

UPPER ARKANSAS WATER
CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2017

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UPPER ARKANSAS WATER CONSERVANCY DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Upper Arkansas Water Conservancy District
Salida, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Upper Arkansas 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 Upper Arkansas 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

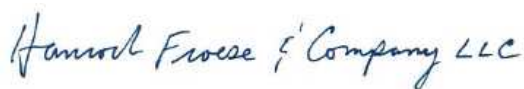
Required Supplementary Information

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 Upper Arkansas 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 cursive script that reads "Hancock Froese & Company LLC".

HANCOCK FROESE & COMPANY LLC

June 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Upper Arkansas Water Conservancy District (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 are 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 - 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 along with protection of water and water rights are the major activities of this fund.

Business-Type Activities - The District manages a Water Activity Enterprise Fund, which develops and operates the District's water rights, well augmentation plans, land and other assets, coupled with the bonds issued for the acquisition of water rights. The activities of the Water Activity Enterprise Fund are supported by water augmentation sales, leasing of water, and reservoir storage and maintenance fees.

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 one proprietary fund; a Water Activity Enterprise Fund. The Water Activity Enterprise Fund is reported using the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activity in the government-wide financial statements but provide more detail and additional information. The District uses an enterprise fund to account for its water, water storage facilities, and land management operations.

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 the 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 \$6,105,316 at the end of the current year.

Financial Highlights

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:

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

Statement of Net Position - 2017

	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets	\$ 703,221	\$ 1,843,192	\$ 2,546,413
Capital Assets and Other Assets	-	5,149,612	5,149,612
TOTAL ASSETS	\$ 703,221	\$ 6,992,804	\$ 7,696,025
LIABILITIES:			
Current Liabilities	\$ 12,962	\$ 234,037	\$ 246,999
Non-Current Liabilities	-	883,669	883,669
Total Liabilities	12,962	1,117,706	1,130,668
DEFERRED INFLOWS OF RESOURCES:			
Deferred Revenues – Property Taxes	460,041	-	460,041
NET POSITION:			
Net Investment in Capital Assets	-	4,246,970	4,246,970
Restricted	14,500	-	14,500
Unrestricted	215,718	1,628,128	1,843,846
Total Net Position	230,218	5,875,098	6,105,316
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 703,221	\$ 6,992,804	\$ 7,696,025

Statement of Net Position - 2016

	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets	\$ 657,843	\$ 1,464,762	\$ 2,122,605
Capital Assets and Other Assets	-	5,262,433	5,262,433
TOTAL ASSETS	\$ 657,843	\$ 6,727,195	\$ 7,385,038
LIABILITIES:			
Current Liabilities	\$ 11,421	\$ 265,662	\$ 277,083
Non-Current Liabilities	-	901,705	901,705
Total Liabilities	11,421	1,167,367	1,178,788
DEFERRED INFLOWS OF RESOURCES:			
Deferred Revenues – Property Taxes	445,725	-	445,725
NET POSITION:			
Net Investment in Capital Assets	-	4,368,728	4,368,728
Restricted	13,000	-	13,000
Unrestricted	187,697	1,191,100	1,378,797
Total Net Position	200,697	5,559,828	5,760,525
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 657,843	\$ 6,727,195	\$ 7,385,038

The total net position of the District exceeded its liabilities by \$6,105,316. Of this amount \$1,843,846 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

- The District's net position increased by \$344,791 during the current year. The net position of our governmental activities increased by \$29,521 and net position of our business-type activity increased by \$315,270
- As of the close of the current year, the District's governmental fund reported combined ending fund balance of \$230,218, an increase of \$29,521 in comparison with the prior year fund balance of \$200,697.
- At the end of the current year, unassigned fund balance for the governmental fund was \$215,718 or 44 percent of total general fund expenditures of \$486,087.

Statement of Activities

The perspective of the statement of activities is of the District as a whole. The following table reflects the change in net position for year 2017 and 2016:

2017	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions							
TOTAL GOVERNMENTAL ACTIVITIES	\$ 486,087	\$ -	\$ -	\$ -	\$ (486,087)	\$ -	\$(486,087)
TOTAL BUSINESS-TYPE ACTIVITIES	942,287	1,075,390	153,305	-	-	286,408	286,408
TOTAL PRIMARY GOVERNMENT	<u>\$1,428,374</u>	<u>\$1,075,390</u>	<u>\$ 153,305</u>	<u>\$ -</u>	(486,087)	286,408	(199,679)
TOTAL GENERAL REVENUES AND TRANSFERS					515,608	28,862	544,470
CHANGE IN NET POSITION					29,521	315,270	344,791
NET POSITION - BEGINNING					200,697	5,559,828	5,760,525
NET POSITION - ENDING					<u>\$ 230,218</u>	<u>\$5,875,098</u>	<u>\$6,105,316</u>

2016	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions							
TOTAL GOVERNMENTAL ACTIVITIES	\$ 436,107	\$ -	\$ -	\$ -	\$ (436,107)	\$ -	\$(436,107)
TOTAL BUSINESS-TYPE ACTIVITIES	758,864	919,934	48,428	-	-	209,498	209,498
TOTAL PRIMARY GOVERNMENT	<u>\$1,194,971</u>	<u>\$919,934</u>	<u>\$ 48,428</u>	<u>\$ -</u>	(436,107)	209,498	(226,609)
TOTAL GENERAL REVENUES AND TRANSFERS					493,244	28,021	521,265
CHANGE IN NET POSITION					57,137	237,519	294,656
NET POSITION - BEGINNING					143,560	5,322,309	5,465,869
NET POSITION - ENDING					<u>\$ 200,697</u>	<u>\$5,559,828</u>	<u>\$5,760,525</u>

The change in net position for the governmental activity was an increase of \$29,521 for the year ended December 31, 2017.

The change in net position for the business-type activity was an increase of \$315,270 for the year ended December 31, 2017.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

REVIEW OF REVENUES AND EXPENSES VS BUDGETARY COMPARISON - GENERAL FUND

Year Ended December 31, 2017:

	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 512,172	\$ 515,608
Total Expenditures	681,172	486,087
Revenues over Expenditures	(169,000)	29,521
Fund Balance January 1	200,697	200,697
Fund Balance December 31	<u>\$ 31,697</u>	<u>\$ 230,218</u>

Year Ended December 31, 2016:

	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 499,871	\$ 493,244
Total Expenditures	639,871	436,107
Revenues over Expenditures	(140,000)	57,137
Fund Balance January 1	143,560	143,560
Fund Balance December 31	<u>\$ 3,560</u>	<u>\$ 200,697</u>

Revenues: Changes between actual revenues and budgeted amounts were due to an increase in amount of ad valorem taxes collected.

