

LOWER ARKANSAS VALLEY  
WATER CONSERVANCY DISTRICT  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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May 17, 2018

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

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# HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS  
601 SOUTH EIGHTH STREET  
ROCKY FORD, COLORADO 81067

Patrick A. Hancock CPA 719-688-0812  
Andrew H. Froese CPA 719-980-1962

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Lower Arkansas Valley Water Conservancy District

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

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

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

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

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

### ***Opinions***

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

### ***Other-Matters***

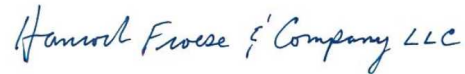
#### ***Required Supplementary Information***

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lower Arkansas Valley Water Conservancy District's basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

A handwritten signature in blue ink that reads "Hancock Froese & Company LLC". The signature is written in a cursive, flowing style.

HANCOCK FROESE & COMPANY LLC

May 1, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Lower Arkansas Valley Water Conservancy District's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2017. This information is presented in conjunction with the audited financial statements that follow this section.

### Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District as prescribed by GASB Statement No. 34.

### District-Wide Financial Statements

The district-wide statement consists of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include all assets and liabilities and activities of the District in a manner similar to private sector businesses. The District's net position, the difference between assets and liabilities, is one way to measure the District's financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. In the Statement of Net Position and the Statement of Activities, the District is divided into two kinds of activities: governmental activities and business-type activities.

**Governmental Activities** - The activity of the District's general fund is reported here. Property taxes, specific ownership taxes, and interest income make up the majority of the revenues and general and administration expenditures are the major activities of this fund.

**Business-Type Activities** - The District manages two enterprise activity funds. The Water Activity Enterprise Fund develops and operates the District's water right assets and the Lower Ark Valley Engineering Services Enterprise Fund develops and operates the District's engineering services. The activities of the water activity enterprise fund are supported by management fees from the general fund and water leasing.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are segregated into two categories: governmental funds and proprietary funds.

**Governmental Fund** - The District's basic services are reported in the governmental fund, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. This fund is reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's projects.

**Proprietary Fund** - The District maintains two proprietary funds – the Water Activity Enterprise Fund and the Lower Ark Valley Engineering Services Enterprise Fund. Both funds are reported using the accrual basis of accounting. Both enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information. The District uses the enterprise funds to account for the District's water management operations and engineering services.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to basic financial statements can be found following the financial statements.

### District-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 23,661,950 at the end of the current year.

### Financial Highlights

The total net position of the District exceeded its liabilities by \$23,661,950. Of this amount \$19,134,032 (unrestricted net position) less intangible assets of \$18,354,836 may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's net position increased by \$647,812 during the current year. The net position of our governmental activities increased by \$147,789 and net position of our business-type activities increased by \$500,023.
- As of the close of the current year, the District's governmental activities reported combined ending fund balance of \$1,697,458 an increase of \$147,789 in comparison with the prior year balances of \$1,549,669.
- At the end of the current year, unrestricted net position for the governmental activities was \$1,519,056 or 74 percent of total general activities expenses of \$2,040,295.

The perspective of the statement of net position is of the District as a whole. Following is a summary of the District's net position for 2017 and 2016.

## Statement of Net Position

### 2017

|                                                             | PRIMARY GOVERNMENT         |                             |                      |
|-------------------------------------------------------------|----------------------------|-----------------------------|----------------------|
|                                                             | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                |
| Assets:                                                     |                            |                             |                      |
| Total Current Assets                                        | \$ 3,740,576               | \$ 365,003                  | \$ 4,105,579         |
| Non-Current Assets Restricted                               | 0                          | 204,223                     | 204,223              |
| Total Capital Assets                                        | 116,902                    | 7,212,833                   | 7,329,735            |
| Total Intangible Assets                                     | 0                          | 18,354,836                  | 18,354,836           |
| <b>TOTAL ASSETS</b>                                         | <b>\$ 3,857,478</b>        | <b>\$ 26,136,895</b>        | <b>\$ 29,994,373</b> |
| Liabilities:                                                |                            |                             |                      |
| Current Liabilities                                         | \$ 156,520                 | \$ 166,842                  | \$ 323,362           |
| Non-Current Liabilities                                     | 0                          | 4,005,561                   | 4,005,561            |
| Total Liabilities                                           | 156,520                    | 4,172,403                   | 4,328,923            |
| Deferred Inflows of Resources                               | 2,003,500                  | 0                           | 2,003,500            |
| Net Position:                                               |                            |                             |                      |
| Net investment in Capital Assets                            | 116,902                    | 4,174,972                   | 4,291,874            |
| Restricted                                                  | 61,500                     | 174,544                     | 236,044              |
| Unrestricted                                                | 1,519,056                  | 17,614,976                  | 19,134,032           |
| Total Net Position                                          | 1,697,458                  | 21,964,492                  | 23,661,950           |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS NET POSITION</b> | <b>\$ 3,857,478</b>        | <b>\$ 26,136,895</b>        | <b>\$ 29,994,373</b> |

### 2016

|                                                             | PRIMARY GOVERNMENT         |                             |                      |
|-------------------------------------------------------------|----------------------------|-----------------------------|----------------------|
|                                                             | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                |
| Assets:                                                     |                            |                             |                      |
| Total Current Assets                                        | \$ 3,551,627               | \$ 1,085,775                | \$ 4,637,402         |
| Non-Current Assets Restricted                               | 0                          | 189,175                     | 189,175              |
| Total Capital Assets                                        | 120,047                    | 7,190,867                   | 7,310,914            |
| Total Intangible Assets                                     | 0                          | 17,442,536                  | 17,442,536           |
| <b>TOTAL ASSETS</b>                                         | <b>\$ 3,671,674</b>        | <b>\$ 25,908,353</b>        | <b>\$ 29,580,027</b> |
| Liabilities:                                                |                            |                             |                      |
| Current Liabilities                                         | \$ 162,605                 | \$ 1,045,633                | \$ 1,208,238         |
| Non-Current Liabilities                                     | 0                          | 3,398,251                   | 3,398,251            |
| Total Liabilities                                           | 162,605                    | 4,443,884                   | 4,606,489            |
| Deferred Inflows of Resources                               | 1,959,400                  | 0                           | 1,959,400            |
| Net Position:                                               |                            |                             |                      |
| Net investment in Capital Assets                            | 120,047                    | 4,006,266                   | 4,126,313            |
| Restricted                                                  | 58,000                     | 174,335                     | 232,335              |
| Unrestricted                                                | 1,371,622                  | 17,283,868                  | 18,655,490           |
| Total Net Position                                          | 1,549,669                  | 21,464,469                  | 23,014,138           |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS NET POSITION</b> | <b>\$ 3,671,674</b>        | <b>\$ 25,908,353</b>        | <b>\$ 29,580,027</b> |

## Statement of Activities

The change in net position for the governmental activities was \$147,789 for the year ended December 31, 2017 and \$216,939 for the year ended December 31, 2016. The change in net position for the business-type activities was \$500,023 for the year ended December 31, 2017 and \$140,609 for the year ended December 31, 2016. The perspective of the statement of activities is of the District as a whole.

The following tables reflect the change in net position for the years 2017 and 2016:

|                                |                     |                      |                                                      | CHANGES IN NET POSITION |                          |                   |
|--------------------------------|---------------------|----------------------|------------------------------------------------------|-------------------------|--------------------------|-------------------|
| 2017                           |                     |                      | Capital and Operating Reimbursements & Contributions | Governmental Activities | Business Type Activities | Total             |
| Functions                      | Expenses            | Charges for Services |                                                      |                         |                          |                   |
| TOTAL GOVERNMENTAL ACTIVITIES  | \$ 2,040,295        | \$ 0                 | \$ 0                                                 | \$ (2,040,295)          | \$ 0                     | \$ (2,040,295)    |
| TOTAL BUSINESS-TYPE ACTIVITIES | 1,539,303           | 1,133,131            | 861,080                                              | 0                       | 454,908                  | 454,908           |
| TOTAL PRIMARY GOVERNMENT       | <u>\$ 3,579,598</u> | <u>\$ 1,133,131</u>  | <u>\$ 861,080</u>                                    | (2,040,295)             | 454,908                  | (1,585,387)       |
| TOTAL GENERAL REVENUES         |                     |                      |                                                      | 2,188,084               | 45,115                   | 2,233,199         |
| CHANGE IN NET POSITION         |                     |                      |                                                      | <u>\$ 147,789</u>       | <u>\$ 500,023</u>        | <u>\$ 647,812</u> |

|                                |                     |                      |                                                      | CHANGES IN NET POSITION |                          |                   |
|--------------------------------|---------------------|----------------------|------------------------------------------------------|-------------------------|--------------------------|-------------------|
| 2016                           |                     |                      | Capital and Operating Reimbursements & Contributions | Governmental Activities | Business Type Activities | Total             |
| Functions                      | Expenses            | Charges for Services |                                                      |                         |                          |                   |
| TOTAL GOVERNMENTAL ACTIVITIES  | \$ 1,934,713        | \$ 0                 | \$ 0                                                 | \$ (1,934,713)          | \$ 0                     | \$ (1,934,713)    |
| TOTAL BUSINESS-TYPE ACTIVITIES | 1,772,037           | 1,195,527            | 712,114                                              | 0                       | 135,604                  | 135,604           |
| TOTAL PRIMARY GOVERNMENT       | <u>\$ 3,706,750</u> | <u>\$ ,195,52</u>    | <u>\$ 712,114</u>                                    | (1,934,713)             | 135,604                  | (1,799,109)       |
| TOTAL GENERAL REVENUES         |                     |                      |                                                      | 2,151,649               | 5,005                    | 2,156,654         |
| CHANGE IN NET POSITION         |                     |                      |                                                      | <u>\$ 216,936</u>       | <u>\$ 140,609</u>        | <u>\$ 357,545</u> |

## GENERAL FUND

### REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON GENERAL FUND

Revenues and expenditures budget comparison for year ended December 31, 2017:

|                                                      | <u>Final Budget</u> | <u>Actual</u> |
|------------------------------------------------------|---------------------|---------------|
| 2017                                                 |                     |               |
| Total Revenues                                       | \$ 2,146,900        | \$ 2,188,084  |
| Total Expenditures                                   | 2,902,600           | 2,037,150     |
| Transfers Out                                        | 0                   | 0             |
| Revenues over (under) Expenditures and other sources | (755,700)           | 150,934       |
| Fund Balance January 1                               | 1,429,622           | 1,429,622     |
| Fund Balance December 31                             | 673,922             | 1,580,556     |

**Revenues:** Changes between actual revenues and budgeted amounts were mainly due to an increase in specific ownership tax receipts when compared to the budgeted amount.

