

**GROUND WATER MANAGEMENT  
SUBDISTRICT OF CENTRAL COLORADO  
WATER CONSERVANCY DISTRICT  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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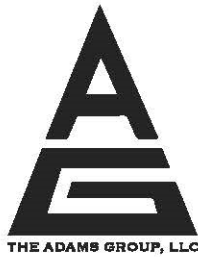
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Office of the State Auditor

July 27, 2018

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THE ADAMS GROUP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Ground Water Management Subdistrict of Central Colorado Water Conservancy District  
Greeley, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Ground Water Management Subdistrict of Central Colorado Water Conservancy District (the "Subdistrict"), a component unit of the Central Colorado Water Conservancy District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Subdistrict'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.

### **Auditors' 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 auditors' 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 Subdistrict 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.

### ***Correction of Error***

As described in Note 13 to the financial statements, the Subdistrict determined that certain penalties related to a construction contract should have been assessed in prior years. As a result, net assets for the Governmental Activities and Ground Water Management Subdistrict of Central Colorado Water Conservancy District Water (GMS) General Fund net position was increased \$400,000 for the year ending December 31, 2017. Our opinion is not modified with respect to these matters.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the budgetary comparison information on page 44, the Schedule of the Subdistrict's Proportionate Share of the Net Pension Liability on page 45, and the Schedule of Subdistrict Contributions on page 46 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Subdistrict's basic financial statements. The individual budgetary schedules on pages 47 and 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual budgetary schedules are the responsibility of management and were derived from the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

June 15, 2018  
Denver, Colorado

*The Adorno Group, LLC*

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

This section of the annual financial report offers readers of the Ground Water Management Subdistrict of Central Colorado Water Conservancy District (the "Subdistrict") financial statements, its discussion and analysis of the Subdistrict's financial performance during the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in the Subdistrict's financial statements, which immediately follow this section.

**Background Information**

On April 23, 1973, pursuant to the applicable provisions of the Water Conservancy Act of the State of Colorado, the District Court in and for Weld County, Colorado, approved the creation and establishment of a subdistrict of Central Colorado Water Conservancy District to be known as "Ground Water Management Subdistrict of Central Colorado Water Conservancy District". In addition to providing for the conservation of the water resources of the State of Colorado for the greatest beneficial use of water within this state, the Subdistrict has developed a plan of augmentation which will replace the depletion of the river caused by underground water users in the South Platte River Basin.

**Financial Highlights**

- The Subdistrict's financial status increased over the course of the 2017; total net position increased by 6%.
- General tax revenues of \$2,683,644 accounted for 54% of the income in the operating funds during 2017, 40% coming from member assessments, with the remaining 6% coming from other revenue sources.
- The Subdistrict had \$3,775,270 in expenses of which \$2,003,343 were offset by program specific charges for services. Property taxes and other revenues, combined with the previous year's carryover, were adequate to provide funding for these programs.
- Outlays for capital assets were primarily comprised of capital repairs to facilities from the 2013 flood, acquisition of water rights, construction of water projects, and equipment purchases. See the capital assets section of this management's discussion and analysis for more information.
- The Subdistrict's governmental activities decreased its outstanding long-term debt by \$577,366, as the result of making principal and interest payments on both the 2004 and 2005 Colorado Water Conservation Board ("CWCB") loans.

**Overview of the Financial Statements**

This annual financial report consists of three parts: management's discussion and analysis, the basic financial statements, and required and other supplementary information. The basic financial statements include two kinds of statements that present different views of the Subdistrict.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Subdistrict's overall financial status.
- The remaining statements are fund financial statements, which focus on individual parts of the Subdistrict, reporting the Subdistrict's operations in more detail than the government-wide statements.
- The governmental fund statements tell how basic services were financed in the short-term, as well as what remains for future spending.

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required and other supplemental information that further explains and supports the financial statements with a comparison of the Subdistrict's budget for the year.

Detailed in the following diagram is how the various parts of this annual report are arranged and relate to one another.

**Table 1  
Organization of Ground Water Management Subdistrict of Central Colorado Water and Conservancy District's Annual Financial Report**

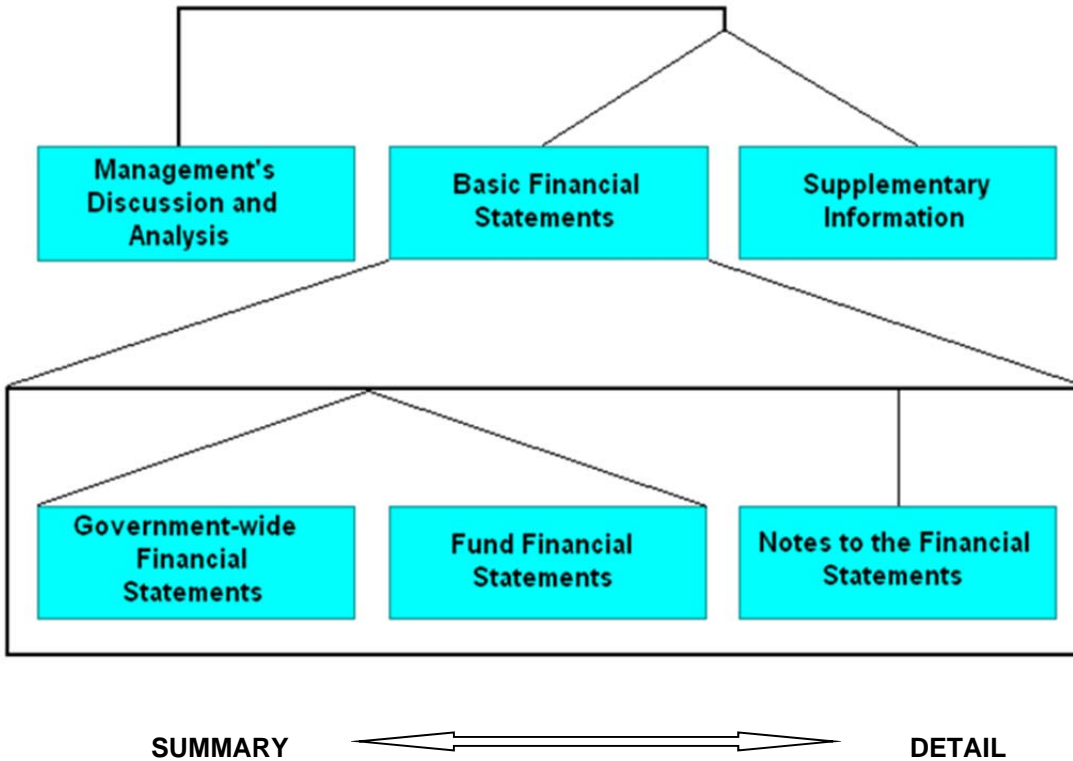


Table 2 displayed on the following page summarizes the major features of the Subdistrict's financial statements, including the portion of the Subdistrict's activities that they cover and the types of information they contain. The remainder of this overview of management's discussion highlights the structure and contents of both types of financial statements, government-wide and fund financial statements.

