

BASALT WATER CONSERVANCY DISTRICT

FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT

DECEMBER 31, 2018

BASALT WATER CONSERVANCY DISTRICT
BASALT, COLORADO
FOR THE YEAR ENDED
December 31, 2018

OFFICERS

Don Boyer – President

Art Bowles – Vice President

Scott Leslie – Secretary/Treasurer

DIRECTORS

Max MacDonell

James Nieslanik

Paul Nieslanik

Dr. Gary D. Knaus

Michael Kennedy

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Board of Directors
Basalt Water Conservancy District
Basalt, Colorado 81621

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Basalt Water Conservancy District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Basalt Water Conservancy 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 of 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 Basalt Water Conservancy District as of December 31, 2018 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, listed as required supplementary information 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 accounting standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding 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 supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance thereon.

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Basalt Water Conservancy District's basic financial statements. The proprietary fund budgetary comparison schedule listed as Other Supplemental Information in the table of contents is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Maggard & Hood, P.C.", written in a cursive style.

MAGGARD & HOOD, P.C.

Glenwood Springs, Colorado

June 11, 2019

BASALT WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

DISTRICT OVERVIEW

The Basalt Water Conservancy District (The “District”) was created in 1964 for the purposes of conserving, developing and stabilizing water supplies for the benefit of users within the Roaring Fork Valley. Today, the District operates a comprehensive water supply plan that provides thousands of Valley residents with dependable legal water supplies. The District’s water rights are used to benefit its contractees, by allowing them to continue to divert water at their well, spring, or surface diversion in times of shortage when their use would otherwise be curtailed. The District owns substantial domestic, municipal, and agricultural water rights, and maintains several reservoir storage contracts with the US Bureau of Reclamation for the release of water from Ruedi and Green Mountain Reservoirs.

The management's discussion and analysis of the Basalt Water Conservancy District’s financial performance provides an overview of the District’s financial activities for the current fiscal year. The intent of the discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader’s understanding of the District's overall financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2018 are as follows:

- The District's *overall* net position increased \$82,074 or 3.42% from the prior fiscal year.
- As compared to the prior year, water contract fees increased \$6,588; augmentation fee reimbursement revenue increased \$31,900; and overall expenses decreased \$8,082.
- The District's *overall* General Revenues accounted for \$29,707 or 5% of all revenues. These general revenues include taxes, interest and other general revenues not related to service programs. Program specific revenues in the form of charges for services, accounted for \$556,290 or 95% of the District's total revenues of \$585,997.
- *Overall* the District had \$503,923 of expenses which were offset by program specific charges for services inclusive of augmentation plan reimbursements.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – *management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of information on the same statement that present different views of the District:

- *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s *overall* financial status.
- *Fund financial statements* that focus on *individual parts* of the District's government, reporting the District’s operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Additional supplemental information has also been included to enhance the reader’s understanding of the financial statements.

**BASALT WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018**

REPORTING ON THE DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

While this report contains all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during the current fiscal year?” The statement of net position and statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash was received or paid.

The focus of the government-wide financial statements is on the overall financial position and activities of the District; therefore, the statement of net position and the statement of activities are constructed around the concept of an overall primary reporting government, which includes all funds of the District. The statement of net position and the statement of activities report the District’s *net position* and changes thereof. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District’s finances and a longer-term view of those finances.

The District’s net position – the difference between assets plus deferred outflows and liabilities plus deferred inflows – is one way to measure the District’s financial health, or *financial position*. Over time, *increases or decreases* in the District’s net position is one indicator of whether its *financial health* is improving or deteriorating. Other non-financial factors, however, such as changes in the District’s property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District.

In the statement of net position and statement of activities the District is divided into two distinct activities:

Governmental Activities – Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. Most of the District’s administrative operations are reported here.

Business-Type Activities – Business-type activities are financed to some degree by charging external parties for the goods or services they acquire. The District’s enterprise fund for water is reported as a business-type activity as the service is provided on a charge for goods or services basis to recover the expenses of the goods and services provided.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District’s *funds*, focusing on its most significant funds – not the District as a whole. The District’s two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental fund – The District’s General Fund administrative activity is reported as a 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. The fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is provided in reconciliations following the fund financial statements, if applicable.