**Expenditures:** Changes between actual expenditures and budgeted amounts were due to no actual capital outlay and contingency expenditures were made in 2017 and the actual expenditures for general government were less than the budgeted amount.

## WATER ACTIVITY ENTERPRISE FUND

### REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON WATER ACTIVITY ENTERPRISE FUND

**Revenues:** Budget comparison for year ended December 31, 2017:

#### 2017

| <b>Revenues:</b>         | <b>Final Budget</b> | <b>Actual</b>       |
|--------------------------|---------------------|---------------------|
| Water Leasing            | \$ 5,000            | \$ 3,750            |
| Fees                     | 54,000              | 57,610              |
| Management Fees          | 1,300,000           | 758,811             |
| Reimbursements and Other | 332,700             | 900,673             |
| Interest                 | 800                 | 675                 |
| <b>Total Revenues</b>    | <b>\$ 1,692,500</b> | <b>\$ 1,721,519</b> |

Changes between actual revenue and budgeted amounts were primarily due to operational changes resulting from water leasing, reimbursements, and management fees.

**Expenditures:** Budget comparison for year ended December 31, 2017:

#### 2017

| <b>Expenditures:</b>            | <b>Final Budget</b> | <b>Actual</b>       |
|---------------------------------|---------------------|---------------------|
| Water Leases                    | \$ 125,000          | \$ 12,685           |
| Water Storage Fees              | 7,000               | 104,475             |
| Arkansas Irrigation Rules       | 6,000               | 2,555               |
| Super Ditch                     | 85,000              | 338,372             |
| Pond Study                      | 4,000               | 6,326               |
| Tail Water Study                | 0                   | 11,750              |
| Flood Mitigation                | 0                   | 743                 |
| Water Conservation Services     | 84,700              | 430,083             |
| Depreciation                    | 0                   | 14,538              |
| General and Administrative      | 427,400             | 257,304             |
| Water Assessments and Costs     | 140,000             | 18,192              |
| Water Quality Study             | 18,000              | 13,282              |
| Interest                        | 59,000              | 46,163              |
| Water and Capital Acquisitions  | 8,000               | 22,251              |
| Debt Service                    | 145,200             | 146,741             |
| NEPA Storage                    | 115,000             | 2,445               |
| Purchased Conservation Easement | 400,000             | 912,300             |
| <b>Total Expenditures</b>       | <b>\$ 1,624,300</b> | <b>\$ 2,340,205</b> |

Changes between actual expenditures and budgeted amounts were primarily due to operational changes, the purchase of three conservation easements and the higher reimbursement expenditures.

## LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

### REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON LAV ENGINEERING SERVICES ENTERPRISE FUND

**Revenues:** Budget comparison for year ended December 31, 2017:

#### 2017

| <b>Revenues:</b>         | <b>Final Budget</b> | <b>Actual</b>     |
|--------------------------|---------------------|-------------------|
| Lease Income             | \$ 6,000            | \$ 5,115          |
| Fees                     | 17,000              | 15,450            |
| Management Fees          | 125,000             | 115,745           |
| Reimbursements and Other | 662,400             | 180,997           |
| Other                    | 200                 | 500               |
| <b>Total Revenues</b>    | <b>\$ 810,600</b>   | <b>\$ 317,807</b> |

Changes between actual revenue and budgeted amounts were primarily due to anticipated reimbursement revenue to be received in the Engineering Services Enterprise Fund was actually for the Water Activity Enterprise Fund.

**Expenditures:** Budget comparison for year ended December 31, 2017:

**2017**

| <b>Expenditures:</b>        | <b>Final Budget</b> | <b>Actual</b>     |
|-----------------------------|---------------------|-------------------|
| Water Quality Study         | \$ 8,000            | \$ 2,872          |
| Depreciation                | 0                   | 1,947             |
| General and Administrative  | 197,300             | 57,827            |
| Soil Quality Study          | 0                   | 3,712             |
| Pollutant Trading           | 0                   | 5,647             |
| Tail Water Study            | 2,000               | 6,622             |
| Other                       | 15,300              | 20,766            |
| Water Conservation Services | 662,700             | 180,997           |
| Capital Outlay              | 25,000              | 16,201            |
| <b>Total Expenditures</b>   | <b>\$ 910,300</b>   | <b>\$ 296,591</b> |

Changes between actual expenditures and budgeted amounts were primarily due to operational changes and the lower reimbursement expenditures water conservation services than anticipated.

**Capital Activity**

The District's mission is to participate in water-related projects that will embody thoughtful conservation, responsible growth, and beneficial water usage within the Lower Arkansas Valley. One attempt in keeping water in the valley is to purchase water/land with the end result that the water will remain in the valley.

A listing of water rights purchased by the District in 2017 is as follows:

1. Larkspur Inc. water rights — 310.000 shares of water stock with no land attached

**Long-Term Liabilities**

Long Term Liabilities include loans with Colorado Water Conservation Board and Eleanor Schiro for the purchase of water stock in the Colorado Canal Company, Lake Henry Reservoir Company and Lake Meredith Reservoir Company as well as the outstanding purchase of five conservation easements.

**Contacting the District's Financial Management**

The financial report is designed to provide the general public with a general overview of the District's finances and to show the District's accountability for the money it receives.

The District's financial statements are designed to present users (water users, taxpayers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability.

If you have any question regarding this report or need additional information, please contact:

**Lower Arkansas Valley Water Conservancy District**

**Attn: Jay Winner, Executive Director**

**801 Swink Ave**

**Rocky Ford, CO 81067**

**(719) 254-5115 phone**

**(719) 254-5150 fax**

## **BASIC FINANCIAL STATEMENTS**

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2017

|                                                         | PRIMARY GOVERNMENT  |                      |                      |
|---------------------------------------------------------|---------------------|----------------------|----------------------|
|                                                         | GOVERNMENTAL        | BUSINESS-TYPE        |                      |
|                                                         | ACTIVITIES          | ACTIVITIES           | TOTAL                |
| ASSETS                                                  |                     |                      |                      |
| CASH AND CASH EQUIVALENTS                               | \$ 763,718          | \$ 957,484           | \$ 1,721,202         |
| REIMBURSEMENT RECEIVABLES                               | -                   | 164,611              | 164,611              |
| ACCRUED INTEREST RECEIVABLE                             | 586                 | -                    | 586                  |
| TAXES RECEIVABLE                                        | 2,003,500           | -                    | 2,003,500            |
| WATER INVENTORY                                         | -                   | 83,528               | 83,528               |
| DEPOSITS                                                | 19,052              | -                    | 19,052               |
| PREPAIDS                                                | -                   | 110,068              | 110,068              |
| DUE FROM (TO) OTHER FUNDS                               | 953,698             | (953,698)            | -                    |
| DUE FROM OTHER ENTITIES                                 | 22                  | 3,010                | 3,032                |
|                                                         | <u>3,740,576</u>    | <u>365,003</u>       | <u>4,105,579</u>     |
| RESTRICTED ASSETS                                       |                     |                      |                      |
| STEWARDSHIP CASH                                        | -                   | 174,544              | 174,544              |
| DEBT RETIREMENT                                         | -                   | 29,679               | 29,679               |
|                                                         | <u>-</u>            | <u>204,223</u>       | <u>204,223</u>       |
| CAPITAL ASSETS                                          |                     |                      |                      |
| BUILDING AND OTHER - NET                                | 101,167             | 210,114              | 311,281              |
| LAND                                                    | 15,735              | 20,143               | 35,878               |
| WATER STOCK                                             | -                   | 6,982,576            | 6,982,576            |
| NET CAPITAL ASSETS                                      | <u>116,902</u>      | <u>7,212,833</u>     | <u>7,329,735</u>     |
| INTANGIBLE ASSETS                                       |                     |                      |                      |
| CONSERVATION EASEMENTS                                  | -                   | 18,354,836           | 18,354,836           |
| TOTAL ASSETS                                            | <u>\$ 3,857,478</u> | <u>\$ 26,136,895</u> | <u>\$ 29,994,373</u> |
| LIABILITIES                                             |                     |                      |                      |
| ACCOUNTS PAYABLE                                        | \$ 60,211           | \$ 112,819           | \$ 173,030           |
| ACCRUED EXPENSES                                        | 96,309              | 42,772               | 139,081              |
| UNEARNED REVENUE                                        | -                   | 11,251               | 11,251               |
| NONCURRENT LIABILITIES:                                 |                     |                      |                      |
| DUE WITHIN ONE YEAR                                     | -                   | 811,664              | 811,664              |
| DUE IN MORE THAN ONE YEAR                               | -                   | 3,193,897            | 3,193,897            |
| TOTAL LIABILITIES                                       | <u>156,520</u>      | <u>4,172,403</u>     | <u>4,328,923</u>     |
| DEFERRED INFLOWS OF RESOURCES                           |                     |                      |                      |
| DEFERRED REVENUES - PROPERTY TAXES                      | <u>2,003,500</u>    | <u>-</u>             | <u>2,003,500</u>     |
| NET POSITION                                            |                     |                      |                      |
| NET INVESTMENT IN CAPITAL ASSETS                        | 116,902             | 4,174,972            | 4,291,874            |
| RESTRICTED FOR                                          |                     |                      |                      |
| EMERGENCIES - TABOR                                     | 61,500              | -                    | 61,500               |
| STEWARDSHIP COSTS                                       | -                   | 174,544              | 174,544              |
| UNRESTRICTED                                            | <u>1,519,056</u>    | <u>17,614,976</u>    | <u>19,134,032</u>    |
| NET POSITION                                            | <u>1,697,458</u>    | <u>21,964,492</u>    | <u>23,661,950</u>    |
| TOTAL LIABILITIES, DEFERRED INFLOWS<br>AND NET POSITION | <u>\$ 3,857,478</u> | <u>\$ 26,136,895</u> | <u>\$ 29,994,373</u> |

