

cPa DIXON, WALLER & CO., INC.

EAST PROWERS WEED  
CONTROL DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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Office of the State Auditor

July 31, 2018

DIXON, WALLER & CO., INC.

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EAST PROWERS WEED CONTROL DISTRICT

PROWERS COUNTY, COLORADO

DECEMBER 31, 2017

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors  
East Prowers Weed Control District  
Granada, Colorado 81041

We have audited the accompanying financial statements of the business-type activities of East Prowers Weed Control District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the East Prowers Weed Control District as of December 31, 2017, and the changes in financial position and 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 on pages i through iv 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 East Prowers Weed Control District's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Dixon, Waller & Co., Inc.*

June 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**East Prowers Weed Control District**  
**for the year ending December 31, 2017**

As Management of the East Prowers Weed Control District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017. In order to enhance understanding of the District's financial performance, this discussion and analysis should be read in conjunction with the Independent Auditor's Report, the financial statements, and the accompanying notes, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's assets and deferred outflows exceeded liabilities and deferred inflows by \$317,534 (net position) at the end of 2017. Of this amount, \$143,839 may be used to meet the District's ongoing obligations to citizens and creditors. \$115,541 consists of chemical inventory on hand at December 31, 2017. The remaining \$58,154 is invested in capital assets or is restricted by law.
- Total Districts total liabilities as of December 31, 2017 equal \$4,054.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements contain three components:

- 1) Government-wide Financial Statements, 2) Notes to the Financial Statements, and 3) Budgetary Comparisons.

**Government-wide Financial Statements:** The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows, and liabilities, with the difference reported as net position, some portions of which are restricted in accordance with Colorado Revised Statutes. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating. It should be noted that other non-financial factors must be considered when assessing the overall health of the District. These include measures of the quality of service that the District provides to Prowers County.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the government's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., accounts payable).

The *Statement of Cash Flows* reports receipts, cash payments and net changes in cash and cash equivalents resulting from operations, investing and capital and related financing activities. It provides answers to questions such as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during 2017?

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

**Budgetary Comparisons:** The District adopts an annual appropriated budget for its operations. A budgetary comparison statement has been provided in this discussion and analysis and in the supplemental information to the financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following condensed financial information derived from government-wide financial statements:

**Net position:** As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2017, assets and deferred outflows exceeded liabilities and deferred inflows by \$317,534. The District's net position increased by \$7,193 between 2016 and 2017 primarily due to property taxes used to subsidize operating costs. The following table provides a summary of the District's net position at December 31, 2017.

	2017
<b>Assets:</b>	
Current and other assets	\$208,483
Inventory - Chemicals	\$115,541
Capital Assets (Net)	<u>\$56,104</u>
<i>Total Assets</i>	<u>\$380,128</u>
<b>Deferred Outflows:</b>	<u>\$0</u>
<b>Liabilities:</b>	
Current and other liabilities	\$4,054
Long-term liabilities	<u>\$0</u>
<i>Total Liabilities</i>	<u>\$1,118,175</u>
<b>Deferred Inflows:</b>	<u>\$0</u>
<b>Net Position:</b>	
Invested in capital assets	\$56,104
Restricted for TABOR Reserve	\$2,050
Unrestricted	<u>\$259,380</u>
<i>Final Net Position</i>	<u>\$317,534</u>

\$259,380 of the District's net position represents assets which may be used to meet the District's ongoing obligations to citizens and creditors, inclusive of chemical inventory on hand of \$115,541 at December 31, 2017.