BASALT WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

FUND FINANCIAL STATEMENTS - CONTINUED

Proprietary fund – When the Enterprise (Water) Fund charges users for the water services it provides, these services are reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statements of Activities. In fact, the District’s enterprise fund is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Further discussion of the fund financial statements begins in the Section entitled "The District's Funds."

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Both the governmental activities and the business-type activities are presented along with a total of the two, which represents the total primary government. Following is a summary of the District’s net position for the current and prior fiscal year:

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<u>Assets:</u>						
Current Assets	\$ 65,292	\$ 59,374	\$1,295,778	\$1,221,095	\$1,361,070	\$1,280,469
Intangible Water Rights	-	-	1,213,801	1,213,801	1,213,801	1,213,801
Total Assets	<u>65,292</u>	<u>59,374</u>	<u>2,509,579</u>	<u>2,434,896</u>	<u>2,574,871</u>	<u>2,494,270</u>
<u>Liabilities: 8</u>						
Current Liabilities	1,650	1,690	64,938	66,401	66,588	68,091
Total Liabilities	<u>1,650</u>	<u>1,690</u>	<u>64,938</u>	<u>66,401</u>	<u>66,588</u>	<u>68,091</u>
<u>Deferred Inflows of Resources:</u>						
Unavailable Revenue - From Property Taxes	27,007	26,977	-	-	27,007	26,977
Total Liabilities	<u>27,007</u>	<u>26,977</u>	<u>-</u>	<u>-</u>	<u>27,007</u>	<u>26,977</u>
<u>Net Position:</u>						
Invested in Capital Assets, Net of Related Debt	-	-	1,213,801	1,213,801	1,213,801	1,213,801
Restricted for Emergencies	700	700	-	-	700	700
Unrestricted	35,935	30,007	1,230,840	1,154,694	1,266,775	1,184,701
Total Net Position	<u>\$ 36,635</u>	<u>\$ 30,707</u>	<u>\$2,444,641</u>	<u>\$2,368,495</u>	<u>\$2,481,276</u>	<u>\$2,399,202</u>

Governmental Activities resources exceeded amounts used to provide for current year expenditures, resulting in an increase in net position.

The net position of Business type Activities increased from the prior fiscal year primarily due to increases in augmentation reimbursements, as well as services provided to new users in the current period.

BASALT WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

THE DISTRICT AS A WHOLE - CONTINUED

Statement of Activities

The perspective of the statement of activities is also of the District as a whole. The statement of activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting those services. The following detail reflects the total cost of services supported by program revenues and general property taxes, as well as other general revenues, resulting in the overall change in net position for the current and prior fiscal year:

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Revenues:</u>						
Program Revenues:						
Charges for Services/Sales:						
Water Sales and Fees	\$ -	\$ -	\$ 508,090	\$ 501,502	\$ 508,090	\$ 501,502
Augmentation Plan Reimbursements	-	-	45,050	13,150	45,050	13,150
Operating Grants and Contributions	-	-	3,150	3,150	3,150	3,150
Total Program Revenues	<u>-</u>	<u>-</u>	<u>556,290</u>	<u>517,802</u>	<u>556,290</u>	<u>517,802</u>
General Revenues:						
Property Taxes	26,839	25,936	-	-	26,839	25,936
Specific Ownership Taxes	1,466	1,343	-	-	1,466	1,343
Interest Income/Other	-	-	1,402	1,293	1,402	1,293
Total General Revenues	<u>28,305</u>	<u>27,279</u>	<u>1,402</u>	<u>1,293</u>	<u>29,707</u>	<u>28,572</u>
Total Revenues	<u>28,305</u>	<u>27,279</u>	<u>557,692</u>	<u>519,095</u>	<u>585,997</u>	<u>546,374</u>
<u>Expenses:</u>						
Operating Expenses:						
Operations and Administration	-	-	481,546	489,675	481,546	489,675
Non-Operating Expenses:						
General Administration	21,459	21,437	-	-	21,459	21,437
Treasurer's Fees	918	893	-	-	918	893
Total Expenses	<u>22,377</u>	<u>22,330</u>	<u>481,546</u>	<u>489,675</u>	<u>503,923</u>	<u>512,005</u>
Incr/(Decr) in Net Position	<u>\$ 5,928</u>	<u>\$ 4,949</u>	<u>\$ 76,146</u>	<u>\$ 29,420</u>	<u>\$ 82,074</u>	<u>\$ 34,369</u>