Expenditures: Changes between actual expenditures and budgeted amounts were primarily due to a reduction in capital outlay.

REVIEW OF REVENUES AND EXPENSES VS BUDGETARY COMPARISON WATER ACTIVITY ENTERPRISE FUND

Revenues: 2017	<u>Final Budget</u>	<u>Actual</u>
Water Sales & Maintenance Fees	\$ 1,006,857	\$ 1,024,751
Well Permits & Application Fees	11,000	19,868
Grants, Loans and Miscellaneous	365,989	184,076
Interest & Rental	19,500	28,862
Total Revenues	<u>\$ 1,403,346</u>	<u>\$ 1,257,557</u>

Revenues: 2016	<u>Final Budget</u>	<u>Actual</u>
Water Sales & Maintenance Fees	\$ 987,400	\$ 882,667
Well Permits & Application Fees	9,000	17,195
Grants, Loans and Miscellaneous	236,400	68,500
Interest & Rental	21,000	28,021
Total Revenues	<u>\$ 1,253,800</u>	<u>\$ 996,383</u>

Revenues: Changes between actual revenue and budgeted amounts were primarily due to decreased grant revenue and loan proceeds received in the current year.

Expenditures: 2017	<u>Final Budget</u>	<u>Actual</u>
Capital Outlay	\$ 1,147,859	\$ 13,634
Professional Fees	120,000	89,015
General & Administrative	445,494	430,637
Water Related Expenditure	695,410	395,830
Interest & Debt Retirement	94,583	26,805
Total Expenditures	<u>2,503,346</u>	<u>955,921</u>
Revenues over/under expenditures	(1,100,000)	301,636
Adjustments from budgetary to GAAP basis	<u>1,147,859</u>	<u>13,634</u>
Net change in net position	<u>\$ 47,859</u>	<u>\$ 315,270</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

Expenditures: 2016	Final Budget	Actual
Capital Outlay	\$1,789,730	\$ -
Professional Fees	120,000	104,412
General & Administrative	424,447	433,400
Water Related Expenditure	334,623	194,167
Interest & Debt Retirement	80,000	26,885
Total Expenditures	2,748,800	758,864
Revenues over/under expenditures	(1,495,000)	237,519
Adjustments from budgetary to GAAP basis	1,789,730	-
Net change in net position	\$ 294,730	\$ 237,519

Expenditures: Changes between actual expenditures and budgeted amounts were due to decrease interest expense, no water rights acquisitions (capital outlay) and decrease funded water studies in the current year than anticipated.

Capital Activity

The UAWCD mission is to acquire and preserve for present and future use of all water rights available in the Upper Arkansas Valley, for use within the Valley, whether municipal, irrigation, industrial, or domestic to seek every possible means to increase the water supply available within the Upper Arkansas Valley and to participate in water-related projects that will embody thoughtful conservation, responsible growth, and beneficial water usage within the Upper Arkansas Valley. The District works with cities and towns to coordinate the use of water through water storage projects and integrated water management. UAWCD is uniquely positioned to help coordinate water resources and conservation planning because its service area overlaps numerous political and geographic boundaries and operates its own water storage vessels or utilizes space allocations in other in-basin water storage vessels throughout the Upper Arkansas basin. One method of keeping beneficial use of water in the valley is to purchase and lease water and land offered for sale by various owners with the result that the water will remain in use within the Upper Arkansas basin. The District protects surface water rights by maintaining efficient institutional plans (augmentation plans) that protects water rights from injury caused by water depletions from out-of-priority usage by various diversion structures (i.e. wells and ponds) in Upper Arkansas Valley streams.

Protection of Water Rights

A major component of implementing the “watchdog” function of the district in protecting water rights is the legal and engineering activities surrounding the monitoring and involvement in water change cases proposed by other entities. Water rights are often changed from historic uses to other uses, especially from irrigation use to municipal and industrial use, to meet the increasing water demands in the basin.

Prevalent in these water change cases is a real potential for injury to the remaining water rights including District owned rights as well as a potential to increase the amount of water needed to maintain stream flows for consumptive as well as non-consumptive uses. One of the major expenditures of both the Water Activity Enterprise Fund and General Fund revenues is in the litigation and engineering required to be involved and thus help craft terms and conditions that protect existing Upper Arkansas Basin water rights.

Maintenance and Management of Stream, Reservoir and Weather CoAgMet Monitoring Stations:

Optimum exchange and storage operations assists in conservation of water resources in the Arkansas Valley and helps meet the replacement of stream depletions necessary for the State of Colorado to meet the requirements of the Colorado-Kansas Compact as well as protection of in-State water rights. A by-product of augmentation water operations is the ability of the District to adjusting the amount and timing of augmentation releases for stream flow enhancement. The District, through its Water Activity Enterprise Fund, operates a reservoir and stream gaging system utilizing remote monitoring with satellite telemetry hardware at 23 sites throughout the Upper Arkansas basin and its tributaries. The operations are equipped with remote telemetry devices to measure, collect, and report stream flow and reservoir content data to NOAA satellites for downloading to the District’s web server. This data is also made available to the Office of the State Division of Water Resources as well as other water agencies. Weather information is collected at 6 of these gage sites, at reservoir locations, and reported in addition to the water measurement data.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

In 2011 the District formed a coalition of five entities to complete installation of five Colorado Agricultural Meteorological weather stations to measure and record weather data using remote telemetry precipitation and related data to be used as a basis for crop consumption calculations in the Upper Arkansas Basin. Data of this type had never before been collected in the Upper Basin. In the absence of this data correlative studies were needed to get estimates of crop consumptive use from data collected at distant CoAgMet sites such as in the San Luis Valley in the neighboring Rio Grande Basin.

The annual program maintenance cost is approximately \$10,000. This information is utilized to assist in obtaining more accurate evaluation of the potential impacts from changes of water rights. The District maintains hydrology personnel to maintain these stations and proof the collected data for publication and use by other entities in the Arkansas Basin. Since installation, data collected from these sites continues to be utilized each year to further studies and irrigation management tool development in the Basin. The stream and reservoir gages are used to manage the District's augmentation programs and protect water rights from negative impacts from out of priority water use.