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**Table 2  
Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Financial Statements	
		Governmental Fund	Proprietary Fund
Scope	Entire Subdistrict (except fiduciary funds)	The activities of the Subdistrict that are not proprietary or fiduciary	Activities the Subdistrict operates similar to private businesses: Water Enterprise Fund
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Change in Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide Statements**

The government-wide statements are designed to provide readers a broad overview of the Subdistrict's finances, in a manner similar to a private-sector business. These statements provide both short-term and long-term information about the Subdistrict's overall financial status. The statement of net position includes all of the Subdistrict's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

The statement of net position presents information on all of the Subdistrict's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these categories 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 Subdistrict is improving or deteriorating. To assess the Subdistrict's overall health, you need to consider additional non-financial factors such as the condition of water projects, buildings, and equipment.

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

Both of the government-wide financial statements distinguish functions of the Subdistrict that are principally supported by taxes and intergovernmental revenues (governmental activities). Included in governmental activities are most of the Subdistrict's basic services.

The basic government-wide financial statements can be found on pages 13-14 of this report.

### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the Subdistrict's funds, focusing on its most significant or "major" funds, not the Subdistrict as a whole. Funds are accounting devices the Subdistrict uses to keep track of specific sources of funding and spending on particular programs.

- *Governmental funds:* The Subdistrict's basic services are included in governmental funds, which generally focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the Subdistrict's programs. Because this information does not encompass the long-term focus of the government-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

The Subdistrict maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general and debt service funds which are considered major funds. Also included in the required supplementary information section is budget to actual information for the general fund.

The basic governmental fund financial statement can be found on pages 15-18 of this report.

*Proprietary funds:* The Subdistrict maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Subdistrict uses enterprise funds to account for its water operations.

- Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for water operations, which is considered to be a major fund of the Subdistrict.

The basic proprietary fund financial statements can be found on pages 19-21 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42 of this report.

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**Financial Analysis of the Subdistrict as a Whole**

**Net Position and Changes in Net Position**

The Subdistrict's combined net position was larger on December 31, 2017, than the year before, increasing 6% percent to \$21,313,467. Table 3 provides a summary of the Subdistrict's net position at December 31, 2017.

**Table 3  
Condensed Statement of Net Position**

	<b>2017</b>			<b>2016</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>	<b>RESTATED Totals</b>
<b>Assets</b>				
Current assets	\$ 13,306,682	\$ 1,644,625	\$ 14,951,307	\$ 14,349,948
Capital assets, net	23,275,669	3,208,047	26,483,716	24,724,377
<b>Total assets</b>	<b>36,582,351</b>	<b>4,852,672</b>	<b>41,435,023</b>	<b>39,074,325</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources related to pensions	11,760	149,922	161,682	103,380
<b>Liabilities</b>				
Current liabilities	225,726	60,538	286,264	761,396
Long-term liabilities	13,538,436	3,718,570	17,257,006	15,818,335
<b>Total liabilities</b>	<b>13,764,162</b>	<b>3,779,108</b>	<b>17,543,270</b>	<b>16,579,731</b>
<b>Deferred inflows of resources</b>				
Deferred inflows of resources related to pensions	115	1,457	1,572	6,899
Unearned revenue - property taxes	2,627,765	110,631	2,738,396	2,485,376
<b>Total deferred inflows of resources</b>	<b>2,627,880</b>	<b>112,088</b>	<b>2,739,968</b>	<b>2,492,275</b>
<b>Net position</b>				
Net investment in capital assets	9,776,753	(6,661)	9,770,092	425,295
Restricted	7,424,732	-	7,424,732	6,747,166
Unrestricted	3,000,584	1,118,059	4,118,643	12,933,238
<b>Total net position at December 31,</b>	<b>\$ 20,202,069</b>	<b>\$ 1,111,398</b>	<b>\$ 21,313,467</b>	<b>\$ 20,105,699</b>

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**Table 4  
Changes in Net Position from Operating Results**

This year taxes accounted for 54 cents of every dollar raised by the Subdistrict, compared to 65 cents per dollar in the previous year (see Table 5). During 2017, the Subdistrict received less than one cent of every dollar from earnings on investments.

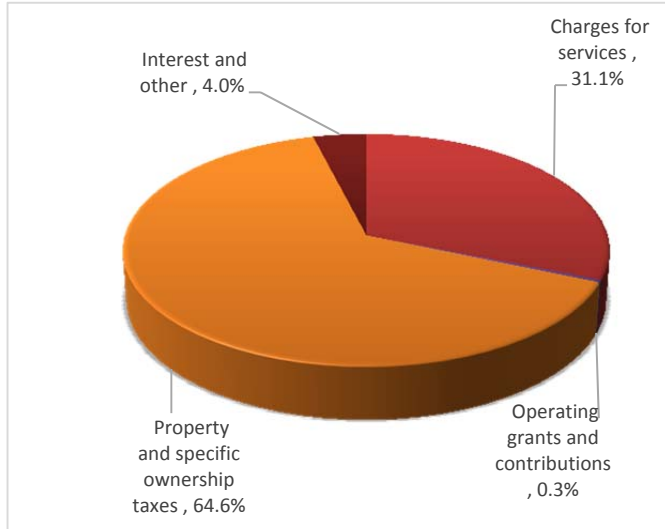
	2017			2016
	Governmental Activities	Business-type Activities	Total	Totals
<b>Revenues</b>				
Program revenues				
Charges for services	\$ -	\$ 1,934,703	\$ 1,934,703	\$ 1,567,853
Operating Grants & Contributions	68,640		68,640	16,639
General revenues				
Property taxes	2,598,024	85,620	2,683,644	3,259,106
Earnings on investments	81,181	14,745	95,926	32,965
Other	200,125	-	200,125	168,311
<b>Total revenue</b>	<b>2,947,970</b>	<b>2,035,068</b>	<b>4,983,038</b>	<b>5,044,874</b>
<b>Expenses</b>				
Personnel	59,714		59,714	114,499
Travel	5,583		5,583	6,892
Maintenance	329,549		329,549	316,324
Supplies	36,814		36,814	44,508
Professional fees	157,338		157,338	80,943
Business meals	3,874		3,874	3,319
Water leases and assessments	215,514		215,514	295,513
Utilities	105,788		105,788	71,561
Other	82,547		82,547	138,607
Interest on long-term debt	372,558		372,558	384,818
Water operating expenses		2,405,991	2,405,991	1,693,117
<b>Total expenses</b>	<b>1,369,279</b>	<b>2,405,991</b>	<b>3,775,270</b>	<b>3,150,101</b>
<b>Increase (decrease) in net position</b>	<b>\$ 1,578,691</b>	<b>\$ (370,923)</b>	<b>\$ 1,207,768</b>	<b>\$ 1,894,773</b>

Detailed below in Tables 5 and 6 are charts displaying revenues by sources and expenses by program for the total Subdistrict.