Revenues

Property taxes, dependent upon the overall assessed valuation of properties within the District's boundaries, approximated the prior year. Specific ownership taxes are beyond the control of management. The District continues to receive augmentation plan reimbursements for decrees in 2012 Case Numbers 01CW305 and 02CW77 related to changes in water rights and plans for augmentation.

Expenses

Overall expenditures decreased \$8,082 from those of the prior year.

BASALT WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

THE DISTRICT AS A WHOLE - CONTINUED

Governmental Activities

The operation of the general fund is the governmental activity of the District. As indicated in the following table, the dependence on taxes and other general revenues for these governmental activities is apparent, whereas 100% of the District's governmental activities are funded by taxes and other general revenues. The community as a whole is the primary support for the District's governmental activities.

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	2018	2017	2018	2017
General Administration	\$ 21,459	\$ 21,437	\$ 21,459	\$ 21,437
Treasurer's Fees	918	893	918	893
Total/Net Cost of Services	<u>\$ 22,377</u>	<u>\$ 22,330</u>	<u>\$ 22,377</u>	<u>\$ 22,330</u>

Business-Type Activities

The enterprise (water) fund is the business-type activity of the District. Service fees are charged for water services provided to the District. As with the governmental activity, the following table summarizes information from the Statement of Activities for the business-type activities, reflecting the total cost of program services and the remaining net cost of program services, which are supported by other general revenues:

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	2018	2017	2018	2017
Services	\$ 481,546	\$ 489,675	\$ -	\$ -
Total/Net Cost of Services	<u>\$ 481,546</u>	<u>\$ 489,675</u>	<u>\$ -</u>	<u>\$ -</u>

The District had water sales and fee revenues of \$508,090 in fiscal year 2018 and \$501,502 in fiscal year 2017 plus augmentation fee reimbursements of \$45,050 and \$13,150, respectively, to offset the cost of services provided to the District. In addition, in fiscal year 2018 the District recognized \$3,150 of earned intergovernmental grant revenues.

**BASALT WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018**

THE DISTRICT'S FUNDS

General Fund

The fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. The fund level financial statements are reported on the modified accrual basis of accounting. At the fund level, under the modified accrual basis of accounting, depreciable assets and their related depreciation expense are not reflected as they are not a current period financial resource or use. In addition, at the fund level, inflows from operating loans are presented as a revenue item while outflows for capital outlay and debt service payments are presented as expenditure items, as these items represent current period financial resources and uses.

The General Fund ending fund balance increased from \$30,707 to \$36,635 during the current fiscal year. This represents the excess of current period revenues (financial resources) over current period expenditures (financial uses). The ending fund balance of \$36,635 is the amount of net resources available for future spending. The General Fund's financial resources are from property and specific ownership taxes and the majority of expenditures are for District administration.

The District, pursuant to the TABOR Amendment, reserves funds for emergencies. The District reserves 3% of the total of all operational expenses every fiscal year. As operational expenses increase, this reserve will grow accordingly. At the end of each fiscal year, if the emergency reserves are not used the funds are carried into the next year's operational funds.

Proprietary Fund -- Enterprise Fund

Proprietary Fund financial statements consist of a statement of fund net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows, and are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. The District's enterprise fund is considered a proprietary fund which represents the water operations of the District.

The Water Enterprise Fund ending net position increased from \$2,368,495 to \$2,444,641. The positive change reflects that the enterprise fund's operating and non-operating revenues were sufficient in amount to offset current year operating and non-operating expenses. Net Position includes the District's investment in Water Rights in the amount \$1,213,801 which is a non-spendable resource. The remaining portion of net position in the amount of \$1,230,840 in the enterprise activity represents the amount of net resources available to provide future services and improvements to the citizens of the District.