The following table indicates the changes in net position in 2017:

	<b>2017</b>
<b>Operating Revenues:</b>	
Chemical Sales (Net of Rebates)	\$837,753
Misc. Other	\$206
<i>Total Operating Revenues</i>	<u>\$837,959</u>
<b>Operating Expenses:</b>	
Salaries and Benefits	\$32,814
Supplies, Repair and Maintenance	\$2,129
Chemical Purchases	\$847,696
Telephone and Internet	\$2,694
Utilities	\$2,043
Depreciation	\$4,371
Other operating expense	\$8,091
<i>Total Operating Expenses</i>	<u>\$899,838</u>
<b>Non-Operating Revenue (Expense):</b>	
Property Taxes	69,961
Treasurer's Fee	(1,794)
Interest Income	905
<i>Total Non-Operating Revenue</i>	<u>69,072</u>
<b>Increase (Decrease) in Net Position</b>	<b>7,193</b>

- The most significant driver of revenues and expenses is chemical sales and purchases

#### **BUDGETARY HIGHLIGHTS**

The District's budget is prepared according to Colorado statutes. In December of 2016, the Board of Directors appropriated \$663,925 for 2017 expenditures and reserves. The budget was not amended during the calendar year. The following table compares budget (non-GAAP) to actual in 2017:

	<b>2017</b>	
	<b>Budget</b>	<b>Actual</b>
Chemical Sales (Gross)	\$830,900	\$855,771
Other & Non-Operating Revenues	\$69,125	\$71,072
Expenditures	(\$984,730)	(\$919,650)
<b>Net Income (Loss)</b>	<b>(\$84,705)</b>	<b>\$7,193</b>

## CAPITAL ASSETS

**Capital Assets:** The District's investment in capital assets (net of depreciation) at December 31, 2017, totals \$56,104. This investment includes the following (net of depreciation):

	<b>2017</b>
Building and Furnishings	\$31,832
Equipment	\$24,272
<i>Total Capital Assets</i>	<i>\$56,104</i>

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of The District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this or for additional financial information should be addressed to the East Prowers Weed Control Board of Directors, P.O. Box 64, Granada, Colorado 81041.

BASIC FINANCIAL STATEMENTS

EAST PROWERS WEED CONTROL DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2017

ASSETS

Current Assets

Cash	135,938
Property Tax Receivable	58,540
Accounts Receivable	12,637
Prepaid Expense	1,368
Inventory - Chemicals	<u>115,541</u>
<u>Total Current Assets</u>	<u>324,024</u>

Property and Equipment

Building and Furnishings	48,266
Equipment	<u>64,349</u>
<u>Total Property and Equipment</u>	112,615
Less Accumulated Depreciation	<u>(56,511)</u>
<u>Net Plant Investment</u>	<u>56,104</u>

TOTAL ASSETS

380,128

DEFERRED OUTFLOW OF RESOURCES

-

LIABILITIES

Current Liabilities

Accounts Payable	<u>4,054</u>
<u>Total Current Liabilities</u>	<u>4,054</u>

DEFERRED INFLOW OF RESOURCES

Property Tax	<u>58,540</u>
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NET POSITION

Net Investment in Capital Assets	56,104
Restricted:	
Reserve for Emergency	2,050
Unrestricted	<u>259,380</u>

TOTAL NET POSITION

317,534

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

EAST PROWERS WEED CONTROL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended December 31, 2017

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<u>OPERATING REVENUES</u>	
Chemical Sales (Net of Rebates)	837,753
Other	<u>206</u>
<u>Total Operating Revenues</u>	<u>837,959</u>
 <u>OPERATING EXPENSES</u>	
Salaries and Benefits	32,814
Insurance	1,801
Utilities	2,043
Chemicals	847,696
Telephone and Internet	2,694
Professional Services	1,200
Supplies, Repairs & Maintenance	2,129
Office Expense and Reimbursement	1,677
Miscellaneous Other	3,413
Depreciation	<u>4,371</u>
<u>Total Operating Expenses</u>	<u>899,838</u>
 <u>OPERATING INCOME (LOSS)</u>	 <u>(61,879)</u>
 <u>Non-Operating Revenue (Expense)</u>	
Property Taxes	69,961
Treasurers Fee	(1,794)
Interest Income	<u>905</u>
<u>Total Non-Operating Revenue (Expense)</u>	<u>69,072</u>
 <u>CHANGE IN NET POSITION</u>	 7,193
 <u>NET POSITION, Beginning</u>	 <u>310,341</u>
 <u>NET POSITION, Ending</u>	 <u>317,534</u>