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

| FUNCTIONS                      | EXPENSES     | PROGRAM REVENUES           |                                                |                                              |
|--------------------------------|--------------|----------------------------|------------------------------------------------|----------------------------------------------|
|                                |              | CHARGES<br>FOR<br>SERVICES | OPERATING<br>REIMBURSEMENTS<br>& CONTRIBUTIONS | CAPITAL<br>REIMBURSEMENTS<br>& CONTRIBUTIONS |
| GOVERNMENTAL ACTIVITIES        |              |                            |                                                |                                              |
| GENERAL GOVERNMENT             | \$ 2,040,295 | \$ -                       | \$ -                                           | \$ -                                         |
| TOTAL GOVERNMENTAL ACTIVITIES  | 2,040,295    | -                          | -                                              | -                                            |
| BUSINESS-TYPE ACTIVITIES       |              |                            |                                                |                                              |
| WATER CONSERVATION             | 1,539,303    | 1,133,131                  | 861,080                                        | -                                            |
| TOTAL BUSINESS-TYPE ACTIVITIES | 1,539,303    | 1,133,131                  | 861,080                                        | -                                            |
| TOTAL PRIMARY GOVERNMENT       | \$ 3,579,598 | \$ 1,133,131               | \$ 861,080                                     | \$ -                                         |
| GENERAL REVENUES:              |              |                            |                                                |                                              |
| TAXES                          |              |                            |                                                |                                              |
| INTEREST AND OTHER             |              |                            |                                                |                                              |
| TOTAL GENERAL REVENUES         |              |                            |                                                |                                              |
| CHANGE IN NET POSITION         |              |                            |                                                |                                              |
| NET POSITION JANUARY 1         |              |                            |                                                |                                              |
| NET POSITION DECEMBER 31       |              |                            |                                                |                                              |

SEE NOTES TO FINANCIAL STATEMENTS

| CHANGES IN NET POSITION |               |                |
|-------------------------|---------------|----------------|
| GOVERNMENTAL            | BUSINESS      |                |
| ACTIVITIES              | TYPE          | TOTAL          |
| ACTIVITIES              | ACTIVITIES    |                |
| \$ (2,040,295)          | \$ -          | \$ (2,040,295) |
| (2,040,295)             | -             | (2,040,295)    |
| -                       | 454,908       | 454,908        |
| -                       | 454,908       | 454,908        |
| (2,040,295)             | 454,908       | (1,585,387)    |
| 2,175,829               | -             | 2,175,829      |
| 12,255                  | 45,115        | 57,370         |
| 2,188,084               | 45,115        | 2,233,199      |
| 147,789                 | 500,023       | 647,812        |
| 1,549,669               | 21,464,469    | 23,014,138     |
| \$ 1,697,458            | \$ 21,964,492 | \$ 23,661,950  |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2017

ASSETS

|                             |            |
|-----------------------------|------------|
| CASH IN BANKS               | \$ 763,718 |
| ACCRUED INTEREST RECEIVABLE | 586        |
| TAXES RECEIVABLE            | 2,003,500  |
| DEPOSITS                    | 19,052     |
| DUE FROM OTHER FUNDS        | 953,698    |
| DUE FROM OTHER ENTITIES     | 22         |

|              |                     |
|--------------|---------------------|
| TOTAL ASSETS | <u>\$ 3,740,576</u> |
|--------------|---------------------|

LIABILITIES

|                  |           |
|------------------|-----------|
| ACCOUNTS PAYABLE | \$ 60,211 |
| ACCRUED EXPENSES | 96,309    |

|                   |                |
|-------------------|----------------|
| TOTAL LIABILITIES | <u>156,520</u> |
|-------------------|----------------|

DEFERRED INFLOWS OF RESOURCES

|                                 |                  |
|---------------------------------|------------------|
| DEFERRED REVENUE - PROPERTY TAX | <u>2,003,500</u> |
|---------------------------------|------------------|

FUND BALANCE

|                                        |                  |
|----------------------------------------|------------------|
| RESTRICTED FOR EMERGENCIES - TABOR     | 61,500           |
| ASSIGNED FOR FUTURE YEARS EXPENDITURES | 238,400          |
| UNASSIGNED                             | <u>1,280,656</u> |

|                    |                  |
|--------------------|------------------|
| TOTAL FUND BALANCE | <u>1,580,556</u> |
|--------------------|------------------|

|                                                      |                     |
|------------------------------------------------------|---------------------|
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE | <u>\$ 3,740,576</u> |
|------------------------------------------------------|---------------------|

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2017

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

|                                                                                                                     |                 |    |                         |
|---------------------------------------------------------------------------------------------------------------------|-----------------|----|-------------------------|
| TOTAL FUND BALANCE - GOVERNMENTAL FUND                                                                              |                 | \$ | 1,580,556               |
| CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN FUNDS. |                 |    |                         |
| THE COST OF THE CAPITAL ASSET IS                                                                                    | 131,303         |    |                         |
| ACCUMULATED DEPRECIATION IS                                                                                         | <u>(14,401)</u> |    |                         |
|                                                                                                                     |                 |    | <u>116,902</u>          |
| NET POSITION OF GOVERNMENTAL ACTIVITIES                                                                             |                 | \$ | <u><u>1,697,458</u></u> |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2017

|                            |                            |
|----------------------------|----------------------------|
| REVENUES                   |                            |
| TAXES                      | \$ 2,175,829               |
| MISCELLANEOUS              | <u>12,255</u>              |
| TOTAL REVENUES             | <u>2,188,084</u>           |
| EXPENDITURES               |                            |
| GENERAL GOVERNMENT         | <u>2,037,150</u>           |
| REVENUES OVER EXPENDITURES | 150,934                    |
| FUND BALANCE JANUARY 1     | <u>1,429,622</u>           |
| FUND BALANCE DECEMBER 31   | <u><u>\$ 1,580,556</u></u> |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

|                            |    |         |
|----------------------------|----|---------|
| NET CHANGE IN FUND BALANCE | \$ | 150,934 |
|----------------------------|----|---------|

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 AS DEPRECIATION EXPENSE.

|                      |         |
|----------------------|---------|
| DEPRECIATION EXPENSE | (3,145) |
|----------------------|---------|

|                                                    |           |                |
|----------------------------------------------------|-----------|----------------|
| CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$</u> | <u>147,789</u> |
|----------------------------------------------------|-----------|----------------|

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2017

|                                       | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS |             |               |
|---------------------------------------|---------------------------------------------|-------------|---------------|
|                                       | WATER ACTIVITY                              | ENGINEERING | TOTAL         |
| CURRENT ASSETS                        |                                             |             |               |
| CASH                                  | \$ 162,554                                  | \$ 794,930  | \$ 957,484    |
| REIMBURSEMENT RECEIVABLES             | 135,353                                     | 29,258      | 164,611       |
| WATER INVENTORY                       | 83,528                                      | -           | 83,528        |
| PREPAIDS                              | 108,442                                     | 1,626       | 110,068       |
| DUE FROM OTHER ENTITIES               | 3,010                                       | -           | 3,010         |
| TOTAL CURRENT ASSETS                  | 492,887                                     | 825,814     | 1,318,701     |
| RESTRICTED ASSETS                     |                                             |             |               |
| CASH RESTRICTED FOR STEWARDSHIP COSTS | 174,544                                     | -           | 174,544       |
| CASH RESTRICTED FOR DEBT RETIREMENT   | 29,679                                      | -           | 29,679        |
| TOTAL RESTRICTED ASSETS               | 204,223                                     | -           | 204,223       |
| CAPITAL ASSETS                        |                                             |             |               |
| BUILDINGS AND OTHER - NET             | 131,879                                     | 78,235      | 210,114       |
| LAND                                  | 20,143                                      | -           | 20,143        |
| WATER STOCK                           | 6,982,576                                   | -           | 6,982,576     |
| NET CAPITAL ASSETS                    | 7,134,598                                   | 78,235      | 7,212,833     |
| INTANGIBLE ASSETS                     |                                             |             |               |
| CONSERVATION EASEMENTS                | 18,354,836                                  | -           | 18,354,836    |
| TOTAL ASSETS                          | \$ 26,186,544                               | \$ 904,049  | \$ 27,090,593 |
| CURRENT LIABILITIES                   |                                             |             |               |
| ACCOUNTS PAYABLE                      | \$ 78,013                                   | \$ 34,806   | \$ 112,819    |
| ACCRUED EXPENSES                      | 27,358                                      | 9,454       | 36,812        |
| ACCRUED INTEREST PAYABLE              | 5,960                                       | -           | 5,960         |
| DUE TO OTHER FUNDS                    | 196,237                                     | 757,461     | 953,698       |
| UNEARNED REVENUE                      | 11,251                                      | -           | 11,251        |
| EASEMENTS PAYABLE - CURRENT           | 663,600                                     | -           | 663,600       |
| NOTES PAYABLE - CURRENT               | 148,064                                     | -           | 148,064       |
| TOTAL CURRENT LIABILITIES             | 1,130,483                                   | 801,721     | 1,932,204     |
| NONCURRENT LIABILITIES                |                                             |             |               |
| EASEMENTS PAYABLE                     | 304,100                                     | -           | 304,100       |
| NOTES PAYABLE                         | 2,889,797                                   | -           | 2,889,797     |
| TOTAL NONCURRENT LIABILITIES          | 3,193,897                                   | -           | 3,193,897     |
| TOTAL LIABILITIES                     | 4,324,380                                   | 801,721     | 5,126,101     |
| NET POSITION                          |                                             |             |               |
| NET INVESTMENT IN CAPITAL ASSETS      | 4,096,737                                   | 78,235      | 4,174,972     |
| RESTRICTED FOR STEWARDSHIP COSTS      | 174,544                                     | -           | 174,544       |
| UNRESTRICTED                          | 17,590,883                                  | 24,093      | 17,614,976    |
| TOTAL NET POSITION                    | 21,862,164                                  | 102,328     | 21,964,492    |
| TOTAL LIABILITIES AND NET POSITION    | \$ 26,186,544                               | \$ 904,049  | \$ 27,090,593 |