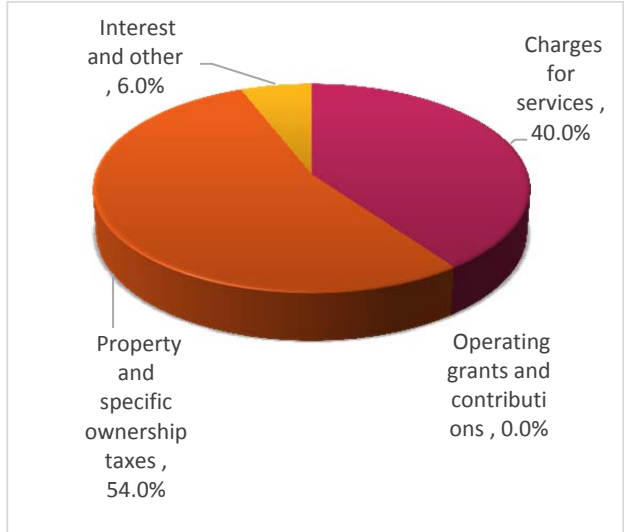
**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**Table 5  
Sources of Revenues**

**2016 Revenues**

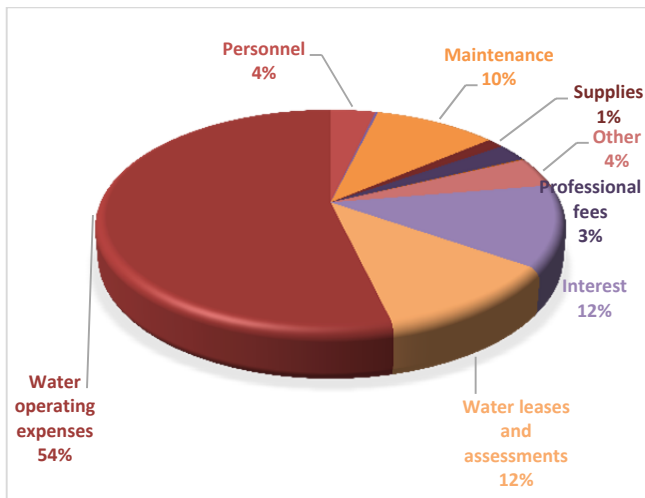


**2017 Revenues**

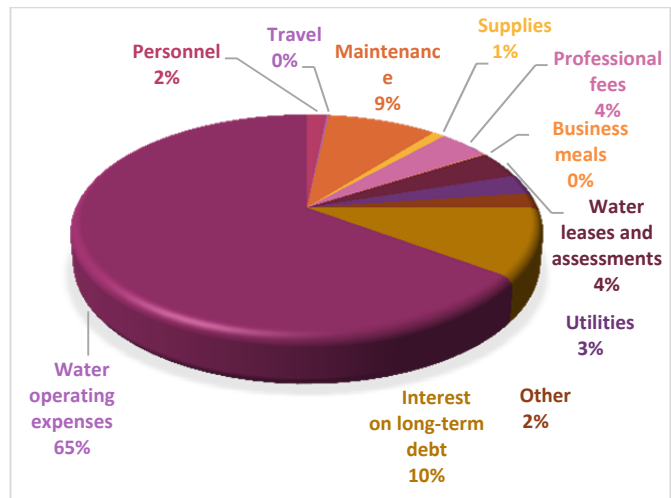


**Table 6  
Expenses**

**2016 Expenses**



**2017 Expenses**



**Governmental Activities**

The governmental funds monitor cash resources and expenditures.

The statement of activities shows the cost of program services and the related charges for services and grants offsetting those costs. Table 7 reflects the program's total cost and net cost of services. That is, it identifies the cost of these services supported by unrestricted property taxes and other general revenues.

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

**Table 7  
Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services
Personnel	\$ 59,714	\$ (59,714)
Travel	5,583	(5,583)
Maintenance	329,549	(299,685)
Supplies	36,814	(36,814)
Professional fees	157,338	(157,338)
Business meals	3,874	(3,874)
Water leases and assessments	215,514	(146,874)
Other	188,325	(188,325)
Interest on long-term debt	372,558	(372,558)
<b>Total</b>	<b>\$ 1,369,269</b>	<b>\$ (1,270,765)</b>

**Financial Analysis of the Subdistrict's funds**

**General Fund**

The general fund was established, and is continually funded, to provide for the daily activities, salaries, expenses, and operating costs of the Subdistrict. This fund provides for functional areas of the organization - administration, water augmentation, public information, recharge, water quality, and gravel pit reservoirs. The general fund also provides for such other items as insurance, utilities, and other costs the Subdistrict incurs. The primary funding source for the general fund is taxation of real property. Other sources of income for the general fund include interest income and miscellaneous revenues. The primary projects or program efforts for establishing needed funding during 2017 were:

1. Salaries and benefits for all existing full time personnel of the Subdistrict.
2. Normal operational costs of the Subdistrict.
3. Maintenance of the gravel pit reservoirs.
4. Water quality and augmentation projects.

**General Fund Budgetary Highlights**

The Subdistrict's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements.

**Capital Assets**

At year-end, GMS had capital assets totaling \$26,483,716 an increase of \$1,759,339 from December 31, 2016. More detailed information about the District's capital assets are presented in Note 3 to the financial statements.

**Long-Term Debt**

At year-end, the Subdistrict had \$13,498,916 in outstanding loans from the Colorado Water Conservation Board ("CWCB"), a decrease of \$577,366 from the previous year, as shown below in Table 9. More detailed information about the Subdistrict's long-term liabilities is presented in Note 4 to the financial statements.

**Ground Water Management Subdistrict of  
Central Colorado Water Conservancy District  
Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

During 2017, the Subdistrict's governmental activities did not borrow any additional money, and reduced its outstanding loan balances with the Colorado Water Conservation Board by making the scheduled principal payments on the 2004 and 2005 loans.

The business activities of the Subdistrict acquired an additional water lease in the amount of \$2,500,000 while making scheduled payments of \$301,392 which increased the outstanding debt from \$1,016,100 to \$3,214,708.

	Total Water Subdistrict		% of Change
	2017	2016	2015-2016
Governmental activities:			
CWCB loans	\$ 13,498,916	\$ 14,076,282	-4.1%
Business-type activities:			
Capital lease	3,214,708	1,016,100	100.0%

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the Subdistrict was aware of the following circumstances that could significantly affect its financial health in the future:

The Subdistrict's budget for 2018 includes property tax revenue in the amount of \$2,738,396 (based on an assessed valuation for the Subdistrict, of \$2,023,944,073 and a mill levy of 1.353 mills) with a proposed budget for expenditures of \$15,628,313. These tax revenues and member assessments, plus carryover funds, should be adequate to provide for these budgeted expenditures.

**Contacting the District's Financial Management**

This financial report is designed to provide the Subdistrict's taxpayers and creditors with a general overview of the Subdistrict's finances and to demonstrate the Subdistrict's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ground Water Management Subdistrict of the Central Colorado Water Conservancy District at 3209 West 28<sup>th</sup> Street, Greeley, Colorado 80634.