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

EAST PROWERS WEED CONTROL DISTRICT  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2017

<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	850,993
Rebates Issued to Customers	(18,018)
Payments to Employees	(32,814)
Payments to Vendors	(950,121)
<u>Cash Provided (Used) by Operating Activities</u>	<u>(149,960)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Property Tax Receipts, Net of Fees	68,167
<u>Net Cash from Non-Capital Financing Activities</u>	<u>68,167</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Fixed Assets	(1,313)
<u>Net Cash from Capital and Related Financing Activities</u>	<u>(1,313)</u>
<u>Cash Flows from Investing Activities</u>	
Interest	905
<u>Net Cash from Investing Activities</u>	<u>905</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>(82,201)</u>
<u>Cash and Equivalents - Beginning of Year</u>	<u>218,139</u>
<u>Cash and Equivalents - End of Year</u>	<u>135,938</u>
<u>Reconciliation of Cash Flows from Operating Activities</u>	
Operating Income (Loss)	(61,879)
<u>Adjustments to Reconcile Net Income to Net Cash</u>	
<u>Provided by Operating Activities</u>	
Depreciation	4,371
(Increase) Decrease in Accounts Receivable	(4,778)
(Increase) Decrease in Inventory	(87,580)
(Increase) Decrease in Prepaid Expense	76
Increase (Decrease) in Accounts Payable	(170)
<u>Net Cash Provided By (Used In) Operating Activities</u>	<u>(149,960)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

EAST PROWERS WEED CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The East Prowers Weed Control District was organized in the early 1980's and is governed by an appointed Board of Directors. It is a local government unit created for the purpose of making bulk purchases of agricultural chemicals for resale to customers within Prowers County, Colorado.

A.    Reporting Entity

The reporting entity, for financial purposes, is defined as the primary government (East Prowers Weed Control District) and its component units. The District has no component units; the financial statements are comprised of the funds more fully described in subsequent information contained in the footnotes.

The accounting policies of the East Prowers Weed Control District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

B.    Basis of Accounting

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of the GASB. The financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific, property taxes and investment income are included in non-operating revenues. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

C.    Classifications of Net Position

Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

EAST PROWERS WEED CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Classifications of Net Position (Continued)

Unrestricted – This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and Fixtures	5-10
Equipment and Vehicles	3-12
Buildings and Improvements	30-40

E. Budgets and Budgetary Accounting

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, a proposed operating budget for the fiscal year commencing the following January 1 is developed. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance or resolution.

EAST PROWERS WEED CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting (Continued)

4. The District Clerk is authorized to transfer budgeted amounts between line items; however, any revisions to alter the total expenditures must be approved by the Board of Directors.
5. Budgets for the Enterprise Fund are adopted on a budgetary basis not consistent with generally accepted accounting principles (GAAP).

F. 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 employed as an extension of formal budgetary integration. All encumbrances lapse at the end of the year.

G. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. The costs of inventories are recorded as expenditures when they are used.

H. Property Taxes

Property taxes represent ad valorem taxes levied by the District, which are payable to the County Treasurer, and are recognized as revenue by the District in the year for which they are levied.

Property taxes are levied in December for collection in the subsequent year.

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on customer accounts receivable. In connection with the determination of the estimated losses on receivables, management evaluates accounts and relies on historical data.

EAST PROWERS WEED CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Use of Estimates (Continued)

While management uses available information to recognize losses on receivables, further reductions in the carrying amounts of receivables may be necessary based on changes in economic conditions. Because of these factors, it is reasonably possible that the estimated losses on receivables may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

J. Deposits and Investments, Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

K. Long-Term Obligations

In the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the period incurred.

L. Accounts Receivable

The District writes off bad debts when accounts are deemed uncollectible. Receivables are reviewed annually to determine accounts that should be written off. As of December 31, 2017, the allowance for estimated uncollectible accounts was \$0.