Integrated Water Management

Combined management of water resources in the Cottonwood Creek and the South Arkansas River has been a goal of the District for many years. During the past two years efforts to coordinate with the Municipalities of Buena Vista and Poncha Springs have begun to be realized. The District and the Town of Buena Vista have combined efforts, memorialized by several agreements, to study an enlargement of storage capacity at Cottonwood Lake for mutual water storage benefits. Additionally, efforts have been undertaken to minimize the future demands on water supply from Cottonwood and shift demands to the Arkansas River. In this effort, the District has enrolled Buena Vista's well number 3 into its umbrella augmentation plan. This has helped move demands for the Town to the Arkansas River for outside irrigation of parks and recreational areas at a greatly reduced cost. Poncha Springs entered into an agreement with the District to integrate raw water accounting and also to take advantage of reduced augmentation costs for its wells and future well construction by enrolling them into the District's umbrella augmentation plan. This has helped with the management of water resources on the South Arkansas river.

USGS Water Budget Study

During 2010 the District embarked on a cooperative study with the United States Geologic Survey and 8 other county, municipal and water entities. The Water Budget Study uses modern technical tools to estimate the annually available surface and ground water supplies of the basin as compared to the present and future water needs. During 2011 and 2012 most of the intensive data collection was completed. Phase one covered the area from Northern Chaffee County to Wellsville and began in 2010 at a cost of approximately \$407,000. A completed study of Phase one was released to the public in late 2014.

In 2016 the District and cooperators from Custer, Chaffee, and Fremont Counties approved the Phase 2 scope of work for extension of the study to Custer County and parts of Fremont County. This Phase 2 study will include work on a water balance, and evaluation of alluvial storage potential by the USGS as well as a study by Colorado State University of irrigation water management techniques. The total cost of this 3-year study is \$667,056. Approximately \$207,000 will be completed in 2017. The District's net monetary cost is 10 percent of the total cost with cost share entities' net monetary contribution of 11 percent. USGS and CSU will provide a total of a 33 percent match with the remainder of 46 percent of the cost coming from the Water Supply Reserve Account of the Colorado Water Conservation Board. Additionally, the District is contributing administration, grant sponsor and data from its gage project network and the Upper Basin CoAgMet Stations. The need for further phases will be identified upon completion of this phase.

South Arkansas Reservoir Project & Permitting

The District operates three reservoirs, on U.S. Forest Service property in the headwaters of the South Arkansas River, North Fork, Boss and Grey's Creek and all three reservoirs require re-issuance of USFS special use permits. Early on the District was informed that re-permitting would require an environmental impact statement prior to issuance of term permits for all three reservoirs. During 2007, the District completed the rehabilitation of North Fork Dam. Although future enlargement of North Fork Dam is possible with the existing infrastructure improvements, the board decided not to pursue enlargement at this time. The North Fork Dam rehabilitation included the replacement of a 50 year old outlet works as well as enlargement of the spillway to meet Colorado State dam safety requirements. In 2017 we learned that due to new USFS policy an EIS would not be needed. Instead an internal Environmental Assessment would be sufficient for the USFS to issue new permits.

In 2017 the USFS completed the hydrological evaluations for O'Haver and North Fork Reservoirs and we have moved forward with the re-permitting process for these vessels. In addition, by 2017 the USFS plans on re-issuing a term permit for Cottonwood Lake another vessel in which the District stores augmentation water. Part of the re-issuance is the formulation and approval of a stream enhancement operation plan. This effort is underway and should be completed by the end of 2018.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

The District, through its Water Activity Enterprise Fund, received a low-interest loan from the Colorado Water Conservation Board for \$3,009,800 with a rate of 3 percent per annum for 30 years. Total funds loaned for the project were \$893,705. In 2017 the loan was closed and the District paid in full the accrued interest. With the closing a 1% loan service fee of \$8,937 the total ending loan balance is \$902,642. The 30 year loan will be paid off in annual installments of Principal and Interest totaling \$46,052 per year.

Upper Arkansas Multi-Use Project

Formerly this project was entitled the Trout Creek Storage Project. Storage is a major component of the operation of the District's augmentation plans. The need for additional storage by other constituents of the Upper Arkansas Basin is apparent too.

To meet the goals of the District, potential storage sites are always explored by the District to evaluate feasibility and cost of construction and operation to meet these omni-present demands. The Multi-Use Project embodies traditional storage, gravel pit storage and alluvial storage with a potential for a hydro-power project. Included are preservation of agricultural lands for wildlife and recreation with recreational Arkansas River access.

Several partners are possible with this project and could serve as a means to assist in meeting the storage needs embodied in provision of future water supplies for meeting the "water demand gap" identified in the Statewide Water Supply Initiative that began in 2007 by the Colorado Water Conservation Board. Over the past several years the District has been evaluating this project and is positioning itself to begin this project as resources allow. The District will continue to pursue this project in the future.

In 2015 the District re-oriented its approach to this project with the goal of purchasing the irrigated lands, water rights and existing reservoir to better manage this future project. Funding sources are being sought and renewed focus on development of feasibility studies for multi-use projects in the upper basin. This process was continued in 2016 with a priority on alluvial storage development.

In 2017 the District focused its efforts on the alluvial storage component. Designs and plans were developed in 2017 to be concluded with a functioning storage system in 2018. Total cost to secure easements and pipelines are estimated at \$250,000 to \$300,000. Some of this funding will come from a grant through the CWCB Water Supply Reserve Account.

Lease-Following Accounting-Administration Tool

Lease-Following has been identified by the Arkansas Basin Roundtable as a method to provide annual water supplies by the leasing of a portion of the transferrable consumptive use of agricultural water to municipalities to assist in meeting future water needs. This would maintain the ownership water right with the agricultural producer although a portion of the irrigated acreage would be temporarily dried during the term of the lease. Although this may be attractive since it potentially could protect agricultural water rights in the future and provide temporary municipal water supplies; it is challenging to calculate the transferrable CU and the potentially injurious impacts to the remaining water rights. In this spirit the District embarked on a project to develop a "common technical platform" to provide a widely accepted, efficient and relatively less expensive method for calculating the impacts from these temporary changes. Colorado State University's Department of Engineering was contracted to develop the tool. Funding was provided by the CWCB's Alternative Agricultural Transfer Methods grant program and by other cost sharing participants in the basin. The District's Consulting Engineer was the leader of a panel of recognized water resource experts in the basin that oversaw the development including the Office of the State and Division Engineers. During 2016 this tool has taken on a heightened importance by the State and Division 2 Water Engineers' offices. Its use is encouraged throughout the basin for evaluation of water rights. It is being used by entities in the Lower Arkansas Valley and on other change cases throughout the basin.