## BASIC FINANCIAL STATEMENTS

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 9,692,016	\$ 1,113,678	\$ 10,805,694
Receivables	2,648,656	163,738	2,812,394
Internal balances	(20,575)	20,575	-
Due from other subdistricts	-	41,066	41,066
Prepaid items	5,189	305,568	310,757
Deposits	25,000	-	25,000
Cash and investments-restricted	956,396	-	956,396
Capital assets, not being depreciated	9,112,349	863,650	9,975,999
Capital assets, net of accumulated depreciation	14,163,320	2,344,397	16,507,717
Total assets	<u>36,582,351</u>	<u>4,852,672</u>	<u>41,435,023</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>11,760</u>	<u>149,922</u>	<u>161,682</u>
<b>LIABILITIES</b>			
Accounts payable	9,984	36,987	46,971
Accrued interest payable	214,111	23,551	237,662
Due to other districts	1,631	-	1,631
Noncurrent liabilities			
Net pension liability	39,520	503,862	543,382
Due within one year	592,906	440,661	1,033,567
Due in more than one year	12,906,010	2,774,047	15,680,057
Total liabilities	<u>13,764,162</u>	<u>3,779,108</u>	<u>17,543,270</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	115	1,457	1,572
Unavailable revenue-property taxes	2,627,765	110,631	2,738,396
Total deferred inflows of resources	<u>2,627,880</u>	<u>112,088</u>	<u>2,739,968</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,776,753	(6,661)	9,770,092
Restricted	7,424,732	-	7,424,732
Unrestricted	3,000,584	1,118,059	4,118,643
Total net position	<u>\$ 20,202,069</u>	<u>\$ 1,111,398</u>	<u>\$ 21,313,467</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:						
Personnel	\$ 59,714	\$ -	\$ -	\$ (59,714)	\$ -	\$ (59,714)
Travel	5,583	-	-	(5,583)	-	(5,583)
Maintenance	329,549	-	-	(329,549)	-	(329,549)
Supplies	36,814	-	-	(36,814)	-	(36,814)
Professional	157,338	-	-	(157,338)	-	(157,338)
Business meals	3,874	-	-	(3,874)	-	(3,874)
Water purchases	215,514	68,640	-	(146,874)	-	(146,874)
Utilities	105,788	-	-	(105,788)	-	(105,788)
Other	82,547	-	-	(82,547)	-	(82,547)
Interest on long-term debt	372,558	-	-	(372,558)	-	(372,558)
Total governmental activities	1,369,279	68,640	-	(1,300,639)	-	(1,300,639)
Business-type activities						
Water Enterprise Fund	2,405,991	1,934,703	-	-	(471,288)	(471,288)
Total primary government	\$ 3,775,270	\$ 2,003,343	\$ -	(1,300,639)	(471,288)	(1,771,927)
General revenues:						
Taxes				2,598,024	85,620	2,683,644
Investment earnings				81,181	14,745	95,926
Other				168,625	-	168,625
Special item				31,500		31,500
Total general revenues and special item				2,879,330	100,365	2,979,695
Change in net position				1,578,691	(370,923)	1,207,768
Net position - Beginning-Restated				18,623,378	1,482,321	20,105,699
Net position - Ending				\$ 20,202,069	\$ 1,111,398	\$ 21,313,467

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<b>General</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 3,249,357	\$ 6,442,659	\$ 9,692,016
Cash and investments-restricted	-	956,396	956,396
Accounts receivable	14,412	6,479	20,891
Property taxes receivable	1,008,551	1,619,214	2,627,765
Deposits	25,000	-	25,000
Prepaid expenses	5,189	-	5,189
Total assets	\$ 4,302,509	\$ 9,024,748	\$ 13,327,257
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 9,984	\$ -	\$ 9,984
Due to other funds	11,218	9,357	20,575
Due to District	1,631	-	1,631
Total liabilities	22,833	9,357	32,190
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes and assessments	1,008,551	1,619,214	2,627,765
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid expenses	5,189	-	5,189
Restricted			
Emergency reserves	28,555	-	28,555
Debt service	-	7,396,177	7,396,177
Assigned			
Subsequent year's budget: appropriation of fund balance	1,692,069	-	1,692,069
Unassigned	1,545,312	-	1,545,312
Total fund balances	3,271,125	7,396,177	10,667,302
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES FUND BALANCES</b>			
	\$ 4,302,509	\$ 9,024,748	\$ 13,327,257

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2017**

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

Total fund balance - Total governmental funds	\$ 10,667,302
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,275,669
The proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to their participation in the Colorado Public Employees' Retirement Association is not recorded in governmental funds but is recorded in the statement of net position.	(27,875)
Accrued interest payable is not included in the funds.	(214,111)
Noncurrent liabilities, including capital leases and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(13,498,916)</u>
Net position of governmental activities	<u><u>\$ 20,202,069</u></u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2017**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 981,662	\$ 1,616,362	\$ 2,598,024
Investment income	24,992	56,189	81,181
Miscellaneous	237,265	-	237,265
Total revenues	<u>1,243,919</u>	<u>1,672,551</u>	<u>2,916,470</u>
<b>EXPENDITURES</b>			
Current			
Operating expenses	789,346	24,292	813,638
Debt service			
Principal	-	577,366	577,366
Interest	-	379,030	379,030
Capital outlay	162,471	-	162,471
Total expenditures	<u>951,817</u>	<u>980,688</u>	<u>1,932,505</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	292,102	691,863	983,965
<b>SPECIAL ITEMS</b>	<u>350,000</u>	<u>-</u>	<u>350,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	642,102	691,863	1,333,965
<b>FUND BALANCES - BEGINNING OF YEAR-RESTATED</b>	<u>2,629,023</u>	<u>6,704,314</u>	<u>9,333,337</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 3,271,125</u></u>	<u><u>\$ 7,396,177</u></u>	<u><u>\$ 10,667,302</u></u>

These financials statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2017**

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

Net change in fund balances - Total governmental funds \$ 1,333,965

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported net of depreciation expense. This is the amount by which capital outlay and proceeds from the sale of assets exceeded depreciation, and net loss on the disposal of assets in the current period.

Capital outlay	162,471
Depreciation	(247,537)
Loss on disposal of asset	(8,307)
Loss on disposal of asset related to the special item	(318,500)
Proceeds from the sale of assets	4,560

Changes in the Subdistrict's proportionate share of the net pension liability, deferred inflows and outflows of resources related to the Colorado Public Employees' Retirement Association for the current year are not reported in governmental funds but are reported in the Statement of Net Position 68,201

Certain expenses, such as interest expense, reported in the Statement of Activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds 6,472

The issuance of long-term debt (e.g. capital leases and bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments made	577,366
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Change in net position of governmental activities \$ 1,578,691

These financials statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
December 31, 2017**

	<b>Water Enterprise Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 1,113,678
Receivables	53,107
Property taxes receivable	110,631
Due from other funds	20,575
Due from other districts	41,066
Prepaid items	305,568
Total current assets	1,644,625
Noncurrent assets	
Capital assets, not being depreciated	863,650
Capital assets, net of accumulated depreciation	2,344,397
Total noncurrent assets	3,208,047
Total assets	4,852,672
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	149,922
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	36,987
Accrued interest payable	23,551
Current portion of capital lease payable	440,661
Total current liabilities	501,199
Noncurrent liabilities	
Net pension liability	503,862
Capital lease payable	2,774,047
Total noncurrent liabilities	3,277,909
Total liabilities	3,779,108
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,457
Unavailable revenue-property taxes	110,631
Total deferred inflows of resources	112,088
<b>NET POSITION</b>	
Net investment in capital assets	(6,661)
Unrestricted	1,118,059
Total net position	\$ 1,111,398