**BASALT WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018**

GENERAL FUND BUDGET COMPARISONS

The District's procedures in establishing budgetary data reflected in the financial statements are summarized in *Note 1* of the financial statements. Budgets for the District are adopted on a basis consistent with generally accepted accounting principles (GAAP), with the exception of the Proprietary Fund. The reconciliation of the budgetary differences in the Proprietary Fund is to (GAAP) found in the notes of the financial statements. The budgetary comparison schedules for the District are found in the section entitled "Required Supplemental Information" and "Other Supplemental Information" following the notes to financial statements. The line-item budget is designed to control line-item expenditures, but provide flexibility for budgetary management. It is not anticipated that the District's budget variances will have an effect on future services or liquidity.

Governmental Fund Resources (Inflows)

The General Fund budgetary revenues and other financing sources in the amount of \$28,305 approximated budgetary expectations of \$28,129.

Charges to Appropriations (Outflows)

The General Fund budgetary expenditures and other financing uses of \$22,377 were \$8,073 less than the final appropriated balance of \$30,450. The total General Fund ending fund balance carryover to the next fiscal year is \$36,635.

CAPITAL ASSETS

At the end of the fiscal year, the District had Water Rights in the amount of \$1,213,801. The District carries no additional assets requiring capitalization.

DEBT ADMINISTRATION

As of December 31, 2018, the District is not obligated for any long-term debt.

ECONOMIC CONDITIONS AND OUTLOOK

The District has grown over the past several years, growing from an initial 80 water service contracts to over 590 contracts. The principal revenue source of the District in the next fiscal year will continue to be water fees. Operating expenditures are expected to increase due to expenditures for water augmentation plans. The District continues to develop and supply water for domestic use, irrigation and other uses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

Basalt Water Conservancy District
% Resource Engineering, Inc.
P. O. Box 974
Glenwood Springs, CO 81602
Telephone: 970-945-6777
Fax: 970-945-1137
Email: info@bwcd.org

GOVERNMENT - WIDE FINANCIAL STATEMENTS

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
December 31, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 34,748	\$ 1,080,269	\$ 1,115,017
Receivables:			
Due from (to) County Treasurer	141	-	141
Property Taxes Receivable	27,007	-	27,007
Water Sales	-	81,207	81,207
Intergovernmental Grants	-	16,531	16,531
Prepaid Expenses	<u>3,396</u>	<u>117,771</u>	<u>121,167</u>
Total Current Assets	65,292	1,295,778	1,361,070
Capital Assets:			
Intangible Water Rights	<u>-</u>	<u>1,213,801</u>	<u>1,213,801</u>
TOTAL ASSETS	<u>65,292</u>	<u>2,509,579</u>	<u>2,574,871</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,650	47,799	49,449
Unearned Revenue	<u>-</u>	<u>17,139</u>	<u>17,139</u>
TOTAL LIABILITIES	<u>1,650</u>	<u>64,938</u>	<u>66,588</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - from Property Taxes	<u>27,007</u>	<u>-</u>	<u>27,007</u>
TOTAL DEFERRED INFLOWS	<u>27,007</u>	<u>-</u>	<u>27,007</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	-	1,213,801	1,213,801
Restricted for:			
Emergencies	700	-	700
Unrestricted	<u>35,935</u>	<u>1,230,840</u>	<u>1,266,775</u>
TOTAL NET POSITION	<u>\$ 36,635</u>	<u>\$ 2,444,641</u>	<u>\$ 2,481,276</u>

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

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2018

		PROGRAM REVENUES		
<u>Expenses</u>	<u>Charges For Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES:				
General Administration	\$ 21,459	\$ -	\$ -	
Treasurer's Fees	918	-	-	
TOTAL GOVERNMENTAL ACTIVITIES	22,377	-	-	
BUSINESS-TYPE ACTIVITIES:				
Water Operations and Administration	481,546	553,140	3,150	
TOTAL BUSINESS-TYPE ACTIVITIES	481,546	553,140	-	
TOTAL PRIMARY GOVERNMENT	\$ 503,923	\$ 553,140	\$ 3,150	

GENERAL REVENUES:

Property Taxes, Levied For General Purposes
Specific Ownership Taxes
Unrestricted Interest and Investment Earnings/Other