Development and Implementation of Water Replacement Data Base

Since 2010 the District through its Water Activity Enterprise Fund has develop an extensive water augmentation replacement data base with electronic merging of data supplied by the Division of Water Resources to accurately and timely initiate releases of replacement water to streams impacted by structures augmented through District umbrella augmentation plans.

This accurate and timely tracking of stream flows and reservoir contents has optimized exchange and reservoir release operations saving the District precious water resources. Operations of the database are assisted by real time updating of data from our stream and reservoir gage operations on the district website. Expenditures for this development and ongoing operation are reflected in engineering and software & website design expenses. Today this work has been moved in-house and operated by the District Hydrologist.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

Expansion of Augmentation Area

Although anticipated to file a supplemental augmentation plan to cover the Eastern portion of Fremont County and part of Custer County by 2016 additional engineering on the "Projection Tool" was not completed until late in 2017. As a result the filing of this plan was put-off until 2018.

Augmentation Activities

Evaluation of the transferrable consumptive use from the District's Thompson Ditch water rights was undertaken in 2015 and continued through 2017. As part of this project other entities were assisted by the District's augmentation plans to comply with the requirements of their HOA's decree. Adjacent entities (HOAs) were embroiled in the re-evaluation of the Thompson Ditch water rights and the District has been able to assist them in finding a resolution. Other entities in the Cottonwood Creek basin have had other challenges in meeting decree requirements. Among them are the Lakeside Estates Preserve and Trail West Lodge and Trail West Association. These entities worked with the District to secure plans and engineering to resolve their issues. The District continues to work with these entities.

Contacting the District' Financial Management

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:

Upper Arkansas Water Conservancy District
P. O. Box 1090
Salida, CO 81201
(719) 539-5425

BASIC FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
CASH EQUIVALENTS	\$ 234,839	\$ 1,612,691	\$ 1,847,530
RECEIVABLES - NET			
ACCOUNTS	-	2,017	2,017
TAXES	467,250	-	467,250
GRANT	-	17,911	17,911
DUE FROM (TO) OTHER FUNDS	1,132	(1,132)	-
WATER INVENTORY	-	60,447	60,447
PREPAID EXPENSES	-	151,258	151,258
	<u>703,221</u>	<u>1,843,192</u>	<u>2,546,413</u>
CAPITAL ASSETS			
LAND	-	540,000	540,000
WATER SHARES AND RIGHTS	-	2,720,245	2,720,245
PROPERTY AND EQUIPMENT	40,920	2,065,745	2,106,665
DAMS	-	1,044,806	1,044,806
ACCUMULATED DEPRECIATION	(40,920)	(1,221,184)	(1,262,104)
CAPITAL ASSETS NET OF DEPRECIATION	-	5,149,612	5,149,612
TOTAL ASSETS	<u>\$ 703,221</u>	<u>\$ 6,992,804</u>	<u>\$ 7,696,025</u>
LIABILITIES			
ACCOUNTS PAYABLE	\$ 12,962	\$ 29,247	\$ 42,209
ACCRUED EXPENSES	-	7,876	7,876
UNEARNED REVENUES - CURRENT	-	177,941	177,941
NOTE PAYABLE - CURRENT	-	18,973	18,973
NONCURRENT LIABILITIES			
DUE IN MORE THAN ONE YEAR	-	883,669	883,669
TOTAL LIABILITIES	<u>12,962</u>	<u>1,117,706</u>	<u>1,130,668</u>
DEFERRED INFLOWS OF RESOURCES			
DEFERRED REVENUES - PROPERTY TAXES	<u>460,041</u>	<u>-</u>	<u>460,041</u>
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	-	4,246,970	4,246,970
RESTRICTED FOR			
EMERGENCIES - TABOR	14,500	-	14,500
UNRESTRICTED	<u>215,718</u>	<u>1,628,128</u>	<u>1,843,846</u>
TOTAL NET POSITION	<u>230,218</u>	<u>5,875,098</u>	<u>6,105,316</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 703,221</u>	<u>\$ 6,992,804</u>	<u>\$ 7,696,025</u>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF ACTIVITIES

DECEMBER 31, 2017

	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
FUNCTIONS				
GOVERNMENTAL ACTIVITIES				
GENERAL GOVERNMENT	\$ 486,087	\$ -	\$ -	\$ -
BUSINESS-TYPE ACTIVITIES				
WATER CONSERVATION	942,287	1,075,390	153,305	-
TOTAL PRIMARY GOVERNMENT	\$ 1,428,374	\$ 1,075,390	\$ 153,305	\$ -
GENERAL REVENUES				
REAL PROPERTY TAXES				
SPECIFIC OWNERSHIP				
INTEREST INCOME				
RENT				
OTHER				
TOTAL GENERAL REVENUES				
CHANGE IN NET POSITION				
NET POSITION - BEGINNING				
NET POSITION - ENDING				

SEE NOTES TO FINANCIAL STATEMENTS

CHANGES IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (486,087)	\$ -	\$ (486,087)
-	286,408	286,408
(486,087)	286,408	(199,679)
445,923	-	445,923
68,706	-	68,706
383	1,912	2,295
-	26,950	26,950
596	-	596
515,608	28,862	544,470
29,521	315,270	344,791
200,697	5,559,828	5,760,525
\$ 230,218	\$ 5,875,098	\$ 6,105,316

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2017

ASSETS	
CASH	\$ 234,839
TAXES RECEIVABLE	467,250
DUE TO WATER ACTIVITY ENTERPRISE	1,132
	<hr/>
TOTAL ASSETS	\$ 703,221
	<hr/> <hr/>
LIABILITIES	
ACCOUNTS PAYABLE	\$ 12,962
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
DEFERRED REVENUES - PROPERTY TAXES	460,041
	<hr/>
FUND BALANCE	.
RESTRICTED FOR EMERGENCIES - TABOR	14,500
UNASSIGNED	215,718
	<hr/>
TOTAL FUND BALANCE	230,218
	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 703,221
	<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2017