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2017

|                                           | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS |             |               |
|-------------------------------------------|---------------------------------------------|-------------|---------------|
|                                           | WATER ACTIVITY                              | ENGINEERING | TOTAL         |
| OPERATING REVENUES                        |                                             |             |               |
| LEASE INCOME                              | \$ 3,750                                    | \$ 5,115    | \$ 8,865      |
| FEE INCOME                                | 57,610                                      | 15,450      | 73,060        |
| ROTATIONAL LAND FALLOWING - WATER LEASING | 176,650                                     | -           | 176,650       |
| MANAGEMENT FEES AND REIMBURSEMENTS        | 758,811                                     | 115,745     | 874,556       |
| TOTAL OPERATING REVENUES                  | 996,821                                     | 136,310     | 1,133,131     |
| OPERATING EXPENSES                        |                                             |             |               |
| WATER LEASES                              | 12,685                                      | -           | 12,685        |
| IRRIGATION RULES                          | 2,555                                       | -           | 2,555         |
| SUPER DITCH                               | 74,680                                      | -           | 74,680        |
| CATLIN CANAL PILOT PROJECT                | 263,692                                     | -           | 263,692       |
| EASEMENTS                                 | 26,077                                      | -           | 26,077        |
| NEPA STORAGE                              | 2,445                                       | -           | 2,445         |
| WATER QUALITY STUDY                       | 7,021                                       | 2,872       | 9,893         |
| DEPRECIATION                              | 14,538                                      | 1,947       | 16,485        |
| STORAGE FEES                              | 104,475                                     | -           | 104,475       |
| PERSONNEL                                 | 191,678                                     | 52,977      | 244,655       |
| WATER ASSESSMENTS                         | 18,192                                      | -           | 18,192        |
| RECHARGE POND                             | 6,326                                       | -           | 6,326         |
| TAILWATER STUDY                           | 11,750                                      | 6,622       | 18,372        |
| SPECIAL PROJECTS                          | 7,004                                       | 9,359       | 16,363        |
| PROPERTY TAXES                            | 4,034                                       | 3,020       | 7,054         |
| PROFESSIONAL FEES                         | 4,273                                       | 1,830       | 6,103         |
| OTHER                                     | 31,242                                      | 20,766      | 52,008        |
| TOTAL OPERATING EXPENSES                  | 782,667                                     | 99,393      | 882,060       |
| OPERATING INCOME                          | 214,154                                     | 36,917      | 251,071       |
| NONOPERATING REVENUES (EXPENSES)          |                                             |             |               |
| ENVIRONMENTAL IMPACT STUDY                | 250,000                                     | -           | 250,000       |
| OTHER INCOME                              | 43,940                                      | 500         | 44,440        |
| INTEREST INCOME                           | 675                                         | -           | 675           |
| INTEREST EXPENSE                          | (46,163)                                    | -           | (46,163)      |
| WATER CONSERVATION SERVICES               | (430,083)                                   | (180,997)   | (611,080)     |
| REIMBURSEMENT FOR SERVICES                | 430,083                                     | 180,997     | 611,080       |
| TOTAL NONOPERATING REVENUES (EXPENSES)    | 248,452                                     | 500         | 248,952       |
| CHANGE IN NET POSITION                    | 462,606                                     | 37,417      | 500,023       |
| NET POSITION JANUARY 1                    | 21,399,558                                  | 64,911      | 21,464,469    |
| NET POSITION DECEMBER 31                  | \$ 21,862,164                               | \$ 102,328  | \$ 21,964,492 |

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2017

|                                                                                        | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS |             |              |
|----------------------------------------------------------------------------------------|---------------------------------------------|-------------|--------------|
|                                                                                        | WATER ACTIVITY                              | ENGINEERING | TOTAL        |
| CASH FLOWS FROM OPERATING ACTIVITIES                                                   |                                             |             |              |
| RECEIVED FROM CUSTOMERS                                                                | \$ (16,471)                                 | \$ 20,565   | \$ 4,094     |
| RECEIVED FROM INTERFUND ACTIVITIES                                                     | 1,402,564                                   | 873,206     | 2,275,770    |
| PAYMENTS TO EMPLOYEES AND SUPPLIERS                                                    | (748,975)                                   | (76,895)    | (825,870)    |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                                              | 637,118                                     | 816,876     | 1,453,994    |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES                                        |                                             |             |              |
| REIMBURSEMENT FOR SERVICES                                                             | 384,012                                     | 151,739     | 535,751      |
| PAYMENTS FOR WATER CONSERVATION SERVICES                                               | (453,349)                                   | (158,914)   | (612,263)    |
| RECEIVED FOR ENVIRONMENTAL IMPACT STUDY                                                | 250,000                                     | -           | 250,000      |
| NET CASH PROVIDED (USED) IN NONCAPITAL FINANCING ACTIVITIES                            | 180,663                                     | (7,175)     | 173,488      |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES                                 |                                             |             |              |
| WATER STOCK PURCHASES                                                                  | (22,251)                                    | -           | (22,251)     |
| ACQUISITION OF CAPITAL ASSETS                                                          | -                                           | (16,201)    | (16,201)     |
| LOAN PAYMENTS                                                                          | (146,741)                                   | -           | (146,741)    |
| PURCHASED CONSERVATION EASEMENTS                                                       | (839,100)                                   | -           | (839,100)    |
| INTEREST PAID                                                                          | (46,163)                                    | -           | (46,163)     |
| NET CASH USED IN CAPITAL & RELATED FINANCING ACTIVITIES                                | (1,054,255)                                 | (16,201)    | (1,070,456)  |
| CASH FLOWS FROM INVESTING ACTIVITIES                                                   |                                             |             |              |
| CHANGE IN RESTRICTED CASH                                                              | (15,048)                                    | -           | (15,048)     |
| INTEREST RECEIVED AND OTHER                                                            | 44,617                                      | 500         | 45,117       |
| NET CASH USED IN INVESTING ACTIVITIES                                                  | 29,569                                      | 500         | 30,069       |
| NET CHANGE IN CASH                                                                     | (206,905)                                   | 794,000     | 587,095      |
| CASH BEGINNING OF YEAR                                                                 | 369,459                                     | 930         | 370,389      |
| CASH END OF YEAR                                                                       | \$ 162,554                                  | \$ 794,930  | \$ 957,484   |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES        |                                             |             |              |
| OPERATING INCOME                                                                       | \$ 214,154                                  | \$ 36,917   | \$ 251,071   |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES |                                             |             |              |
| DEPRECIATION                                                                           | 14,538                                      | 1,947       | 16,485       |
| CHANGES IN ASSETS AND LIABILITIES                                                      |                                             |             |              |
| WATER INVENTORY                                                                        | (10,778)                                    | -           | (10,778)     |
| PREPAIDS                                                                               | (2,604)                                     | (1,626)     | (4,230)      |
| DUE FROM/TO OTHER FUNDS                                                                | 643,753                                     | 757,461     | 1,401,214    |
| ACCOUNTS PAYABLE & ACCRUED EXPENSES                                                    | 32,536                                      | 22,177      | 54,713       |
| DUE FROM/TO OTHER ENTITIES                                                             | (117,960)                                   | -           | (117,960)    |
| UNEARNED REVENUE                                                                       | (136,521)                                   | -           | (136,521)    |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                                              | \$ 637,118                                  | \$ 816,876  | \$ 1,453,994 |

SEE NOTES TO FINANCIAL STATEMENTS

## **NOTES TO FINANCIAL STATEMENTS**

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lower Arkansas Valley Water Conservancy District (the "District") was formed pursuant to Colorado Revised Statutes and as decreed by the District Court in and for Pueblo County, in 2002. The Court appoints a seven-member Board of Directors to act as the governing authority. The mission of the District is to acquire, retain, and conserve native water flowing in the Arkansas River and its tributaries in the five counties comprising the District. The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The District's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*" amended by GASB Statement No. 39, describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

The District is not included in any other governmental "reporting entity" as defined in GASB Statement No. 14. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the District (the primary government) and its component units, if applicable. Currently no component units have been included in the District's reporting entity because of a lack of significant operational or financial relationship with the District.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 61, "*The Financial Reporting Entity: Omnibus*" which amended GASB Statement No. 14 to clarify the reporting of equity interests in legally separate organizations. If a government owns a majority of the equity interest in a legally separate organization (for example, through acquisition of its voting stock) and the government's intent for owning the equity interest is not directly to enhance its ability to provide governmental services it should report the equity interest as an investment. The District's investment is water stock that has been purchased. As of December 31, 2017, the Lower Arkansas Valley Water Conservancy District owned 14,864.125 shares or approximately 80% of Larkspur Inc. The Larkspur Inc. is a mutual irrigation company that provides for the storage and distribution of irrigation water for the mutual benefit of its stockholders.

Government-Wide and Fund 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the governmental and proprietary 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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Property and specific ownership taxes, interest revenues, and charges for services are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and entitlement awards are recorded as revenue when earned. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met.

The District reports the following major governmental funds:

General Fund - The general fund is the general operation fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District reports the following major proprietary funds:

Water Activity Enterprise Fund – Accounts for the activities of water acquisition, retainage and conservation within the Lower Arkansas River region.

Lower Ark Valley Engineering Services Enterprise Fund – Accounts for the activities of engineering services provided by the District.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are composed of water and water stock sales, leasing activities, management fees, engineering services and reimbursements. Operating expenses for the enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The enterprise funds account for transactions that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through charges.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because at the present time it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Budgets and Budgetary Accounting

The District adheres to the following procedures in establishing budgeting data reflected in the financial statements:

Public hearings are held to obtain taxpayer comment

Prior to December 31, the budget is adopted by formal resolution.

Revisions that alter the total expenditures of any fund generally must be approved by the Board of Directors.

Appropriations lapse at year end and any open purchase items must be reappropriated in the following year.

Expenditures may not legally exceed appropriations at the fund level. For the year ended December 31, 2017, the Water Activity Enterprise Fund was in violation.

Cash and Cash Equivalents

The District's cash and cash equivalents are represented by cash on hand as well as demand deposits and certificate of deposits held in banks. For purposes of the statement of cash flows, the District considers all highly liquid investments (excluding restricted assets) with a maturity of six months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash in the proprietary funds represent payments received for stewardship fees on conservation easements as well as cash set aside for debt retirement per loan covenants. The District chose to treat their restricted cash and cash equivalents as investments. Accordingly, the restricted cash and cash equivalents are treated as investing activities in the statement of cash flows.