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
PROPRIETARY FUND  
Year Ended December 31, 2017**

	<b>Water Enterprise Fund</b>
<b>OPERATING REVENUES</b>	
Water assessments	\$ 1,750,737
Water lease revenue	14,316
Miscellaneous	169,650
Total operating revenues	1,934,703
 <b>OPERATING EXPENSES</b>	
Personnel	411,813
Operating expenses	1,914,436
Depreciation expense	47,898
Total operating expenses	2,374,147
 <b>OPERATING LOSS</b>	(439,444)
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	14,745
Property taxes	85,620
Interest expense	(31,844)
Total nonoperating revenues (expenses)	68,521
 <b>CHANGE IN NET POSITION</b>	(370,923)
 <b>NET POSITION - BEGINNING OF YEAR</b>	1,482,321
 <b>NET POSITION - END OF YEAR</b>	\$ 1,111,398

These financials statements should be read only in connection with  
the accompanying notes to financial statements.

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
STATEMENT OF CASHFLOWS  
PROPRIETARY FUND  
Year Ended December 31, 2017**

	<u><b>Water Enterprise Fund</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,882,296
Cash received from property taxes	85,620
Cash paid to suppliers	(2,211,776)
Cash paid to employees	(239,812)
Net cash flows used by operating activities	<u>(483,672)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>14,745</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from capital leases	133,000
Principal paid on capital debt	(148,942)
Interest paid on capital debt	(8,293)
Net cash flows used by capital and related financing activities	<u>(24,235)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(493,162)
<b>CASH AND CASH EQUIVALENTS BEGINNING OF THE YEAR</b>	1,606,840
<b>CASH AND CASH EQUIVALENTS END OF THE YEAR</b>	<u><u>\$ 1,113,678</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	\$ (439,444)
Adjustments to reconcile operating income to net cash flows from operating loss	
Depreciation	47,898
Related to the pension liability	172,001
Property taxes	85,620
Changes in assets and liabilities	
Receivables	(52,407)
Due from other districts	16,614
Prepaid expenses	47,251
Accounts payable	(361,205)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ (483,672)</u></u>
<b>NONCASH TRANSACTIONS</b>	
Capital assets acquired through capital lease	\$ 2,367,000
Amounts related to pension liability	(172,001)

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Form of Organization

On April 23, 1973, pursuant to the applicable provisions of the Water Conservancy Act of the State of Colorado, the District Court in and for Weld County, Colorado, approved the creation and establishment of a subdistrict of Central Colorado Water Conservancy District (CCWCD) to be known as the Ground Water Management Subdistrict of Central Colorado Water Conservancy District, (The "Subdistrict"). In addition to providing for the conservation of the water resources of the State of Colorado for the greatest beneficial use of water within the state, the Subdistrict has developed a plan of augmentation which will replace the depletion of the river caused by underground water users in the South Platte River Basin.

Reporting Entity

In evaluating how to define the governmental entity, the Subdistrict has considered all potential component units. The decision to include or exclude a potential unit was made by applying the criteria defined by Governmental Accounting Standards Board (GASB) Statement No. 14 and Governmental Accounting Standard Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus". Component units are legally separate organizations for which the Subdistrict is financially accountable. The Subdistrict is financially accountable for an organization if the Subdistrict appoints a voting majority of the organization's governing board and (1) the Subdistrict is able to significantly influence the programs or services performed or provided by the organization; or (2) the Subdistrict is legally entitled to or can otherwise access the organization's resources; the Subdistrict is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization or the Subdistrict is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Subdistrict in that the Subdistrict approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the Subdistrict.

Based on the above criteria, there are no other organizations that would be considered component units of the Subdistrict.

The Subdistrict is a blended component unit of the CCWCD, and is included in the basic financial statements of CCWCD because CCWCD's Board of Directors is substantially the same as the Subdistrict's, and the Subdistrict provides specific financial benefits to CCWCD. Only the accounts of the Subdistrict are included herein; therefore, these financial statements do not purport to represent the position or results of operation of CCWCD. The financial data of the Subdistrict is included in the annual report of CCWCD.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Subdistrict. For the most part, the effect of interfund activity has been removed from all these statements.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

Fund Financial Statements

Fund financial statements report detailed information about the Subdistrict. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column; The Subdistrict does not have any nonmajor funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. 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 revenue 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 governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases and decreases in those categories. These funds use the modified accrual basis of accounting whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Subdistrict considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures are recognized only when payment is due.

Property taxes, intergovernmental grants, and earnings on investments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Subdistrict.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with GASB, Statement No. 33, *Accounting and Financial Reporting for Non exchange Transactions*, (“GASB No. 33”) the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

Governmental funds are used to account for all or most of a government’s general activities. The following are the Subdistrict’s major governmental funds:

The *General Fund* is the Subdistrict’s primary operating fund. It accounts for all the financial resources of the Subdistrict, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the resources accumulated and payments made for principal and interest on long-term debt of the Subdistrict.

A *proprietary fund* operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

An *enterprise fund* is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Subdistrict’s major enterprise fund is the Water Enterprise Fund. This fund accounts for the financial transactions related to the water enterprise operations of GMS.

Budgets

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

- By October 15, the Subdistrict staff submits to the Board of Directors, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments. Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board of Directors through passage of a formal resolution.

The District legally adopts budgets for all the funds. Budgets for the governmental and enterprise funds are adopted on a basis consistent with GAAP, except that for the enterprise fund, purchases of capital assets and the payment of principal on debt are budgeted as expenditures. For the year ended December 31, 2017, the Water Enterprise Fund incurred expenditures which exceeded the final approved appropriations, due to capital outlay purchased through a capital lease. This maybe a violation of Colorado State Statutes.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

Investments

Investments are reported at fair value.

Receivables

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2017. Property taxes levied on December 31, 2017 are identified as property taxes receivable and deferred inflows of resources.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position and, classified as due from other funds or due to other funds on the balance sheet.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year end are recorded as prepaid items and will be reported as expenditures in the following year. Because these assets do not represent current financial resources, these amounts are shown as a nonspendable fund balance in the governmental funds.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide and enterprise fund financial statements. Capital assets are defined by the Subdistrict as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are expensed.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives for asset types are as follows:

	<u>Estimated Lives</u>
Office building and improvements	15-40 years
Water projects	50-100 years
Equipment and vehicles	5-25 years
<u>Land, easements, water and construction in progress</u>	<u>Not depreciated</u>

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources include certain amounts related to the Subdistrict's defined benefit pension plan which is to be amortized and recognized as revenue/expense in future periods.

In addition to liabilities, the statement of financial 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes earned but levied for a subsequent period and certain amounts related to the Subdistrict's defined benefit pension plan which is to be amortized and recognized as revenue/expense in future periods.