REVENUES	
REAL PROPERTY TAXES	\$ 445,923
SPECIFIC OWNERSHIP	68,706
INTEREST ON SAVINGS	383
OTHER	596
	<hr/>
TOTAL REVENUES	515,608
	<hr/>
EXPENDITURES	
GENERAL GOVERNMENT	
ADVERTISING	4,574
AUTO	1,837
DUES AND SUBSCRIPTIONS	8,798
INSURANCE	15,708
HEALTH INSURANCE	20,890
LEGAL AND PROFESSIONAL	31,668
ACCOUNTING AND AUDIT	25,459
MEALS	3,018
OFFICE	20,571
PENSION	9,349
PAYROLL TAXES	14,015
TELEPHONE	6,243
TRAVEL	19,906
UTILITIES	5,881
REPAIRS AND MAINTENANCE	7,792
EQUIPMENT RENT	6,471
SALARIES	152,003
DIRECTORS FEES	31,000
TREASURERS FEES	14,317
ENGINEERING	37,480
EDUCATION	9,165
IT SERVICES	39,942
	<hr/>
TOTAL EXPENDITURES	486,087
	<hr/>
REVENUES OVER EXPENDITURES	29,521
FUND BALANCE JANUARY 1	<hr/> 200,697
FUND BALANCE DECEMBER 31	<hr/> <hr/> \$ 230,218

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

DECEMBER 31, 2017

CURRENT ASSETS	
CASH & CASH EQUIVALENTS	\$ 1,612,691
ACCOUNTS RECEIVABLE	2,017
GRANT RECEIVABLE	17,911
WATER INVENTORY	60,447
PREPAID EXPENSES	151,258
	<hr/>
TOTAL CURRENT ASSETS	1,844,324
	<hr/>
CAPITAL ASSETS	
LAND	540,000
WATER SHARES AND RIGHTS	2,720,245
PROPERTY AND EQUIPMENT	2,065,745
DAMS	1,044,806
ACCUMULATED DEPRECIATION	(1,221,184)
	<hr/>
CAPITAL ASSETS NET OF DEPRECIATION	5,149,612
	<hr/>
TOTAL ASSETS	\$ 6,993,936
	<hr/> <hr/>
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	\$ 29,247
ACCRUED EXPENSES	7,876
DUE TO GENERAL FUND	1,132
UNEARNED REVENUES - CURRENT	177,941
NOTE PAYABLE - CURRENT	18,973
	<hr/>
TOTAL CURRENT LIABILITIES	235,169
	<hr/>
TERM LIABILITIES	
NOTE PAYABLE	883,669
	<hr/>
TOTAL TERM LIABILITIES	883,669
	<hr/>
TOTAL LIABILITIES	1,118,838
	<hr/>
NET POSITION	
NET INVESTMENT IN CAPITAL ASSETS	4,246,970
UNRESTRICTED	1,628,128
	<hr/>
TOTAL NET POSITION	5,875,098
	<hr/>
TOTAL LIABILITIES AND NET POSITION	\$ 6,993,936
	<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2017

REVENUES		
SALE OF WATER	\$	400,973
WELL PERMITS		7,100
MAINTENANCE FEES		623,778
APPLICATION FEES		12,768
STORAGE FEES		12,307
OWNERSHIP TRANSFER FEES		3,325
FUNDED WATER STUDIES REIMBURSEMENTS		15,139
		<hr/>
TOTAL REVENUES		1,075,390
		<hr/>
OPERATING EXPENSES		
DEPRECIATION		126,455
INSURANCE - HEALTH		31,919
LEGAL AND PROFESSIONAL		33,925
REPAIRS AND MAINTENANCE		2,680
PENSION		18,792
SALARIES AND WAGES		234,952
PAYROLL TAXES		18,519
SUPPLIES		3,125
WATER STORAGE FEES & PURCHASE		175,549
FUNDED WATER STUDIES		6,002
EDUCATION EXPENSE		24,760
SPECIAL USE FEES		20,659
WATER APPLICATIONS AND ASSESSMENTS		3,800
WELL PERMITS		6,900
ENGINEERING		55,090
OTHER		250
		<hr/>
TOTAL OPERATING EXPENSES		763,377
		<hr/>
OPERATING INCOME		312,013
NONOPERATING REVENUES (EXPENSES)		
INTEREST EXPENSE		(26,805)
GRANTS		153,305
GRANT FUNDING COST		(152,105)
RENTAL INCOME		26,950
INTEREST INCOME		1,912
		<hr/>
CHANGE IN NET POSITION		315,270
NET POSITION JANUARY 1		5,559,828
		<hr/>
NET POSITION DECEMBER 31	\$	5,875,098
		<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
CASH RECEIVED FROM CUSTOMERS	\$ 1,076,203
CASH PAYMENTS TO SUPPLIERS OF GOODS OR SERVICES	(298,937)
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(304,182)
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	473,084
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
RENTS RECEIVED	47,851
ADVANCES TO GENERAL FUND	93
CASH RECEIVED FROM GRANTS	188,169
CASH PAYMENTS ON GRANTS	(140,768)
	<hr/>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	95,345
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
ACQUISITION OF CAPITAL ASSETS	(13,634)
INTEREST PAID	(123,647)
	<hr/>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(137,281)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
INTEREST ON INVESTMENTS	1,912
	<hr/>
NET CHANGE IN CASH	433,060
CASH BEGINNING OF YEAR	1,179,631
	<hr/>
CASH END OF YEAR	\$ 1,612,691
	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
OPERATING INCOME	\$ 312,013
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
DEPRECIATION	126,455
CHANGE IN ASSETS AND LIABILITIES	
ACCOUNTS RECEIVABLE	813
WATER INVENTORY	24,780
PREPAID EXPENSES	(5,920)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	14,943
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 473,084
	<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Upper Arkansas Water Conservancy District (the "District") was formed pursuant to Colorado Revised Statutes in 1979. The District designates a thirteen member Board of Directors to act as the governing authority. The accounting policies of the Upper Arkansas Water Conservancy 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. A summary of significant policies is as follows:

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 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.

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 governmental funds 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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. All other revenue items are considered to be measurable and available only when cash is received.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has the following major funds:

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

Proprietary Fund – The Water Activity Enterprise Fund operation is composed of water and water share sales and leasing activities. It accounts 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. The fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with the fund’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 re-appropriated in the following year.
- Expenditures may not legally exceed appropriations at the fund level.

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of six months or less when purchased to be cash equivalents.

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".

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 or the actual purchase of water.