Water Inventory

The water inventory is carried at the lower of cost or market, with cost determined using the expenses involved in acquiring water held in storage.

Capital Assets

Capital assets, which include water stocks, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The monetary threshold for capitalization of assets is \$5,000. The District's depreciable capital assets currently consist of assets being depreciated over 10 - 40 years.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water Stocks

Water stocks represent an investment in stocks that the District has purchased in canal and reservoir companies in the area served by the District. The water stocks are recorded at cost. Based on the fact that the water stocks have a perpetual life and a decrease in value is remote, depreciation is not recognized.

Intangible Assets

Intangible assets represent conservation easements that were donated by the landowners or purchased by the District. Under GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*", easements are capitalized if donated by the landowners or purchased by the District. The District recognizes contribution easement revenue from donated conservation easements as the difference between the appraised value before the donated conservation easement and the appraised value after the donated conservation easement. The District records the easements using an indefinite useful life since there is no legal, contractual, regulatory, technological, or other factors that limit the useful life of the easements. Due to the indefinite useful life of the easements recorded, they are not amortized.

Water Leases

The right to use water from certain canal companies and reservoirs in the area is leased from the stockholders of these entities for a period designated in the leases. The District in turn rents the right to the water to individuals or entities that wish to use the water for a fee. The lease is amortized into expense over the term of the lease, usually one year. The revenue from the use of the water is recognized as earned based on the terms of the lease.

Receivables/Payables

Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Compensated Absences

The District recognizes the accrual in the general fund in that it is expected that the liability will be liquidated with expendable available financial resources.

Property Tax Revenues Recognition

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied December 15 and are due and payable in full by April 30 or in two equal installments due February 28 and June 15 of the ensuing year to the County Treasurers and are recorded as revenue in the year for which they are levied. Accordingly, the taxes receivable is for the next year and are recorded as deferred revenue.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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.

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. The government has only one type of item that qualifies for reporting in this category. Deferred revenue – property tax, represents unavailable revenues that are deferred and recognized in the period that the amounts become available.

Unearned Revenue

In proprietary funds, unearned revenues represent payments received from other governmental entities for services that have not yet been provided and have not yet been earned.

Net Position / Fund Balance

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

Net investment in capital assets – This amount consists of capital assets, net of accumulated depreciation, reduced by outstanding debt, if applicable, attributed to the acquisition, construction, or improvement of those assets.

Restricted net position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position / Fund Balance (Continued)

Unrestricted net position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position”

GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established through the adoption or amendment of the budget as intended for specific purposes.

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, followed by committed fund balance, assigned fund balance and unassigned fund balance.

Restricted Balances

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. A portion of the fund balance has been restricted in compliance with this requirement.

The net position of the proprietary fund has been restricted for cash that is held in a restricted account. The cash may only be used to pay for stewardship costs incurred in complying with easement requirements.

Retirement Plan

The District participates in a simple IRA plan that covers the employees of the District. Participation in the plan is available to both full and part time employees who work at least 1,000 hours per year and are 21 years old after one year of full time service. The District matches 100% up to 3% of the employee’s contribution into this plan. If the employee makes no contributions, the District contributes 2% of eligible employee’s annual salary into the plan. The expense was \$15,586 for the year ended December 31, 2017.

Contributed Capital

Equity transfer of assets from the Water Activity Enterprise Fund to the Lower Ark Valley Engineering Services Enterprise Fund is recognized as contributed capital in the Lower Ark Valley Engineering Services Enterprise Fund.

Estimates

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

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND TEMPORARY CASH INVESTMENTS

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial credit risk in that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The following shows the custodial risk of the District.

Deposits at December 31, 2017, had a bank balance of \$2,084,061 and a corresponding carrying balance as follows:

|                                          |                     |
|------------------------------------------|---------------------|
| Insured Deposits                         | \$ 977,194          |
| Covered by Public Deposit Protection Act | <u>948,231</u>      |
|                                          | <u>\$ 1,925,425</u> |

Cash is reported as follows:

|                           |                     |
|---------------------------|---------------------|
| Cash and Cash Equivalents | \$ 1,721,202        |
| Restricted Cash           | <u>204,223</u>      |
|                           | <u>\$ 1,925,425</u> |

NOTE 3 – PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUES

Taxes receivable represents 2017 property tax assessments, which are due in 2018. Deferred revenue in the same amount has also been recognized.

NOTE 4 – CAPITAL ASSETS

Primary Government:

|                                       | <u>Beginning</u>    | <u>Increases</u>  | <u>Decreases</u> | <u>Ending</u>       |
|---------------------------------------|---------------------|-------------------|------------------|---------------------|
| <u>Governmental Activities:</u>       |                     |                   |                  |                     |
| Capital assets, not being depreciated |                     |                   |                  |                     |
| Land                                  | \$ 15,735           | \$ -              | \$ -             | \$ 15,735           |
| Capital Assets Being Depreciated:     |                     |                   |                  |                     |
| Building and Other                    | 115,568             | -                 | -                | 115,568             |
| Accumulated Depreciation              | <u>(11,256)</u>     | <u>(3,145)</u>    | <u>-</u>         | <u>(14,401)</u>     |
|                                       | <u>104,312</u>      | <u>(3,145)</u>    | <u>-</u>         | <u>101,167</u>      |
| Governmental Activities               |                     |                   |                  |                     |
| Capital Assets - Net                  | <u>\$ 120,047</u>   | <u>\$ (3,145)</u> | <u>\$ -</u>      | <u>\$ 116,902</u>   |
| <u>Business-Type Activities:</u>      |                     |                   |                  |                     |
| Capital assets, not being depreciated |                     |                   |                  |                     |
| Water Stock                           | \$ 6,960,926        | \$ 21,650         | \$ -             | \$ 6,982,576        |
| Land                                  | <u>20,143</u>       | <u>-</u>          | <u>-</u>         | <u>20,143</u>       |
|                                       | <u>6,981,069</u>    | <u>21,650</u>     | <u>-</u>         | <u>7,002,719</u>    |
| Capital Assets Being Depreciated:     |                     |                   |                  |                     |
| Building and Other                    | 270,224             | 16,801            | -                | 287,025             |
| Accumulated Depreciation              | <u>(60,426)</u>     | <u>(16,485)</u>   | <u>-</u>         | <u>(76,911)</u>     |
|                                       | <u>209,798</u>      | <u>316</u>        | <u>-</u>         | <u>210,114</u>      |
| Business-Type Activities              |                     |                   |                  |                     |
| Capital Assets - Net                  | <u>\$ 7,190,867</u> | <u>\$ 21,966</u>  | <u>\$ -</u>      | <u>\$ 7,212,833</u> |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS (Continued)

For the year ended December 31, 2017, depreciation expense of \$3,145 was charged to general government in the governmental activities and \$16,485 to water conservation in the business-type activities.

NOTE 5 – NOTES AND EASEMENT PAYABLES

Colorado Water Conservation Board ("CWCB") - The District through its Water Activity Enterprise Fund entered into a loan agreement on July 13, 2015 with CWCB in the amount of \$2,560,350, with a 1.45% interest rate. The loan proceeds were used to purchase water stock. The loan is payable in annual installments of \$148,395 beginning January 1, 2017 and maturing January 1, 2036. The loan is payable from the revenues generated from the Water Activity Enterprise Fund. The loan is collateralized by 126.60 shares of the Lake Henry Reservoir Company, 282.00 shares of the Lake Meredith Reservoir Company, 408.60 shares of the Colorado Canal Company and 91.34 shares of the Twin Lakes Reservoir and Canal Company.

Eleanor Schiro ("Schiro") - The District through its Water Activity Enterprise Fund entered into a loan agreement on May 12, 2015 with Schiro in the amount of \$1,108,151, with a 1.75% interest rate. The loan proceeds were used to purchase water stock. The loan is payable in annual installments of \$45,838 beginning July 1, 2016 and maturing July 1, 2035. The loan is collateralized by 149.40 shares of the Lake Henry Reservoir Company and 149.40 shares of the Colorado Canal Company.

Conservation Easements Payable - The District through its Water Activity Enterprise Fund entered into three contracts for conservation easements in 2017 and three in 2016 for a total consideration of \$2,145,800 of which \$967,700 is payable in cash on or before December 31, 2019.

Annual debt service requirements to maturity are as follow for the Water Activity Enterprise Fund:

|           | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|-----------|---------------------|-------------------|---------------------|
| 2018      | \$ 811,664          | \$ 46,170         | \$ 857,834          |
| 2019      | 454,412             | 43,922            | 498,334             |
| 2020      | 152,594             | 41,640            | 194,234             |
| 2021      | 154,910             | 39,324            | 194,234             |
| 2022      | 157,263             | 36,971            | 194,234             |
| 2023-2027 | 822,874             | 148,294           | 971,168             |
| 2028-2032 | 887,315             | 83,853            | 971,168             |
| 2033-2035 | <u>564,529</u>      | <u>19,502</u>     | <u>584,031</u>      |
|           | <u>\$ 4,005,561</u> | <u>\$ 459,676</u> | <u>\$ 4,465,237</u> |

In connection with the above notes payable, the District is subject to various covenants. The District is required to establish a cash reserve account per the covenants of the note with the Colorado Water Conservation Board. For the year ending December 31, 2017, the cash reserve account had a balance of \$29,679 that is reported as cash restricted for debt retirement in the statement of net position. As of December 31, 2017, the District was in compliance with all covenants.