Compensated Absences

The Subdistrict reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* ("GASB No. 16"). Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the Subdistrict will compensate the employees for the benefits earned. Upon termination of employment from the Subdistrict, an employee will be compensated for all accrued vacation and compensatory time at their current rate of pay; there is no payment for sick leave upon termination.

A liability for accrued vacation and compensatory time is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

All liabilities related to accrued compensation absences at December 31, 2017 are recorded by CCWCD.

Pensions

The Subdistrict participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Debt

In the government-wide and enterprise fund financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity. In the governmental fund financial statements, proceeds from debt issuances are reported as other financing sources. Payment on debt and debt costs are reported as debt service expenditures. Debt issuance costs are recognized as expenditures during the period of issuance.

Funds Balance and Net Position

In the government-wide financial statements, net position is classified in the following categories:

*Net Investments in capital assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

*Restricted net position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislations.

*Unrestricted net position* – This category represents the net positions of the Subdistrict, which is not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The five categories, and their general meanings, are as follows:

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

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

*Committed* – amounts that can be used only for specific purposes determined by a formal action of the Board of Directors (the “Board”). The Board is the highest level of decision making authority for the Subdistrict. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has authority to assign amounts for specific purposes.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Unassigned* – all other spendable amounts. The General Fund is the only fund that would report a positive unassigned fund balance. However, in government funds other than the General Fund, if expenditures incurred for specific purposes exceed the amount that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned balance in that fund.

When both restricted and unrestricted resources are available for use, it is the Subdistrict’s policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Subdistrict considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Property Taxes

Property taxes are levied prior to December 31 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on the last day of February and June 15. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November. The County Treasurer’s office collects property taxes and remits to the Subdistrict on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflows of resources are recorded at December 31. As the tax is collected in the succeeding year, the deferred inflows of resources is recognized as revenue and the receivable is reduced.

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

A summary of deposits and investments at December 31, 2017, follows:

Cash deposits	\$ 389,963
Investments	<u>11,372,127</u>
Total cash and investments	<u>\$ 11,762,090</u>
Cash and investments	\$ 10,805,694
Cash and investments-restricted	<u>956,396</u>
Total cash and investments	<u>\$ 11,762,090</u>

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NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

*Custodial Credit Risk – Deposits* - In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The Subdistrict does not have a deposit policy for custodial credit risk. The Colorado Public Deposit Protection Act (PDPA), governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017, the District had deposits with a financial institution with a carrying amount of \$389,963. The bank balance with the financial institution was \$454,384. At December 31, 2017, of the Subdistrict's deposits \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$204,384 was covered by the PDPA.

Investments:

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which the Subdistrict may invest, which include:

- U.S. Treasury obligations
- U.S. instrumentality obligations
- Certificates of deposit
- Commercial paper rated in the highest tier by a nationally recognized rating agency
- Repurchase agreements
- Investment grade obligations of state, county and local governments and public authorities
- Money market mutual funds regulated by the Securities and Exchange Commission whose portfolios consist of only dollar denominated securities
- Local government investment pools

*Credit Risk* – The Subdistrict does not have a specific policy regarding credit risk, but is required to comply with State of Colorado (State) statutes which specify instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest. State statutes do not address custodial risk.

The Subdistrict invest funds in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"), an investment vehicle established for local government entities in Colorado to pool surplus funds (pool). At December 31, 2017, the Subdistrict has invested \$11,372,127. The State Securities Commissioner administers and enforces all State statutes governing the pool. The pool operates similarly to a money market fund and each share is equal in value to \$1.00. The pool offers shares in two portfolios, COLOTRUST PRIME and

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NOTE 2 - CASH AND INVESTMENTS CONTINUED)

COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities.

COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies.

A designated custodial bank serves as custodian for the pool's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the pool's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST places no restrictions or limitations on withdrawals. COLOTRUST is rated AAAM by Standards & Poor's.

*Fair Value Hierarchy.* The Subdistrict categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As COLOTRUST is valued at a net asset value, there is not an investment component to be valued under GASB Statement No. 72, *Fair Value Measurement and Application*.

*Custodial Credit Risk – Investments* - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial credit risk.

*Interest Rate Risk* - Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. The Subdistrict does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in the statutes. The Subdistrict has interest rate risk related to its investments in COLOTRUST. At December 31, 2016 COLOTRUST Plus + had a weighted average maturity of 34 days to reset and 94 days to final maturity.

*Concentration of Credit Risk* - The Subdistrict places no limit on the amount that may be invested in any one issuer.

*Restricted Cash and Investments* – At December 31, 2017, the Subdistrict had the following restricted cash balances:

Debt service reserves-CWCB loans	\$ <u>956,396</u>
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NOTE 3 - CAPITAL ASSETS

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital assets, not being depreciated:				
Perpetual easements	\$ 12,644	\$ -	\$ -	\$ 12,644
Water rights	8,076,205	-	-	8,076,205
Land	<u>1,023,500</u>	<u>-</u>	<u>-</u>	<u>1,023,500</u>
Total capital assets, not being depreciated	<u>9,112,349</u>	<u>-</u>	<u>-</u>	<u>9,112,349</u>
Capital assets, being depreciated:				
Office building and improvements	255,242	9,057	-	264,299
Water projects	14,969,852	66,213	(350,000)	14,686,065
Equipment and vehicles	1,379,620	87,201	(58,297)	1,408,524
Wells and ditch improvements	<u>648,294</u>	<u>-</u>	<u>-</u>	<u>648,294</u>
Total capital assets, being depreciated	<u>17,253,008</u>	<u>162,471</u>	<u>(408,297)</u>	<u>17,007,182</u>
Accumulated depreciation for:				
Office building and improvements	(158,632)	(8,344)	-	(166,976)
Water projects	(1,686,538)	(150,022)	31,500	(1,805,060)
Equipment and vehicles	(661,086)	(79,206)	54,550	(685,742)
Wells and ditch improvements	<u>(176,119)</u>	<u>(9,965)</u>	<u>-</u>	<u>(186,084)</u>
Total accumulated depreciation	<u>(2,682,375)</u>	<u>(247,537)</u>	<u>86,050</u>	<u>(2,843,862)</u>
Total capital assets, being depreciated, net	<u>14,570,633</u>	<u>(85,066)</u>	<u>(322,247)</u>	<u>14,163,320</u>
Total capital assets, net	<u>\$ 23,682,982</u>	<u>\$ (85,066)</u>	<u>\$ (322,247)</u>	<u>\$ 23,275,669</u>

Governmental activities depreciation expense of \$247,537 has been allocated to the maintenance activity.