Capital Assets

Capital assets, which include water rights, 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 estimated useful lives for depreciation are as follows:

Buildings and improvements	40 years
Dams	50 years
Equipment	5-10 years

Property Tax Revenues Recognition

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied November 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.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Water Shares and Rights

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

Long – Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund statements, long-term debt is reported as liabilities in the applicable financial statements. Bond premiums and discounts, as well as issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

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.

Net Position / Fund Position

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.

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.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board 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 Fund Balance

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.

Advertising

The District follows the policy of charging the costs of advertising to expense as incurred.

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.

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.

Credit Risk - The District may invest in bonds or other interest bearing obligations issued by or unconditionally guaranteed by the United States, bonds that are the direct obligation of the State of Colorado or any county, city or school district in the State. The District may also invest in repurchase agreements of any marketable security otherwise authorized by law, where the market value of such security is at all times at least equal to the monies involved and there is assignment of such security pursuant to current depository regulations. Investments are carried at fair value as determined by published stock quotes.

Interest Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to loss resulting from increasing interest rates. The Colorado Revised Statute 24-75-601 limits investment maturities to five years or less without governing board approval.

Deposits as of December 31, 2017, had a bank balance of \$1,854,809 corresponding carrying balance as follows:

Insured Deposits	\$ 440,533
Covered by Public Deposit Protection Act	<u>1,406,997</u>
	<u>\$ 1,847,530</u>
Cash is reported as follows:	
Cash and Cash Equivalents	<u>\$ 1,847,530</u>

The District may invest in bonds or other interest bearing obligations issued by or unconditionally guaranteed by the United States, bonds that are the direct obligation of the State of Colorado, or any county, city or school district in the State. The District may also invest in repurchase agreements of any marketable security otherwise authorized by law, where the market value of such security is at all times at least equal to the moneys involved and there is assignment of such security pursuant to current deposit regulations.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Governmental Activities – Capital Assets Being Depreciated:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Property Equipment	\$ 40,920	\$ -	\$ -	\$ 40,920
Accumulated Depreciation	<u>(40,920)</u>	<u>-</u>	<u>-</u>	<u>(40,920)</u>
Governmental Activities Capital Assets - Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Business-Type Activities – Capital Assets Not Being Depreciated:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Land	\$ 540,000	\$ -	\$ -	\$ 540,000
Water Shares & Rights	<u>2,720,245</u>	<u>-</u>	<u>-</u>	<u>2,720,245</u>
Total	<u>3,260,245</u>	<u>-</u>	<u>-</u>	<u>3,260,245</u>

Business-Type Activities – Capital Assets Being Depreciated:

Buildings & Other	1,105,637	9,777	-	1,115,414
Dams	1,044,806	-	-	1,044,806
Furniture & Equipment	<u>946,474</u>	<u>3,857</u>	<u>-</u>	<u>950,331</u>
Total	<u>3,096,917</u>	<u>13,634</u>	<u>-</u>	<u>3,110,551</u>

Less Accumulated Depreciation

Buildings & Other	(358,145)	(22,196)	-	(380,341)
Dams	(188,191)	(20,897)	-	(209,088)
Furniture & Equipment	<u>(548,393)</u>	<u>(83,362)</u>	<u>-</u>	<u>(631,755)</u>
Total	<u>(1,094,729)</u>	<u>(126,455)</u>	<u>-</u>	<u>(1,221,184)</u>

Business-Type Activities Capital Assets - Net	<u>\$ 5,262,433</u>	<u>\$ (112,821)</u>	<u>\$ -</u>	<u>\$ 5,149,612</u>
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NOTE 5 - UNEARNED REVENUE

The District in its Water Activity Enterprise Fund collected fees in the amount of \$177,941 that is for future years rent, fees and applications, which the full amount is accounted for as unearned revenues – current.

NOTE 6 - PENSION PLANS

The District entered into a pension plan under I.R.C. Sec. 457, otherwise referred to as a deferred compensation plan, whereby the District will match contributions up to 8% of the employee's wages. Contributions to the plan in 2017 were \$28,141.

NOTE 7 – TERM LIABILITIES

On February 1, 2005, the Water Activity Enterprise Fund entered into a loan contract with the Colorado Water Conservation Board. The loan amount may be up to \$3,009,800. The terms call for reimbursement of project costs up to a maximum of \$2,980,000 over the life of the project estimated at seven years with a loan fee of 1%. Upon completion, the loan terms will be 3% per annum for thirty years with annual payments due beginning one year from completion. As of December 31, 2017, \$902,642 of costs incurred had been requested and reimbursement received.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – TERM LIABILITIES (Continued)

The following is a summary of activity for long-term liabilities:

Business-Type Activities:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Current</u>
Unearned Revenues – See Note 5	\$ 157,040	\$ 20,901	\$ 0	\$ 177,941	\$ 177,941
Note Payable	<u>893,705</u>	<u>8,937</u>	<u>0</u>	<u>902,642</u>	<u>18,973</u>
	<u>\$ 1,050,745</u>	<u>\$ 29,838</u>	<u>\$ 0</u>	<u>\$ 1,080,583</u>	<u>\$ 196,914</u>

Accrued interest and fees payable on the note payable as of December 31, 2017 is \$6,751 and interest expensed is \$26,805.

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	\$ 18,973	\$ 27,079	\$ 46,052
2019	19,542	26,510	46,052
2020	20,128	25,924	46,052
2021	20,732	25,320	46,052
2022	21,354	24,698	46,052
2023-2027	116,773	113,488	230,261
2028-2032	135,372	94,889	230,261
2033-2037	156,933	73,328	230,261
2038-2042	181,929	48,332	230,261
2043-2047	<u>210,906</u>	<u>19,354</u>	<u>230,260</u>
	<u>\$ 902,642</u>	<u>\$ 478,922</u>	<u>\$ 1,381,564</u>

In connection with the above notes payable, the District is subject to various covenants. As of December 31, 2017, the District was in compliance with all covenants

NOTE 8 - 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 Fund. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - AMENDMENT ONE (Continued)

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 in the amendment's language in order to determine its compliance.

NOTE 9– 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 the other fund” and “due to other fund” 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>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Water Activity Enterprise	General	<u>\$ 1,132</u>

NOTE 10– COMMITMENTS AND CONTINGENT LIABILITIES

Board of Water Works of Pueblo, Colorado

The District is committed to the lease of water from the Board of Water Works of Pueblo, Colorado at an annually determined per-acre-foot charge, with the contract terminating March 31, 2049.