M. Operating Revenue and Expenses

Operating revenue and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

EAST PROWERS WEED CONTROL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N.    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.

NOTE 2    CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Buildings and Furnishings	48,266	-	-	48,266
Equipment	<u>63,036</u>	1,313	-	<u>64,349</u>
Total Capital Assets Being Depreciated	<u>111,302</u>	1,313	-	<u>112,615</u>
Less Accumulated Depreciation	<u>52,140</u>	4,371	-	<u>56,511</u>
<u>Business-Type Activities</u>				
Capital Assets, Net	<u>59,162</u>	(3,058)	-	<u>56,104</u>

NOTE 3    CASH AND DEPOSITS

The District's deposits at year end were covered by Federal depository insurance or secured under the Public Deposit Protection Act of the State of Colorado, whereby the custodial bank pledges collateral for amounts on deposit in excess of the amount guaranteed by the FDIC for governmental entities.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured	163,893	135,938
Uninsured, Collateralized Under the Public Deposit Protection Act of the State of Colorado	-	-
<u>Sub-Total</u>	<u>163,893</u>	<u>135,938</u>
Cash with County Treasurer	-	-
Cash on Hand	-	-
<u>Total Cash and Deposits</u>	<u>163,893</u>	<u>135,938</u>

EAST PROWERS WEED CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 3    CASH AND DEPOSITS (Continued)

Cash of \$2,050 is restricted as Emergency Reserves as required by Article X, Section 20 of the Constitution of the State of Colorado. (See Note 5)

As presented above, deposits with a bank balance of \$0 and a carrying balance of \$0 as of December 31, 2017 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

NOTE 4    RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 5    CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1996 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voter's approval prior to imposing new taxes, increasing a tax rate, 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, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

EAST PROWERS WEED CONTROL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 5      CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS (Continued)

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits (and qualification as an Enterprise) will require judicial interpretation.

SUPPLEMENTAL INFORMATION

EAST PROWERS WEED CONTROL DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES  
BUDGET (NON-GAAP) AND ACTUAL  
Year Ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	Variance-Favorable <u>(Unfavorable)</u>
<u>OPERATING REVENUES</u>			
Chemical Sales (Gross)	830,900	855,771	24,871
Other	<u>400</u>	<u>206</u>	<u>(194)</u>
<u>Total Operating Revenues</u>	<u>831,300</u>	<u>855,977</u>	<u>24,677</u>
<u>OPERATING EXPENSES</u>			
Salaries and Benefits	34,290	32,814	1,476
Insurance	355	1,801	(1,446)
Utilities	2,000	2,043	(43)
Chemicals	909,760	847,696	62,064
Telephone and Internet	2,025	2,694	(669)
Professional Services	1,200	1,200	-
Rebates	20,000	18,018	1,982
Supplies, Repairs and Maintenance	5,075	2,129	2,946
Office Expense and Reimbursement	1,075	1,677	(602)
Miscellaneous Other	5,250	3,413	1,837
Capital Outlay	<u>3,700</u>	<u>1,313</u>	<u>2,387</u>
<u>Total Operating Expenses</u>	<u>984,730</u>	<u>914,798</u>	<u>69,932</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(153,430)</u>	<u>(58,821)</u>	
<u>NON-OPERATING REVENUE (EXPENSE)</u>			
Property Taxes	67,975	69,961	1,986
Treasurer Fees	-	(1,794)	(1,794)
Interest Income	<u>750</u>	<u>905</u>	<u>155</u>
<u>Total Non-Operating Revenue (Expense)</u>	<u>68,725</u>	<u>69,072</u>	<u>347</u>
<u>NET INCOME (LOSS) – NON GAAP</u>	<u>(84,705)</u>	10,251	
<u>RECONCILING ITEMS</u>			
Depreciation		(4,371)	
Capital Outlay		<u>1,313</u>	
<u>INCREASE (DECREASE) IN NET POSITION (GAAP BASIS)</u>		<u>7,193</u>	

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