Total General Revenues

Change in Net Position

NET POSITION – BEGINNING OF YEAR

NET POSITION – END OF YEAR

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

NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION

Governmental Activities	Business-Type Activities	Total
\$ (21,459)		\$ (21,459)
(918)		(918)
(22,377)		(22,377)
	\$ 74,744	74,744
	74,744	74,744
(22,377)	74,744	52,367
26,839	-	26,839
1,466	-	1,466
-	1,402	1,402
28,305	1,402	29,707
5,928	76,146	82,074
30,707	2,368,495	2,399,202
\$ 36,635	\$ 2,444,641	\$ 2,481,276

FUND FINANCIAL STATEMENTS

BASALT WATER CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2018

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 34,748
Accounts Receivable:	
Due from (to) County Treasurer	141
Property Taxes Receivable	27,007
Prepaid Expenses	<u>3,396</u>
 TOTAL ASSETS	 <u>\$ 65,292</u>

LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND FUND BALANCES:

Liabilities:	
Accounts Payable	<u>\$ 1,650</u>
Total Liabilities	<u>1,650</u>
Deferred Inflows of Resources:	
Unavailable Revenues - Property Taxes	<u>27,007</u>
Total Deferred Inflows of Resources	<u>27,007</u>
Fund Balances	
Nonspendable	3,396
Restricted for Emergencies	700
Unassigned	<u>32,539</u>
Total Fund Balance	<u>36,635</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS	
OF RESOURCES AND FUND BALANCES	 <u>\$ 65,292</u>

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

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended December 31, 2018

<u>REVENUES:</u>	
Property Taxes	\$ 26,839
Specific Ownership Taxes	<u>1,466</u>
Total Revenues	<u>28,305</u>
 <u>EXPENDITURES:</u>	
Accounting and Audit	19,479
Bonds and Insurance	1,500
Miscellaneous Expenses	480
Treasurer's Fees	<u>918</u>
Total Expenditures	<u>22,377</u>
Excess Revenues Over (Under) Expenditures	5,928
FUND BALANCE – Beginning of Year	<u>30,707</u>
FUND BALANCE – End of Year	<u>\$ 36,635</u>

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

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
December 31, 2018

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 1,080,269
Accounts Receivable:	
Water Sales	81,207
Intergovernmental Grants	16,531
Prepaid Expenses	<u>117,771</u>
Total Current Assets	1,295,778
Capital Assets:	
Intangible Water Rights	<u>1,213,801</u>
 TOTAL ASSETS	 <u><u>\$ 2,509,579</u></u>

LIABILITIES AND FUND NET POSITION:

Liabilities:	
Accounts Payable	\$ 47,799
Unearned Revenue	<u>17,139</u>
Total Liabilities	<u>64,938</u>
Fund Net Position:	
Invested in Capital Assets, Net of Related Debt	1,213,801
Unrestricted	<u>1,230,840</u>
Total Fund Net Position	<u>2,444,641</u>
 TOTAL LIABILITIES AND FUND NET POSITION	 <u><u>\$ 2,509,579</u></u>

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

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2018

OPERATING REVENUES:

Charges for Services:	
Water Sales and Fees	\$ 508,090
Augmentation Plan Reimbursements	45,050
Operating Grants	<u>3,150</u>
Total Operating Revenues	<u>556,290</u>

OPERATING EXPENSES:

Billing and Water Administration	103,203
Bonds & Issuance	1,500
Directors Fees and Payroll Taxes	14,970
Dues and Subscriptions	1,782
Education/Round Table	1,364
Engineering and Augmentation	35,664
Legal Expenses	145,034
Other Expenses	7,182
Repairs and Maintenance (Ditch)	12,355
Secretarial	12,698
Water Purchase	122,702
Water Purchase O&M	12,554
Website	1,230
Well Monitoring	<u>9,308</u>
Total Operating Expenses	<u>481,546</u>

Operating Income (Loss)	74,744
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NON-OPERATING REVENUES (EXPENSES):

Interest Income	<u>1,402</u>
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Total Change in Fund Net Position	76,146
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FUND NET POSITION – Beginning of Year	<u>2,368,495</u>
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FUND NET POSITION – End of Year	<u><u>\$ 2,444,641</u></u>
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The accompanying notes are an integral part of these financial statements.