The following is a summary of long-term obligation transactions of the District for the year ended December 31, 2017:

Water Activity Enterprise Fund:

|                   | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Decreases</u>    | <u>Ending<br/>Balance</u> | <u>Current<br/>Portion</u> |
|-------------------|------------------------------|-------------------|---------------------|---------------------------|----------------------------|
| Notes Payable:    |                              |                   |                     |                           |                            |
| CWCB              | \$ 2,449,080                 | \$ -              | \$ (112,884)        | \$ 2,336,196              | \$ 114,521                 |
| Schiro            | <u>735,521</u>               | <u>-</u>          | <u>(33,856)</u>     | <u>701,665</u>            | <u>33,543</u>              |
|                   | 3,184,601                    | -                 | (146,740)           | 3,037,861                 | 148,064                    |
| Easements Payable | <u>894,500</u>               | <u>912,300</u>    | <u>(839,100)</u>    | <u>967,700</u>            | <u>663,600</u>             |
| Totals            | <u>\$ 4,079,101</u>          | <u>\$ 912,300</u> | <u>\$ (985,840)</u> | <u>\$ 4,005,561</u>       | <u>\$ 811,664</u>          |

For the year ended December 31, 2017, interest incurred and expensed in the Water Activity Enterprise Fund was \$46,163 with \$5,960 of the total reported as accrued interest payable.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - AMENDMENT ONE

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

The entity's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property, sales, fund transfers, damage awards, and fund reserves.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government. Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

The Amendment requires that Emergency Reserves be established. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service). Emergency reserves have been presented as a reservation of fund balance in the general funds. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment in order to determine its compliance.

NOTE 7 – RISK MANAGEMENT

The District carries commercial insurance for their risks. These risks are business interruption, property losses, natural disasters and injuries to employees. In the past three years the District did not have any claims that exceeded insurance coverage.

NOTE 8 – INTER-FUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between the District funds for the reimbursement of expenditures. Related inter-fund receivables and payables are classified as “due from other funds” and “due to other funds” on the balance sheet and statement of net position and will be settled within one year.

Interfund receivables and payables at December 31, 2017 are as follows:

| <u>Receivable Fund</u>    | <u>Payable Fund</u>             | <u>Amount</u>     |
|---------------------------|---------------------------------|-------------------|
| General Fund              | Water Activity Enterprise       | \$ 196,547        |
| General Fund              | Engineering Services Enterprise | <u>757,151</u>    |
|                           |                                 | <u>\$ 953,698</u> |
| Water Activity Enterprise | Engineering Services Enterprise | <u>\$ 309</u>     |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – RELATED PARTY TRANSACTIONS

The District purchased leased water, received lease revenue from and paid assessment fees to Larkspur Inc. (“Larkspur”), which the District owned approximately 80% of the shares as of December 31, 2017. The total amount paid by the District in 2017 to Larkspur was \$114,950 and the total amount received from Larkspur was \$43,940. As of December 31, 2017, the balance due to Larkspur was \$5,000 and is reported in “accrued expenses” on the Statement of Net Position of the Water Activity Enterprise Fund and the amount due from Larkspur was \$3,032 and is reported in “due from other entities” on the Statement of Net Position for the Water Activity Enterprise Fund for \$3,010 and on the Balance Sheet of the General Fund for \$22.

NOTE 10 - COMMITMENTS

The District shall repay to the State the grant funds from the Colorado Water Conservation Board (“CWCB”) pertaining to the purchase of a conservation easement and any appreciation in the value of the easement (if any appreciation exists and only in an amount equal to the State’s proportionate contribution to the purchase price), if the easement is terminated or extinguished or its material provisions rendered unenforceable due to acts or omissions of the District, its employees, agents, successors or assigns, including, but not limited to, complying with or enforcing the provisions of the easement. If any part of the grant funds were originally received by the State from GOCO, then District shall make repayment to the State if GOCO makes a demand for repayment to CWCB.

NOTE 11 – SUBSEQUENT EVENT

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

## **REQUIRED SUPPLEMENTAL INFORMATION**

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL ON A BUDGETARY BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2017

|                                    | ORIGINAL<br>BUDGET | FINAL<br>BUDGET   | ACTUAL              | VARIANCE          |
|------------------------------------|--------------------|-------------------|---------------------|-------------------|
| REVENUES                           |                    |                   |                     |                   |
| TAXES                              |                    |                   |                     |                   |
| REAL PROPERTY TAXES                | \$ 1,959,400       | \$ 1,959,400      | \$ 1,955,676        | \$ (3,724)        |
| SPECIFIC OWNERSHIP                 | 174,100            | 174,100           | 220,153             | 46,053            |
| INTEREST & OTHER                   | 13,400             | 13,400            | 12,255              | (1,145)           |
| TOTAL REVENUES                     | <u>2,146,900</u>   | <u>2,146,900</u>  | <u>2,188,084</u>    | <u>41,184</u>     |
| EXPENDITURES                       |                    |                   |                     |                   |
| GENERAL GOVERNMENT                 | 2,615,600          | 2,615,600         | 2,037,150           | 578,450           |
| CAPITAL OUTLAY                     | 12,000             | 12,000            | -                   | 12,000            |
| CONTINGENCY                        | 275,000            | 275,000           | -                   | 275,000           |
| TOTAL EXPENDITURES                 | <u>2,902,600</u>   | <u>2,902,600</u>  | <u>2,037,150</u>    | <u>865,450</u>    |
| REVENUES OVER (UNDER) EXPENDITURES | (755,700)          | (755,700)         | 150,934             | 906,634           |
| FUND BALANCE JANUARY 1             | <u>1,429,622</u>   | <u>1,429,622</u>  | <u>1,429,622</u>    | <u>-</u>          |
| FUND BALANCE DECEMBER 31           | <u>\$ 673,922</u>  | <u>\$ 673,922</u> | <u>\$ 1,580,556</u> | <u>\$ 906,634</u> |

## OTHER SUPPLEMENTAL INFORMATION

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2017 AND 2016

|                                                      | 2017                | 2016                |
|------------------------------------------------------|---------------------|---------------------|
| ASSETS                                               |                     |                     |
| CASH IN BANKS                                        | \$ 763,718          | \$ 2,007,448        |
| ACCRUED INTEREST RECEIVABLE                          | 586                 | 586                 |
| TAXES RECEIVABLE                                     | 2,003,500           | 1,959,400           |
| DEPOSITS                                             | 19,052              | 31,709              |
| DUE FROM OTHER FUNDS                                 | 953,698             | -                   |
| DUE FROM OTHER ENTITIES                              | 22                  | -                   |
|                                                      | <u>22</u>           | <u>-</u>            |
| TOTAL ASSETS                                         | <u>\$ 3,740,576</u> | <u>\$ 3,999,143</u> |
| LIABILITIES                                          |                     |                     |
| ACCOUNTS PAYABLE                                     | \$ 60,211           | \$ 60,017           |
| ACCRUED EXPENSES                                     | 96,309              | 102,588             |
| DUE TO OTHER FUNDS                                   | -                   | 447,516             |
|                                                      | <u>-</u>            | <u>447,516</u>      |
| TOTAL LIABILITIES                                    | <u>156,520</u>      | <u>610,121</u>      |
| DEFERRED INFLOWS OF RESOURCES                        |                     |                     |
| DEFERRED REVENUE - PROPERTY TAX                      | <u>2,003,500</u>    | <u>1,959,400</u>    |
| FUND BALANCE                                         |                     |                     |
| RESTRICTED FOR EMERGENCIES - TABOR                   | 61,500              | 58,000              |
| ASSIGNED FOR FUTURE YEARS EXPENDITURES               | 238,400             | 755,700             |
| UNASSIGNED                                           | <u>1,280,656</u>    | <u>615,922</u>      |
| TOTAL FUND BALANCE                                   | <u>1,580,556</u>    | <u>1,429,622</u>    |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE | <u>\$ 3,740,576</u> | <u>\$ 3,999,143</u> |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEARS ENDED DECEMBER 31, 2017 AND 2016

|                                    | <u>2017</u>                | <u>2016</u>                |
|------------------------------------|----------------------------|----------------------------|
| REVENUES                           |                            |                            |
| TAXES                              | \$ 2,175,829               | \$ 2,142,040               |
| MISCELLANEOUS                      | <u>12,255</u>              | <u>9,609</u>               |
| TOTAL REVENUES                     | <u>2,188,084</u>           | <u>2,151,649</u>           |
| EXPENDITURES                       |                            |                            |
| GENERAL GOVERNMENT                 | <u>2,037,150</u>           | <u>1,931,568</u>           |
| REVENUES OVER (UNDER) EXPENDITURES | 150,934                    | 220,081                    |
| FUND BALANCE JANUARY 1             | <u>1,429,622</u>           | <u>1,209,541</u>           |
| FUND BALANCE DECEMBER 31           | <u><u>\$ 1,580,556</u></u> | <u><u>\$ 1,429,622</u></u> |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

WATER ACTIVITY ENTERPRISE FUND

DECEMBER 31, 2017 AND 2016

|                                       | 2017          | 2016          |
|---------------------------------------|---------------|---------------|
| CURRENT ASSETS                        |               |               |
| CASH                                  | \$ 162,554    | \$ 369,459    |
| CWCB REIMBURSEMENT                    | 135,353       | 89,282        |
| WATER INVENTORY                       | 83,528        | 72,750        |
| PREPAIDS                              | 108,442       | 105,838       |
| DUE FROM OTHER FUNDS                  | -             | 447,516       |
| DUE FROM OTHER ENTITIES               | 3,010         | -             |
| TOTAL CURRENT ASSETS                  | 492,887       | 1,084,845     |
| RESTRICTED ASSETS                     |               |               |
| CASH RESTRICTED FOR STEWARDSHIP COSTS | 174,544       | 174,335       |
| CASH RESTRICTED FOR DEBT RETIREMENT   | 29,679        | 14,840        |
| TOTAL RESTRICTED ASSETS               | 204,223       | 189,175       |
| CAPITAL ASSETS                        |               |               |
| BUILDINGS AND OTHER - NET             | 131,879       | 145,817       |
| LAND                                  | 20,143        | 20,143        |
| WATER STOCK                           | 6,982,576     | 6,960,926     |
| NET CAPITAL ASSETS                    | 7,134,598     | 7,126,886     |
| INTANGIBLE ASSETS                     |               |               |
| CONSERVATION EASEMENTS                | 18,354,836    | 17,442,536    |
| TOTAL ASSETS                          | \$ 26,186,544 | \$ 25,843,442 |
| CURRENT LIABILITIES                   |               |               |
| ACCOUNTS PAYABLE                      | \$ 78,013     | \$ 72,684     |
| ACCRUED EXPENSES                      | 27,358        | 23,417        |
| ACCRUED INTEREST PAYABLE              | 5,960         | 5,960         |
| DUE TO OTHER FUNDS                    | 196,237       | -             |
| DUE TO OTHER ENTITIES                 | -             | 114,950       |
| UNEARNED REVENUE                      | 11,251        | 147,772       |
| EASEMENTS PAYABLE - CURRENT           | 663,600       | 535,000       |
| NOTES PAYABLE - CURRENT               | 148,064       | 145,850       |
| TOTAL CURRENT LIABILITIES             | 1,130,483     | 1,045,633     |
| NONCURRENT LIABILITIES                |               |               |
| EASEMENTS PAYABLE                     | 304,100       | 359,500       |
| NOTES PAYABLE                         | 2,889,797     | 3,038,751     |
| TOTAL NONCURRENT LIABILITIES          | 3,193,897     | 3,398,251     |
| TOTAL LIABILITIES                     | 4,324,380     | 4,443,884     |
| NET POSITION                          |               |               |
| NET INVESTMENT IN CAPITAL ASSETS      | 4,096,737     | 3,942,285     |
| RESTRICTED FOR STEWARDSHIP COSTS      | 174,544       | 174,335       |
| UNRESTRICTED                          | 17,590,883    | 17,282,938    |
| TOTAL NET POSITION                    | 21,862,164    | 21,399,558    |
| TOTAL LIABILITIES AND NET POSITION    | \$ 26,186,544 | \$ 25,843,442 |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
WATER ACTIVITY ENTERPRISE FUND  
YEARS ENDED DECEMBER 31, 2017 AND 2016