Capital asset activity for the business-type activities for the year ended December 31, 2017, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital assets, not being depreciated:				
Water rights	\$ 1,016,100	\$ -	\$ (152,450)	\$ 863,650
Total capital assets, not being depreciated	<u>1,016,100</u>	<u>-</u>	<u>(152,450)</u>	<u>863,650</u>
Capital assets, being depreciated:				
Water projects	<u>27,899</u>	<u>2,367,000</u>	<u>-</u>	<u>2,394,899</u>
Total capital assets, being depreciated	<u>27,899</u>	<u>2,367,000</u>	<u>-</u>	<u>2,394,899</u>
Accumulated depreciation for:				
Water projects	<u>(2,604)</u>	<u>(47,898)</u>	<u>-</u>	<u>(50,502)</u>
Total capital assets, being depreciated, net	<u>25,295</u>	<u>2,319,102</u>	<u>-</u>	<u>2,344,397</u>
Total capital assets, net	<u>\$ 1,041,395</u>	<u>\$ 2,319,102</u>	<u>\$ (152,450)</u>	<u>\$ 3,208,047</u>

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NOTE 4 - LONG-TERM DEBT

Governmental Activities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2004 CWCB loan	\$ 10,849,255	\$ -	\$ 442,412	\$ 10,406,843	\$ 454,578
2005 CWCB loan	3,227,027	-	134,954	3,092,073	138,328
Total	<u>\$ 14,076,282</u>	<u>\$ -</u>	<u>\$ 577,366</u>	<u>\$ 13,498,916</u>	<u>\$ 592,906</u>

Business-Type Activities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Capital lease-water	<u>\$ 1,016,100</u>	<u>\$ 2,500,000</u>	<u>\$ 301,392</u>	<u>\$ 3,214,708</u>	<u>\$ 400,661</u>

In 2004, the GMS obtained a loan from the CWCB for \$15,000,000, requiring annual payments of \$740,766, principal and interest, at 2.75%, through June 1, 2035. Property taxes have been pledged to CWCB for the purpose of repayment of this loan. A debt service reserve account is required to be established and funded at an amount equal to one-tenth of an annual payment on the due date of the first payment and annually thereafter for the first ten years.

In 2005, the GMS obtained a loan from the CWCB for \$4,513,200, requiring annual payments of \$215,630, principal and interest, at 2.50%, through June 1, 2035. Property taxes have been pledged to CWCB for the purpose of repayment of this loan. A debt service reserve account is required to be established and funded at an amount equal to one-tenth of an annual payment on the due date of the first payment and annually thereafter for the first ten years.

In 2016, GMS entered into a 9 year capital lease for the purchase of water for \$1,016,100. During 2017, capital assets and debt related to this lease totaling \$152,450 were reallocated to WAS. The maturity date of the lease was also changed to May 31, 2022. Annual payments are \$143,942 including interest at a rate of 1% over the CWCB Water Project Loan Program Agricultural rate. The value of the assets under this lease are \$863,650.

In 2017, GMS entered into a 10 year capital lease related to the purchase of water storage and settlements related to construction contracts. Annual payments are \$302,673 including interest at 4%. The value of the assets under this lease are \$2,367,000.

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NOTE 4 - LONG-TERM DEBT

The annual requirements to amortize all debt outstanding, as of December 31, 2017, are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Annual</u> <u>Maturities</u>	<u>Interest</u>	<u>Total</u> <u>Payment</u>
2018	\$ 592,906	\$ 363,490	\$ 956,396
2019	608,865	347,531	956,396
2020	625,254	331,142	956,396
2021	642,086	314,311	956,397
2022	659,371	297,026	956,397
2023-2027	3,572,886	1,209,096	4,781,982
2028-2032	4,080,524	701,456	4,781,980
2033-2037	2,717,024	147,564	2,864,588
Totals	<u>\$ 13,498,916</u>	<u>\$ 3,711,616</u>	<u>\$ 17,210,532</u>

<u>Business-Type Activities</u> <u>Year Ending December 31,</u>	<u>Annual</u> <u>Maturities</u>	<u>Interest</u>	<u>Total</u> <u>Payment</u>
2018	\$ 400,661	\$ 77,808	\$ 478,469
2019	356,596	109,883	466,479
2020	365,102	96,411	461,513
2021	373,949	82,598	456,547
2022	383,149	68,432	451,581
2023-2027	1,335,251	165,919	1,501,170
Totals	<u>\$ 3,214,708</u>	<u>\$ 601,051</u>	<u>\$ 3,815,759</u>

NOTE 5 - INDIVIDUAL FUND INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position and as due from other funds due/to other funds on the fund statement balance sheets. Internal balances are eliminated in the statement of net position. All interfund receivables and payables are expected to be paid within the next year.

As of December 31, 2017, the Subdistrict had the following interfund receivables and payables:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund – GMS	\$ -	\$ 11,218
Debt Service – GMS	-	9,357
Water Enterprise Fund – GMS	20,575	-
	<u>\$ 20,575</u>	<u>\$ 20,575</u>

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NOTE 6 - RELATED PARTY TRANSACTIONS

The Subdistrict and the Well Augmentation Subdistrict of Central Colorado Water Conservancy District are both blended component units of Central Colorado Water Conservancy District. The three entities share office space, operating expenses and personnel. During 2017, the Subdistrict paid Central Colorado Water Conservancy District \$466,018 for salary and benefits of shared staff. In addition, for certain transactions the District will initially pay the vendor and the Subdistrict will then reimburse the District. At December 31, 2016, the Central Water Conservancy District owed the Subdistrict \$39,435.

NOTE 7 - RISK MANAGEMENT

The Subdistrict is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Subdistrict carries commercial insurance covering specific and general risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

*Pensions.* The Subdistrict participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

*Plan description.* Eligible employees of the Subdistrict are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions.* Eligible employees and the Subdistrict are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

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NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

	Rates
Employer contribution rate	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	1.02%
Amount apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%
Total employer contribution rate to the LGDTF	12.68%

Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Subdistrict is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Subdistrict were \$34,872 for the year ended December 31, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2017, the Subdistrict reported a liability of \$543,382 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll-forward the total pension liability to December 31, 2016. The Subdistrict's proportion of the net pension liability was based on the Subdistrict's contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF

At December 31, 2017, the Subdistrict's was .04024%, which was an increase of .0069% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017, the Subdistrict recognized pension expense of \$103,800. At December 31, 2017, the Subdistrict reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows of</u> <u>Resources</u>
Difference between expected and actual experience	\$ 9,670	\$ -
Changes of assumptions or other inputs	38,543	1,572
Net difference between projected and actual earnings on pension plan investments	65,258	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	13,339	-
Contributions subsequent to the measurement date	34,872	-
Total	<u>\$ 161,682</u>	<u>\$ 1,572</u>

\$34,872 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$75,638
2019	30,693
2020	18,286
2021	621

*Actuarial assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

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NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
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DECEMBER 31, 2017

NOTE 8 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)

- Benefit payments and contributions were assumed to be made at the end of the month.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current measurement date.

*Sensitivity of the Subdistrict's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 801,191	\$ 544,849	\$ 329,887

*Pension plan fiduciary net position.* Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

NOTE 9 - DEFINED CONTRIBUTION PENSION PLANS

Voluntary Investment Program

*Plan Description* - Employees of the Subdistrict that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2017, program members contributed \$10,800.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 10 -OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

*Plan Description* – The Subdistrict contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The Subdistrict is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Subdistrict are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2017, 2016, and 2015 the Subdistrict's contributions to the HCTF were \$2,331 \$2,343 and \$1,345, respectively, equal to their required contributions for each year.