BASALT WATER CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 517,307
Cash Received from Operating Grants	5,319
Cash Payments for Goods and Services	<u>(427,398)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>95,228</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>1,402</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,402</u>
NET INCREASE (DECREASE) IN CASH	96,630
CASH AT BEGINNING OF YEAR	<u>983,639</u>
CASH AT END OF YEAR	<u><u>\$ 1,080,269</u></u>
 <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES:</u>	
OPERATING INCOME (LOSS)	\$ 74,744
Adjustments to Reconcile Net Income to Cash (Used) Provided by Operations:	
(Increase) Decrease in Accounts Receivables	(33,378)
(Increase) Decrease in Intergovernmental Grants Receivable	2,169
(Increase) Decrease in Prepaid Expenses	53,156
Increase (Decrease) in Unearned Revenues	(2,455)
Increase (Decrease) in Accounts Payable	<u>992</u>
Net Cash Provided by Operating Activities	<u><u>\$ 95,228</u></u>

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

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Basalt Water Conservancy District, herein referred to as the District, complies with generally accepted accounting principles (GAAP) as applicable governmental units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Significant accounting policies of the District are described below.

A. Financial Reporting Entity

The Basalt Water Conservancy District (the District) was formed under the Water Conservancy Act of the State of Colorado on April 24, 1964 to conserve, develop and stabilize supplies of water for domestic, irrigation, manufacturing and other beneficial uses within its boundaries located in Eagle, Garfield and Pitkin counties. The governing body of the District consists of an eight member Board of Directors which is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes.

The reporting entity consists of (a) the primary government; i.e. the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e. unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all District operations.

B. Measurement Focus and Basis of Accounting

The District's basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Measurement Focus and Basis of Accounting, continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property taxes, other taxes and fines and penalties. All assets and all liabilities associated with the operation of the District are included on the statement of net position.

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall primary government. The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

In the statement of activities, direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the District.

FUND FINANCIAL STATEMENTS

During the fiscal year, the District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if applicable, are aggregated and presented in a single column. Enterprise funds are reported by type.

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The District's funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or limitations based upon the purposes for which they are to be spent and by means by which spending activities are controlled.

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Measurement Focus and Basis of Accounting, continued

The various funds of the District are outlined in the following paragraphs.

GOVERNMENTAL FUND

General 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. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to general statutory laws. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

All governmental funds are accounted for using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. If applicable, governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between government-wide and governmental fund statements. Under this method, revenues are recognized when measurable and available. The District considers all revenues available if they are collected within 60 days after year-end. The following material revenue sources are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period:

- Property Taxes
- Specific Ownership Taxes

Taxpayer-assessed local property and specific ownership taxes are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for matured principal and interest on general long-term liabilities which are reported as other financing uses.

PROPRIETARY FUND

Water (Enterprise) Fund – The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Water Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Measurement Focus and Basis of Accounting, continued

Like the government-wide financial statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. This emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred. All assets and liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in revenues, expenses, and changes in net position, presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the District finances and meets the cash flow needs of its enterprise fund.

The focus of proprietary fund measurement is determination of operating income, changes in the net position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The District's Enterprise fund is a proprietary fund type. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third-party requirements that cost of providing services including capital costs, be recovered with fees and charges or (c) has a pricing policy designed for the fees and charges of record similar costs. Proprietary fund *operating revenue and expenses* are related to providing management and operational services within the District. Revenues and expenses arising from capital and non-capital financing activities and from investing activities are presented as non –operating revenues and expenses.