Town of Poncha Springs, Colorado

The District entered into a Water Supply Agreement with the Town of Poncha Springs (the “Town”) on April 21, 2017. In lieu of the Town paying the District the annual storage and maintenance fee required by the Augmentation Certificate (Nos. 1844-1848), the Town shall provide to the District, and the District shall accept from the Town, 100 acre-feet per year of fully consumable water from the Friend Ranch Water Rights (the “Consumable Water”), pursuant to the terms of the Agreement. The Agreement shall remain in effect until March 31, 2057 and shall automatically renew for successive one year terms, unless either party notifies the other party prior to December 1 that such party desires to terminate the Agreement.

The Town shall provide the entire 100 are-feet of Consumable Water every year, measured from April 1 to March 31, and shall have no right to accrue credits or debits in this obligation from year to year except as set forth in the Agreement, or except as may be otherwise agreed to in writing by the District.

In addition to a waiver of the annual maintenance and storage fees, the District will enroll up to three Town wells into the District’s umbrella augmentation plan with water equal to the amount of depletions provided by the Town. The Town will pay a nominal per acre foot “Wheeling Fee” to the District for this service. The District will also provide all of the Town’s raw water accounting.

The District and Town acknowledge that it will be necessary to obtain water court approval of a change of the Friend Ranch Water Rights in order to allow the District to use the Friend Ranch Water Rights in its plans for augmentation, including the Decreed Plans.

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – SUBSEQUENT EVENTS

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 SUPPLEMENTARY INFORMATION

UPPER ARKANSAS 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 BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
TAXES	\$ 511,472	\$ 511,472	\$ 514,629	\$ 3,157
MISCELLANEOUS	700	700	979	279
TOTAL REVENUES	512,172	512,172	515,608	3,436
EXPENDITURES				
GENERAL GOVERNMENT	681,172	681,172	486,087	195,085
REVENUES OVER (UNDER) EXPENDITURE	(169,000)	(169,000)	29,521	198,521
FUND BALANCE JANUARY 1	200,697	200,697	200,697	-
FUND BALANCE DECEMBER 31	\$ 31,697	\$ 31,697	\$ 230,218	\$ 198,521

OTHER SUPPLEMENTARY INFORMATION

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CASH	\$ 234,839	\$ 205,960
TAXES RECEIVABLE	467,250	450,844
DUE FROM WATER ACTIVITY ENTERPRISE	1,132	1,039
	<u>703,221</u>	<u>657,843</u>
TOTAL ASSETS	<u>\$ 703,221</u>	<u>\$ 657,843</u>
LIABILITIES		
ACCOUNTS PAYABLE	\$ 12,962	\$ 11,421
DEFERRED INFLOWS OF RESOURCES		
DEFERRED REVENUES - PROPERTY TAXES	460,041	445,725
FUND BALANCE		
RESTRICTED FOR EMERGENCIES - TABOR	14,500	13,000
UNASSIGNED	215,718	187,697
	<u>230,218</u>	<u>200,697</u>
TOTAL FUND BALANCE	<u>230,218</u>	<u>200,697</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 703,221</u>	<u>\$ 657,843</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
REVENUES		
REAL PROPERTY TAXES	\$ 445,923	\$ 434,742
SPECIFIC OWNERSHIP	68,706	57,712
INTEREST ON SAVINGS	383	189
OTHER	596	601
TOTAL REVENUES	<u>515,608</u>	<u>493,244</u>
EXPENDITURES		
GENERAL GOVERNMENT		
ADVERTISING	4,574	6,818
AUTO	1,837	1,925
DUES AND SUBSCRIPTIONS	8,798	5,606
INSURANCE	15,708	15,123
HEALTH INSURANCE	20,890	13,108
LEGAL AND PROFESSIONAL	31,668	31,963
ACCOUNTING AND AUDIT	25,459	26,093
MEALS	3,018	2,374
OFFICE	20,571	14,338
PENSION	9,349	5,194
PAYROLL TAXES	14,015	13,106
TELEPHONE	6,243	6,640
TRAVEL	19,906	16,889
UTILITIES	5,881	6,495
REPAIRS AND MAINTENANCE	7,792	4,178
EQUIPMENT RENT	6,471	9,246
SALARIES	152,003	140,121
DIRECTORS FEES	31,000	31,200
TREASURERS FEES	14,317	15,272
ENGINEERING	37,480	25,302
EDUCATION	9,165	7,688
IT SERVICES	39,942	37,428
TOTAL EXPENDITURES	<u>486,087</u>	<u>436,107</u>
REVENUES OVER EXPENDITURES	29,521	57,137
FUND BALANCE JANUARY 1	200,697	143,560
FUND BALANCE DECEMBER 31	<u>\$ 230,218</u>	<u>\$ 200,697</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

WATER ACTIVITY ENTERPRISE FUND

DECEMBER 31, 2017 AND 2016

	2017	2016
CURRENT ASSETS		
CASH & CASH EQUIVALENTS	\$ 1,612,691	\$ 1,179,631
ACCOUNTS RECEIVABLE	2,017	2,830
GRANT RECEIVABLE	17,911	52,775
WATER INVENTORY	60,447	85,227
PREPAID EXPENSES	151,258	145,338
TOTAL CURRENT ASSETS	<u>1,844,324</u>	<u>1,465,801</u>
CAPITAL ASSETS		
LAND	540,000	540,000
WATER SHARES AND RIGHTS	2,720,245	2,720,245
PROPERTY AND EQUIPMENT	2,065,745	2,052,111
DAMS	1,044,806	1,044,806
ACCUMULATED DEPRECIATION	(1,221,184)	(1,094,729)
CAPITAL ASSETS NET OF DEPRECIATION	<u>5,149,612</u>	<u>5,262,433</u>
TOTAL ASSETS	<u>\$ 6,993,936</u>	<u>\$ 6,728,234</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 29,247	\$ 11,904
ACCRUED EXPENSES	7,876	104,718
DUE TO GENERAL FUND	1,132	1,039
UNEARNED REVENUES - CURRENT	177,941	149,040
NOTE PAYABLE - CURRENT	18,973	-
TOTAL CURRENT LIABILITIES	<u>235,169</u>	<u>266,701</u>
TERM LIABILITIES		
UNEARNED REVENUES	-	8,000
NOTE PAYABLE	883,669	893,705
TOTAL TERM LIABILITIES	<u>883,669</u>	<u>901,705</u>
TOTAL LIABILITIES	<u>1,118,838</u>	<u>1,168,406</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	4,246,970	4,368,728
UNRESTRICTED	1,628,128	1,191,100
TOTAL NET POSITION	<u>5,875,098</u>	<u>5,559,828</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,993,936</u>	<u>\$ 6,728,234</u>