NOTE 11- COMMITMENTS AND CONTINGENCIES

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the Subdistrict under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The Subdistrict has restricted \$28,555 for this purpose.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 11- COMMITMENTS AND CONTINGENCIES (CONTINUED)

On November 6, 2013, the voting electors of the Subdistrict authorized the Subdistrict to collect, retain, and expend the full amount of revenues generated from all sources without limitation or condition under Article X, Section 20 of the Colorado Constitution, and as an exception to the limitations under Section 29-1-301 of the Colorado Revised Statutes and related limits. This effectively removed all revenue and spending limits imposed by TABOR.

The Subdistrict believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

The Subdistrict is participating in the Hokestra capital project. As part of that project the District entered into a \$3,210,514 loan with Weld County, Colorado. This loan requires annual payments of \$215,797 including interest at 3%. The loan matures in 2037.

NOTE 12- NEW ACCOUNTING PRONOUNCEMENTS

In addition, the GASB has issued several pronouncements prior to December 31, 2017 that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. These Statements replace the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. These statements establish new accounting and financial reporting requirements for OPEB plans. While management is currently determining the effects of the implementation of this statements on the Subdistrict's financial records, it is anticipated this statement may have a material impact on the Subdistrict.

Governmental Accounting Standards Board Statement No. 87 *Leases*. In June of 2017 the GASB issued Statement No. 87. The objective of this Statement is to better meet the needs of financial statement users by improving accounting and financial reporting for leases by governments by establishing a single model for lease accounting. Under this guidance, the subdistrict will be required to recognize a right-to-use lease asset and a lease liability for leases that were previously reported as operating leases. This accounting will be mirrored by the lessor. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently determining the effects of the implementation of this statements on the Subdistrict's financial records.

NOTE 13- RESTATEMENTS

The Subdistrict determined that certain amounts the Subdistrict determined that certain penalties related to a construction contract should have been assessed and recognized as revenues in prior years. As a result, net assets for the Governmental Activities and Ground Water Management Subdistrict of Central Colorado Water Conservancy District Water (GMS) General Fund net positions were increased \$400,000 for the year ending December 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended December 31, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Property tax	\$ 780,863	\$ 779,767	\$ (1,096)
Specific ownership tax	99,000	201,895	102,895
Investment income	2,500	24,992	22,492
Miscellaneous	33,750	237,265	203,515
Total revenues	916,113	1,243,919	327,806
<b>EXPENDITURES</b>			
Operating			
Personnel	80,500	54,205	26,295
Travel	11,050	5,583	5,467
Maintenance	256,000	82,012	173,988
Supplies	61,005	36,814	24,191
Professional	168,000	157,338	10,662
Business meals	4,000	3,874	126
Water purchases	210,000	215,514	(5,514)
Utilities	158,000	105,788	52,212
Other	239,795	128,218	111,577
Capital outlay	1,000,250	162,471	837,779
Total expenditures	2,188,600	951,817	1,236,783
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,272,487)	292,102	1,564,589
<b>SPECIAL ITEMS</b>	-	350,000	350,000
<b>NET CHANGE IN FUND BALANCE</b>	\$ (1,272,487)	642,102	\$ 1,914,589
<b>FUND BALANCE - BEGINNING OF YEAR-RESTATE</b>		2,629,023	
<b>FUND BALANCE - END OF YEAR</b>		\$ 3,271,125	

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
SCHEDULE OF SUBDISTRICT'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY  
DECEMBER 31, 2017

Measurement period ending December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion (percentage) of the collective net pension liability	0.04024%	0.03339%	0.03391%	0.03376%
District's proportionate share of the collective net pension liability	\$ 543,382	\$ 375,953	\$ 303,938	\$ 254,345
Covered-employee payroll	252,828	189,642	194,747	133,938
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	214.92%	198.24%	156.07%	189.90%
Plan fiduciary net pension as a percentage of the total pension liability	73.6%	76.90%	80.70%	77.66%

\*Fiscal year 2015 was the first year of implementation, therefore only available years are shown.

GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
SCHEDULE OF SUBDISTRICT CONTRIBUTIONS  
DECEMBER 31, 2017

Reporting period ending December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 34,872	\$ 27,306	\$ 24,379	\$ 24,967	\$ 16,796
Contributions in relation to the statutorily required contributions	<u>34,872</u>	<u>27,306</u>	<u>24,379</u>	<u>24,967</u>	<u>16,796</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 252,828	\$ 206,509	\$ 189,642	\$ 194,747	\$ 133,938
Contribution as a percentage of covered of employee payroll	13.79%	14.45%(a)	12.86%	12.82%	12.54%

\*Fiscal year 2015 was the first year of implementation, therefore only available years are shown.

(a)As the result of a review of contributions, the District determined that certain deductions from employee's pay were not excluded from PERA compensation and other stipends should have been included in PERA compensation. These contribution differences from a prior year were corrected in 2016.

**OTHER SUPPLEMENTARY INFORMATION**

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND  
Year Ended December 31, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Property tax	\$ 1,618,713	\$ 1,616,362	\$ (2,351)
Investment income	-	56,189	56,189
Total revenues	1,618,713	1,672,551	53,838
<b>EXPENDITURES</b>			
General government	27,000	24,292	2,708
Debt service			
Principal	577,367	577,366	1
Interest	379,031	379,030	1
Total expenditures	983,398	980,688	2,710
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 635,315</b>	<b>691,863</b>	<b>\$ 56,548</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		<b>6,704,314</b>	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 7,396,177</b>	

**GROUND WATER MANAGEMENT SUBDISTRICT OF  
CENTRAL COLORADO WATER CONSERVANCY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
WATER ENTERPRISE FUND  
NON GAAP BUDGET BASIS  
Year Ended December 31, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
<b>REVENUES</b>			
Water assessments	\$ 1,776,956	\$ 1,750,737	\$ (26,219)
Water lease revenue	-	14,316	14,316
Miscellaneous	39,000	169,650	130,650
Property taxes	-	85,620	85,620
Investment income	1,500	14,745	13,245
Capital lease proceeds	-	2,500,000	2,500,000
Total revenues	<u>1,817,456</u>	<u>4,535,068</u>	<u>2,717,612</u>
<b>EXPENDITURES</b>			
Personnel	281,070	411,813	(130,743)
Operating expenses	2,399,860	1,914,436	485,424
Debt Service			
Interest	-	31,844	(31,844)
Capital outlay	-	2,367,000	(2,367,000)
Total expenditures	<u>2,680,930</u>	<u>4,725,093</u>	<u>(2,044,163)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES-BUDGET BASIS</b>			
	<u>\$ (863,474)</u>	(190,025)	<u>\$ 673,449</u>
<b>PRESPPECTIVE DIFFERENCES</b>			
Proceeds from the issuance of debt		(2,500,000)	
Depreciation		(47,898)	
Capital outlay		<u>2,367,000</u>	
<b>NET CHANGE IN NET POSITION-GAAP BASIS</b>			
		(370,923)	
<b>NET POSITION - BEGINNING OF YEAR</b>			
		<u>1,482,321</u>	
<b>NET POSITION - END OF YEAR</b>			
		<u>\$ 1,111,398</u>	