimbursement Contracts	\$ 275,000	\$ 228,469	\$ (46,531)
Interest	<u>120</u>	<u>227</u>	<u>107</u>
TOTAL REVENUES	<u>275,120</u>	<u>228,696</u>	<u>(46,424)</u>
EXPENDITURES			
Current:			
Operating Expenses	350,300	246,084	104,216
Electric Power	1,755	737	1,018
Insurance	18,566	11,044	7,522
Materials, Parts & Supplies	261,475	203,119	58,356
Training	<u>8,000</u>	<u>3,932</u>	<u>4,068</u>
TOTAL EXPENDITURES	<u>640,096</u>	<u>464,916</u>	<u>175,180</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(364,976)	(236,220)	128,756
FUND BALANCE, Beginning	<u>511,242</u>	<u>459,254</u>	<u>(51,988)</u>
FUND BALANCE, Ending	<u>\$ 146,266</u>	<u>\$ 223,034</u>	<u>\$ 76,768</u>

See the accompanying Independent Auditor's Report.

OTHER SUPPLEMENTARY INFORMATION

DOLORES WATER CONSERVANCY DISTRICT

BUDGETARY COMPARISON SCHEDULE
OPERATIONS AND MAINTENANCE FUND
Year Ended December 31, 2017

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES			
User Fees	\$ 3,168,749	\$ 3,302,018	\$ 133,269
Reimbursed Contracts	599,800	585,918	(13,882)
Interest	25,365	90,321	64,956
Other	<u>67,901</u>	<u>93,147</u>	<u>25,246</u>
TOTAL REVENUES	<u>3,861,815</u>	<u>4,071,404</u>	<u>209,589</u>
EXPENSES			
Operating Expenses			
Contracts	1,119,482	999,273	120,209
Electric Power	520,900	487,039	33,861
Employee	1,413,522	1,377,795	35,727
Insurance	88,061	74,181	13,880
Materials, Parts & Supplies	657,725	462,637	195,088
Office Expense	59,100	56,860	2,240
Professional Expense	25,500	8,540	16,960
Training	24,000	26,182	(2,182)
Miscellaneous	10,000	39,872	(29,872)
Contingency	20,000	1,211	18,789
Capital Outlay	<u>356,500</u>	<u>348,839</u>	<u>7,661</u>
TOTAL OPERATING EXPENSES	<u>4,294,790</u>	<u>3,882,429</u>	<u>412,361</u>
NET INCOME (LOSS) BEFORE TRANSFERS	(432,975)	188,975	621,950
TRANSFERS IN	<u>84,000</u>	<u>78,000</u>	<u>(6,000)</u>
NET INCOME (LOSS)	<u>\$ (348,975)</u>	266,975	<u>\$ 615,950</u>
ADJUSTMENTS TO GAAP BASIS OF NET INCOME			
Depreciation		(93,592)	
Capital Outlay		328,927	
Contracts Receivable		221,980	
Debt Service		<u>(221,980)</u>	
NET INCOME - GAAP BASIS		<u>\$ 502,310</u>	

See the accompanying Independent Auditor's Report.

DOLORES WATER CONSERVANCY DISTRICT

BUDGETARY COMPARISON SCHEDULE
TOWAOC/HIGHLINE CANAL COMMITTEE FUND

Year Ended December 31, 2017

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Reimbursement Contracts	\$ 550,500	\$ 550,476	\$ (24)
Interest	<u>2,950</u>	<u>1,652</u>	<u>(1,298)</u>
TOTAL REVENUES	<u>553,450</u>	<u>552,128</u>	<u>(1,322)</u>
EXPENSES			
Operating Expenses			
Operating Expenses	146,200	130,105	16,095
Electric Power	20,000	15,816	4,184
Administration	20,000	11,843	8,157
Maintenance	<u>364,300</u>	<u>417,154</u>	<u>(52,854)</u>
TOTAL OPERATING EXPENSES	<u>550,500</u>	<u>574,918</u>	<u>(24,418)</u>
NET INCOME (LOSS)	<u>\$ 2,950</u>	<u>\$ (22,790)</u>	<u>\$ (25,740)</u>

See the accompanying Independent Auditor's Report.

DOLORES WATER CONSERVANCY DISTRICT

BUDGETARY COMPARISON SCHEDULE
DOVE CREEK LAWN AND GARDEN SECONDARY SYSTEM FUND
Year Ended December 31, 2017

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Users' Fees	\$ 37,728	\$ 41,361	\$ 3,633
Interest	156	403	247
	<u>37,884</u>	<u>41,764</u>	<u>3,880</u>
TOTAL REVENUES			
EXPENSES			
Operating Expenses			
Electric Power	3,600	3,993	(393)
Administration	-	3,318	(3,318)
Materials, Parts and Supplies	33,825	23,679	10,146
Office Expense	25	-	25
	<u>37,450</u>	<u>30,990</u>	<u>6,460</u>
TOTAL OPERATING EXPENSES			
NET INCOME (LOSS)	<u>\$ 434</u>	<u>\$ 10,774</u>	<u>\$ 10,340</u>

See the accompanying Independent Auditor's Report.

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