UPPER ARKANSAS 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		
SALE OF WATER	\$ 400,973	\$ 249,196
WELL PERMITS	7,100	5,700
MAINTENANCE FEES	623,778	633,471
APPLICATION FEES	12,768	11,495
STORAGE FEES	12,307	12,297
OWNERSHIP TRANSFER FEES	3,325	4,225
FUNDED WATER STUDIES REIMBURSEMENTS	15,139	3,550
TOTAL OPERATING REVENUES	1,075,390	919,934
OPERATING EXPENSES		
DEPRECIATION	126,455	126,600
INSURANCE - HEALTH	31,919	33,632
LEGAL AND PROFESSIONAL	33,925	28,012
REPAIRS AND MAINTENANCE	2,680	1,816
PENSION	18,792	18,574
SALARIES AND WAGES	234,952	235,809
PAYROLL TAXES	18,519	18,785
SUPPLIES	3,125	3,295
WATER STORAGE FEES & PURCHASE	175,549	106,878
FUNDED WATER STUDIES	6,002	3,077
EDUCATION EXPENSE	24,760	-
SPECIAL USE FEES	20,659	20,414
WATER APPLICATIONS & ASSESSMENTS	3,800	3,332
WELL PERMITS	6,900	6,600
ENGINEERING	55,090	76,400
OTHER	250	327
TOTAL OPERATING EXPENSES	763,377	683,551
OPERATING INCOME	312,013	236,383
NONOPERATING REVENUES (EXPENSES)		
INTEREST EXPENSE	(26,805)	(26,885)
GRANTS	153,305	48,428
GRANT FUNDING COST	(152,105)	(48,428)
RENTAL INCOME	26,950	26,450
INTEREST INCOME	1,912	1,571
TOTAL NONOPERATING REVENUES (EXPENSES)	3,257	1,136
CHANGE IN NET POSITION	315,270	237,519
NET POSITION JANUARY 1	5,559,828	5,322,309
NET POSITION DECEMBER 31	\$ 5,875,098	\$ 5,559,828

UPPER ARKANSAS 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		
CASH RECEIVED FROM CUSTOMERS	\$ 1,076,203	\$ 925,380
CASH PAYMENTS TO OTHER SUPPLIERS OF GOODS OR SERVICES	(298,937)	(275,486)
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(304,182)	(306,800)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>473,084</u>	<u>343,094</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
RENTS RECEIVED	47,851	60,739
ADVANCES FROM (TO) GENERAL FUND	93	(178)
CASH RECEIVED FROM GRANTS	188,169	-
CASH PAYMENTS ON GRANTS	(140,768)	(44,570)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>95,345</u>	<u>15,991</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
ACQUISITION OF CAPITAL ASSETS	(13,634)	-
INTEREST PAID	(123,647)	(80,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(137,281)</u>	<u>(80,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST ON INVESTMENTS	1,912	1,571
NET CHANGE IN CASH	433,060	280,656
CASH BEGINNING OF YEAR	1,179,631	898,975
CASH END OF YEAR	<u>\$ 1,612,691</u>	<u>\$ 1,179,631</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 312,013	\$ 236,383
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
DEPRECIATION	126,455	126,600
CHANGE IN ASSETS AND LIABILITIES		
ACCOUNTS RECEIVABLE	813	5,446
WATER INVENTORY	24,780	46,815
PREPAID EXPENSES	(5,920)	(73,307)
ACCOUNTS PAYABLE	6,006	1,157
ACCRUED EXPENSES	8,937	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 473,084</u>	<u>\$ 343,094</u>

UPPER ARKANSAS 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 BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
SALE OF WATER	\$ 275,500	\$ 275,500	\$ 400,973	\$ 125,473
WELL PERMITS	5,000	5,000	7,100	2,100
MAINTENANCE FEES	731,357	731,357	623,778	(107,579)
APPLICATION FEES	6,000	6,000	12,768	6,768
STORAGE FEES	13,000	13,000	12,307	(693)
OWNERSHIP TRANSFER FEES	2,000	2,000	3,325	1,325
FUNDED WATER STUDIES REIMBURSEMENTS	54,234	54,234	15,139	(39,095)
WATER EDUCATION	5,000	5,000	-	(5,000)
RENTAL INCOME	17,500	17,500	26,950	9,450
LOAN PROCEEDS	54,000	54,000	-	(54,000)
GRANT	237,755	237,755	153,305	(84,450)
MISCELLANEOUS	2,000	2,000	1,912	(88)
TOTAL REVENUES	1,403,346	1,403,346	1,257,557	(145,789)
EXPENDITURES				
CAPITAL OUTLAY	1,147,859	1,147,859	13,634	1,134,225
INTEREST	94,583	94,583	26,805	67,778
LEGAL AND PROFESSIONAL	45,000	45,000	33,925	11,075
REPAIRS AND MAINTENANCE	10,000	10,000	2,680	7,320
PENSION	19,131	19,131	18,792	339
SALARIES AND WAGES	239,141	239,141	234,952	4,189
PAYROLL TAXES AND BENEFITS	60,222	60,222	50,438	9,784
SUPPLIES	25,000	25,000	3,125	21,875
WATER STORAGE FEES & PURCHASE	135,783	135,783	175,549	(39,766)
FUNDED WATER STUDIES	498,827	498,827	6,002	492,825
EDUCATION EXPENSE	10,000	10,000	24,760	(14,760)
SPECIAL USE FEES	-	-	20,659	(20,659)
WATER APPLICATIONS & ASSESSMENTS	-	-	3,800	(3,800)
WELL PERMITS	5,000	5,000	6,900	(1,900)
ENGINEERING	75,000	75,000	55,090	19,910
DEPRECIATION AND AMORTIZATION	127,000	127,000	126,455	545
GRANT FUNDING COST	10,000	10,000	152,105	(142,105)
OTHER	800	800	250	550
TOTAL EXPENDITURES	2,503,346	2,503,346	955,921	1,547,425
REVENUE OVER (UNDER) EXPENDITURES	\$ (1,100,000)	\$ (1,100,000)	301,636	\$ 1,401,636
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
CAPITAL ASSET PURCHASES			13,634	
CHANGE IN NET POSITION			315,270	
NET POSITION JANUARY 1			5,559,828	
NET POSITION DECEMBER 31			\$ 5,875,098	