|                                           | 2017          | 2016          |
|-------------------------------------------|---------------|---------------|
| OPERATING REVENUES                        |               |               |
| WATER LEASING                             | \$ 3,750      | \$ -          |
| FEES                                      | -             | 15,450        |
| RULE 10 FEE INCOME                        | 57,610        | 53,290        |
| ROTATIONAL LAND FALLOWING - WATER LEASING | 176,650       | 158,080       |
| MANAGEMENT FEES AND REIMBURSEMENTS        | 758,811       | 967,777       |
| TOTAL REVENUES                            | 996,821       | 1,194,597     |
| OPERATING EXPENSES                        |               |               |
| WATER LEASES                              | 12,685        | 204,358       |
| IRRIGATION RULES                          | 2,555         | 7,186         |
| SUPER DITCH                               | 74,680        | 63,796        |
| CATLIN CANAL PILOT PROJECT                | 263,692       | 238,796       |
| POND STUDY                                | -             | 3,389         |
| EASEMENTS                                 | 26,077        | 52,299        |
| NEPA STORAGE                              | 2,445         | 7,612         |
| WATER QUALITY STUDY                       | 7,021         | 14,267        |
| DEPRECIATION                              | 14,538        | 10,084        |
| STORAGE FEES                              | 104,475       | 130,035       |
| PERSONNEL                                 | 191,678       | 156,634       |
| WATER ASSESSMENTS                         | 18,192        | 130,290       |
| RECHARGE POND                             | 6,326         | 3,299         |
| TAILWATER STUDY                           | 11,750        | -             |
| FLOOD MITIGATION                          | 743           | 40,000        |
| WATER SHED HEALTH PROJECT                 | 6,261         | -             |
| PROPERTY TAXES                            | 4,034         | 3,800         |
| PROFESSIONAL FEES                         | 4,273         | 16,668        |
| OTHER                                     | 31,242        | 28,769        |
| TOTAL OPERATING EXPENSES                  | 782,667       | 1,111,282     |
| OPERATING INCOME                          | 214,154       | 83,315        |
| NONOPERATING REVENUES (EXPENSES)          |               |               |
| ENVIRONMENTAL IMPACT STUDY                | 250,000       | 250,000       |
| OTHER INCOME                              | 43,940        | 4,388         |
| INTEREST INCOME                           | 675           | 617           |
| INTEREST EXPENSE                          | (46,163)      | (48,239)      |
| WATER CONSERVATION SERVICES               | (430,083)     | (462,114)     |
| REIMBURSEMENT FOR SERVICES                | 430,083       | 462,114       |
| ASSISTANCE TO OTHER ENTITIES              | -             | (150,000)     |
| TOTAL NONOPERATING REVENUES (EXPENSES)    | 248,452       | 56,766        |
| INCOME BEFORE CONTRIBUTIONS               | 462,606       | 140,081       |
| CAPITAL CONTRIBUTIONS                     | -             | (64,383)      |
| CHANGE IN NET POSITION                    | 462,606       | 75,698        |
| NET POSITION JANUARY 1                    | 21,399,558    | 21,323,860    |
| NET POSITION DECEMBER 31                  | \$ 21,862,164 | \$ 21,399,558 |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2017 AND 2016

|                                                                                        | 2017        | 2016       |
|----------------------------------------------------------------------------------------|-------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                                                   |             |            |
| RECEIVED FROM CUSTOMERS                                                                | \$ (16,471) | \$ 489,542 |
| RECEIVED FROM INTERFUND ACTIVITIES                                                     | 1,402,564   | 874,316    |
| PAYMENTS FOR SUPPLIES, GOODS, SERVICES                                                 | (560,547)   | (964,332)  |
| PAYMENTS TO EMPLOYEES                                                                  | (188,428)   | (141,340)  |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                                              | 637,118     | 258,186    |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES                                        |             |            |
| REIMBURSEMENT FOR SERVICES                                                             | 384,012     | 508,654    |
| PAYMENTS FOR WATER CONSERVATION SERVICES                                               | (453,349)   | (438,835)  |
| RECEIVED FOR ENVIRONMENTAL IMPACT STUDY                                                | 250,000     | 250,000    |
| PAYMENT FOR ASSISTANCE TO OTHER ENTITIES                                               | -           | (150,000)  |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES                                   | 180,663     | 169,819    |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES                               |             |            |
| WATER STOCK PURCHASES                                                                  | (22,251)    | (13,059)   |
| ACQUISITION OF CAPITAL ASSETS                                                          | -           | (43,940)   |
| CAPITAL CONTRIBUTED                                                                    | -           | (64,383)   |
| LOAN PAYMENTS                                                                          | (146,741)   | (143,670)  |
| PURCHASED CONSERVATION EASEMENTS                                                       | (839,100)   | (339,000)  |
| INTEREST PAID                                                                          | (46,163)    | (64,360)   |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES                              | (1,054,255) | (668,412)  |
| CASH FLOWS FROM INVESTING ACTIVITIES                                                   |             |            |
| CHANGE IN RESTRICTED CASH                                                              | (15,048)    | (15,085)   |
| INTEREST RECEIVED AND OTHER                                                            | 44,617      | 5,004      |
| NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES                                       | 29,569      | (10,081)   |
| NET CHANGE IN CASH                                                                     | (206,905)   | (250,488)  |
| CASH BEGINNING OF YEAR                                                                 | 369,459     | 619,947    |
| CASH END OF YEAR                                                                       | \$ 162,554  | \$ 369,459 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES        |             |            |
| OPERATING INCOME                                                                       | \$ 214,154  | \$ 83,315  |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES |             |            |
| DEPRECIATION                                                                           | 14,538      | 10,084     |
| CHANGES IN ASSETS AND LIABILITIES                                                      |             |            |
| WATER INVENTORY                                                                        | (10,778)    | 76,934     |
| PREPAIDS                                                                               | (2,604)     | 18,560     |
| DUE FROM/TO OTHER FUNDS                                                                | 643,753     | (93,461)   |
| ACCOUNTS PAYABLE & ACCRUED EXPENSES                                                    | 32,536      | (99,968)   |
| DUE FROM/TO OTHER ENTITIES                                                             | (117,960)   | 114,950    |
| UNEARNED REVENUE                                                                       | (136,521)   | 147,772    |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                                              | \$ 637,118  | \$ 258,186 |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

DECEMBER 31, 2017 AND 2016

|                                    | 2017       | 2016      |
|------------------------------------|------------|-----------|
| CURRENT ASSETS                     |            |           |
| CASH                               | \$ 794,930 | \$ 930    |
| REIMBURSEMENT RECEIVABLES          | 29,258     | -         |
| PREPAIDS                           | 1,626      | -         |
| TOTAL CURRENT ASSETS               | 825,814    | 930       |
| CAPITAL ASSETS                     |            |           |
| BUILDINGS - NET                    | 78,235     | 63,981    |
| NET CAPITAL ASSETS                 | 78,235     | 63,981    |
| TOTAL ASSETS                       | \$ 904,049 | \$ 64,911 |
| CURRENT LIABILITIES                |            |           |
| ACCOUNTS PAYABLE                   | \$ 34,806  | \$ -      |
| ACCRUED EXPENSES                   | 9,454      | -         |
| DUE TO OTHER FUNDS                 | 757,461    | -         |
| TOTAL CURRENT LIABILITIES          | 801,721    | -         |
| NET POSITION                       |            |           |
| NET INVESTMENT IN CAPITAL ASSETS   | 78,235     | 63,981    |
| UNRESTRICTED                       | 24,093     | 930       |
| TOTAL NET POSITION                 | 102,328    | 64,911    |
| TOTAL LIABILITIES AND NET POSITION | \$ 904,049 | \$ 64,911 |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND  
YEARS ENDED DECEMBER 31, 2017 AND 2016

|                                        | 2017                     | 2016                    |
|----------------------------------------|--------------------------|-------------------------|
| OPERATING REVENUES                     |                          |                         |
| LEASE INCOME                           | \$ 5,115                 | \$ 930                  |
| FEES                                   | 15,450                   | -                       |
| MANAGEMENT FEES AND REIMBURSEMENTS     | 115,745                  | -                       |
| TOTAL REVENUES                         | <u>136,310</u>           | <u>930</u>              |
| OPERATING EXPENSES                     |                          |                         |
| WATER QUALITY STUDY                    | 2,872                    | -                       |
| DEPRECIATION                           | 1,947                    | 402                     |
| PERSONNEL                              | 52,977                   | -                       |
| SOIL QUALITY STUDY                     | 3,712                    | -                       |
| POLLUTANT TRADING                      | 5,647                    | -                       |
| TAILWATER STUDY                        | 6,622                    | -                       |
| PROPERTY TAXES                         | 3,020                    | -                       |
| PROFESSIONAL FEES                      | 1,830                    | -                       |
| OTHER                                  | 20,766                   | -                       |
| TOTAL OPERATING EXPENSES               | <u>99,393</u>            | <u>402</u>              |
| OPERATING INCOME                       | 36,917                   | 528                     |
| NONOPERATING REVENUES (EXPENSES)       |                          |                         |
| OTHER INCOME                           | 500                      | -                       |
| WATER CONSERVATION SERVICES            | (180,997)                | -                       |
| REIMBURSEMENT FOR SERVICES             | 180,997                  | -                       |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>500</u>               | <u>-</u>                |
| INCOME BEFORE CONTRIBUTIONS            | 37,417                   | 528                     |
| CAPITAL CONTRIBUTIONS                  | <u>-</u>                 | <u>64,383</u>           |
| CHANGE IN NET POSITION                 | 37,417                   | 64,911                  |
| NET POSITION JANUARY 1                 | <u>64,911</u>            | <u>-</u>                |
| NET POSITION DECEMBER 31               | <u><u>\$ 102,328</u></u> | <u><u>\$ 64,911</u></u> |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2017 AND 2016

|                                                                                        | 2017       | 2016     |
|----------------------------------------------------------------------------------------|------------|----------|
| CASH FLOWS FROM OPERATING ACTIVITIES                                                   |            |          |
| RECEIVED FROM CUSTOMERS                                                                | \$ 20,565  | \$ 930   |
| RECEIVED FROM INTERFUND ACTIVITIES                                                     | 873,206    | -        |
| PAYMENTS FOR SUPPLIES, GOODS, SERVICES                                                 | (31,865)   | -        |
| PAYMENTS TO EMPLOYEES                                                                  | (45,030)   | -        |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                                              | 816,876    | 930      |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES                                        |            |          |
| REIMBURSEMENT FOR SERVICES                                                             | 151,739    | -        |
| PAYMENTS FOR WATER CONSERVATION SERVICES                                               | (158,914)  | -        |
| NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES                                       | (7,175)    | -        |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES                               |            |          |
| ACQUISITION OF CAPITAL ASSETS                                                          | (16,201)   | (64,383) |
| TRANSFER FROM WATER ACTIVITY ENTERPRISE FUND                                           | -          | 64,383   |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES                              | (16,201)   | -        |
| CASH FLOWS FROM INVESTING ACTIVITIES                                                   |            |          |
| INTEREST RECEIVED AND OTHER                                                            | 500        | -        |
| NET CASH PROVIDED BY INVESTING ACTIVITIES                                              | 500        | -        |
| NET CHANGE IN CASH                                                                     | 794,000    | 930      |
| CASH BEGINNING OF YEAR                                                                 | 930        | -        |
| CASH END OF YEAR                                                                       | \$ 794,930 | \$ 930   |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES        |            |          |
| OPERATING INCOME                                                                       | \$ 36,917  | \$ 528   |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES |            |          |
| DEPRECIATION                                                                           | 1,947      | 402      |
| CHANGES IN ASSETS AND LIABILITIES                                                      |            |          |
| PREPAIDS                                                                               | (1,626)    | -        |
| DUE FROM/TO OTHER FUNDS                                                                | 757,461    | -        |
| ACCOUNTS PAYABLE & ACCRUED EXPENSES                                                    | 22,177     | -        |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                                              | \$ 816,876 | \$ 930   |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL ON A BUDGETARY BASIS

WATER ACTIVITY ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2017

|                                                        | ORIGINAL<br>BUDGET | FINAL<br>BUDGET  | ACTUAL               | VARIANCE            |
|--------------------------------------------------------|--------------------|------------------|----------------------|---------------------|
| REVENUES                                               |                    |                  |                      |                     |
| WATER LEASING                                          | \$ 5,000           | \$ 5,000         | \$ 3,750             | \$ (1,250)          |
| FEES                                                   | 54,000             | 54,000           | 57,610               | 3,610               |
| MANAGEMENT FEES                                        | 1,300,000          | 1,300,000        | 758,811              | (541,189)           |
| REIMBURSEMENTS AND OTHER                               | 332,700            | 332,700          | 900,673              | 567,973             |
| INTEREST                                               | 800                | 800              | 675                  | (125)               |
| TOTAL REVENUES                                         | <u>1,692,500</u>   | <u>1,692,500</u> | <u>1,721,519</u>     | <u>29,019</u>       |
| EXPENDITURES                                           |                    |                  |                      |                     |
| WATER LEASES                                           | 125,000            | 125,000          | 12,685               | 112,315             |
| WATER STORAGE FEES                                     | 7,000              | 7,000            | 104,475              | (97,475)            |
| ARKANSAS IRRIGATION RULES                              | 6,000              | 6,000            | 2,555                | 3,445               |
| SUPER DITCH                                            | 85,000             | 85,000           | 338,372              | (253,372)           |
| POND STUDY                                             | 4,000              | 4,000            | 6,326                | (2,326)             |
| TAILWATER STUDY                                        | -                  | -                | 11,750               | (11,750)            |
| FLOOD MITIGATION                                       | -                  | -                | 743                  | (743)               |
| WATER CONSERVATION SERVICES                            | 84,700             | 84,700           | 430,083              | (345,383)           |
| DEPRECIATION                                           | -                  | -                | 14,538               | (14,538)            |
| GENERAL AND ADMINISTRATIVE                             | 427,400            | 427,400          | 257,304              | 170,096             |
| WATER ASSESSMENTS AND COSTS                            | 140,000            | 140,000          | 18,192               | 121,808             |
| WATER QUALITY STUDY                                    | 18,000             | 18,000           | 13,282               | 4,718               |
| INTEREST                                               | 59,000             | 59,000           | 46,163               | 12,837              |
| WATER ACQUISITIONS                                     | 8,000              | 8,000            | 21,651               | (13,651)            |
| ACQUISITIONS OF CAPITAL ASSETS                         | -                  | -                | 600                  | (600)               |
| NEPA STORAGE                                           | 115,000            | 115,000          | 2,445                | 112,555             |
| DEBT SERVICE                                           | 145,200            | 145,200          | 146,741              | (1,541)             |
| PURCHASED CONSERVATION EASEMENTS                       | <u>400,000</u>     | <u>400,000</u>   | <u>912,300</u>       | <u>(512,300)</u>    |
| TOTAL EXPENDITURES                                     | <u>1,624,300</u>   | <u>1,624,300</u> | <u>2,340,205</u>     | <u>(715,905)</u>    |
| REVENUE OVER (UNDER) EXPENDITURES                      | <u>\$ 68,200</u>   | <u>\$ 68,200</u> | (618,686)            | <u>\$ (686,886)</u> |
| ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS |                    |                  |                      |                     |
| WATER STOCK PURCHASES                                  |                    |                  | 21,651               |                     |
| CAPITAL ASSET PURCHASES                                |                    |                  | 600                  |                     |
| PURCHASED CONSERVATION EASEMENTS                       |                    |                  | 912,300              |                     |
| PRINCIPAL PAID ON LOANS                                |                    |                  | <u>146,741</u>       |                     |
| CHANGE IN NET POSITION                                 |                    |                  | 462,606              |                     |
| NET POSITION JANUARY 1                                 |                    |                  | <u>21,399,558</u>    |                     |
| TOTAL NET POSITION DECEMBER 31                         |                    |                  | <u>\$ 21,862,164</u> |                     |

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL ON A BUDGETARY BASIS

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2017

|                                                        | ORIGINAL<br>BUDGET | FINAL<br>BUDGET    | ACTUAL            | VARIANCE          |
|--------------------------------------------------------|--------------------|--------------------|-------------------|-------------------|
| REVENUES                                               |                    |                    |                   |                   |
| LEASE INCOME                                           | \$ 6,000           | \$ 6,000           | \$ 5,115          | \$ (885)          |
| FEES                                                   | 17,000             | 17,000             | 15,450            | (1,550)           |
| MANAGEMENT FEES                                        | 125,000            | 125,000            | 115,745           | (9,255)           |
| REIMBURSEMENT FOR SERVICES                             | 662,400            | 662,400            | 180,997           | (481,403)         |
| OTHER                                                  | 200                | 200                | 500               | 300               |
|                                                        | <u>810,600</u>     | <u>810,600</u>     | <u>317,807</u>    | <u>(492,793)</u>  |
| TOTAL REVENUES                                         |                    |                    |                   |                   |
| EXPENDITURES                                           |                    |                    |                   |                   |
| WATER QUALITY STUDY                                    | 8,000              | 8,000              | 2,872             | 5,128             |
| DEPRECIATION                                           | -                  | -                  | 1,947             | (1,947)           |
| GENERAL AND ADMINISTRATIVE                             | 197,300            | 197,300            | 57,827            | 139,473           |
| SOIL QUALITY STUDY                                     | -                  | -                  | 3,712             | (3,712)           |
| POLLUTANT TRADING                                      | -                  | -                  | 5,647             | (5,647)           |
| TAILWATER STUDY                                        | 2,000              | 2,000              | 6,622             | (4,622)           |
| OTHER                                                  | 15,300             | 15,300             | 20,766            | (5,466)           |
| WATER CONSERVATION SERVICES                            | 662,700            | 662,700            | 180,997           | 481,703           |
| CAPITAL OUTLAY                                         | 25,000             | 25,000             | 16,201            | 8,799             |
|                                                        | <u>910,300</u>     | <u>910,300</u>     | <u>296,591</u>    | <u>613,709</u>    |
| TOTAL EXPENDITURES                                     |                    |                    |                   |                   |
| REVENUE OVER (UNDER) EXPENDITURES                      | <u>\$ (99,700)</u> | <u>\$ (99,700)</u> | 21,216            | <u>\$ 120,916</u> |
| ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS |                    |                    |                   |                   |
| CAPITAL ASSET PURCHASES                                |                    |                    | <u>16,201</u>     |                   |
| CHANGE IN NET POSITION                                 |                    |                    | 37,417            |                   |
| NET POSITION JANUARY 1                                 |                    |                    | <u>64,911</u>     |                   |
| TOTAL NET POSITION DECEMBER 31                         |                    |                    | <u>\$ 102,328</u> |                   |