C. Budgets and Budgetary Accounting

The District uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the District Secretary, or other qualified persons appointed by the Board, submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A "Notice of Budget" is published when the budget is received.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to December 15, the Board adopts, by resolution, the budget for the ensuing fiscal year and certifies the tax levy to the County Commissioners.
4. On or before December 31, the Board adopts an annual appropriating ordinance in which such sums of money are appropriated as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Budgets and Budgetary Accounting, continued

5. Annual appropriated budgets are adopted for all funds. The level of control at which expenditures exceed appropriations is at the fund level. The District's general fund budget is adopted on a basis consistent with generally accepted accounting principles for governmental entities. Enterprise fund budgets are adopted on a non-GAAP basis, which provides that debt principal payments and capital outlay are treated as expenditures. The budget for the Enterprise Fund is reconciled from GAAP basis, as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
<i><u>Revenues:</u></i>			
GAAP Operating Revenues	\$ 519,655	\$ 556,290	\$ 36,635
GAAP Non-Operating Revenues	1,200	1,402	202
Total Budgetary Based Revenues	\$ 520,855	\$ 557,692	\$ 36,837
<i><u>Expenses:</u></i>			
GAAP Operating Expenses	\$ 541,885	\$ 481,546	\$ 60,339
Capital Outlay	100,000	-	100,000
Total Budgetary Based Expenses	\$ 641,885	\$ 481,546	\$ 160,339

6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues in excess of the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.
7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget.
8. Budget appropriations lapse at the end of each year.

The District legally adopted an annual budget for all of the District's funds.

D. Cash and Cash Equivalents / Fair Value of Financial Instruments

For the purposes of the statement of cash flows for the proprietary fund, all short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash.

The District reports its investments using the fair value measurements established by generally accepted accounting principles. As such, fair value hierarchy categorizes the inputs used to measure the fair value into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2018, all investments consisted of certificates of deposit which are considered Level 1 cash and cash equivalents.

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. Governmental (General) Fund – Property Taxes Receivable and Deferred Inflows

Property taxes are levied on December 15, and attach as an enforceable lien on property on January 1st of the following year. They may be paid in one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th. Property taxes are levied and collected on behalf of the District by Garfield County and are reported as revenue when received by the County Treasurer. Property taxes levied in the current year and payable in the following year are reported as a receivable at December 31; however, since the taxes are not available to pay current liabilities, the receivable is recorded as a deferred inflow.

F. Proprietary (Water) Fund – Customer Accounts Receivable and Unearned Revenue

The District considers customer accounts receivable to be fully collectible. The District is empowered to place a lien on real property in the case of nonpayment; accordingly, no allowance for doubtful accounts is considered necessary. The Water Fund bills for current services, therefore no unearned revenues have been accrued in the Water (Enterprise) Fund for water sales. In the event that the Water (Enterprise) Fund has authorized grants for which expenses have not yet been submitted for reimbursement; the District records a receivable and related unearned revenues.

G. Accrued Liabilities and Long-term Obligations

In general, payables and accrued liabilities are paid in a timely manner and in full from current financial resources and reported as current obligations of the fund. Long-term obligations are accrued as a long-term liability, when applicable.

H. Compensated Absences

The District has no employees that would be eligible for vacation or sick leave benefits; accordingly, there are no provisions for compensated absences included in the accompanying financial statements.

I. Proprietary (Water) Fund – Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. These revenues are charges for services and expense reimbursements. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise funds.

J. Proprietary (Water) Fund – Contributed Capital

Grants and contributions, which may be used for either operations or capital expenditures at the discretion of the District, are recognized as non-operating revenues. If expenditure of the funds is the prime factor for determining eligibility of the contributed funds, revenue is recognized at the time of making the expenditure.

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

K. Fund Balance and Net Position –

In the government-wide financial statements, net position is classified in the following categories for both governmental and business-type activities:

Invested in Capital Assets, Net of Related Debt – this category groups all capital assets into one component. Accumulated depreciation and the outstanding debt balances that are attributable to (already invested in) the acquisition, construction or improvement of these assets reduce this category.

Restricted – assets are reported as *restricted* when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by various enabling legislation.

Unrestricted – represents the amount which is not restricted for any purpose. It is the District's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted assets are available.

In the fund financial statements, governmental fund balances are classified as follows:

Non-spendable – amounts that cannot be spent because they are either in non-spendable form such as inventory and prepaid expenses, or legally or contractually required to be maintained intact such as the corpus of permanently restricted funds to be retained in perpetuity. It also includes the long-term amount of loans and notes receivable, prepaid expenses, and property acquired for resale, when applicable.

Restricted – when constraints are placed on the use of resources either (a) externally imposed by creditors or (b) imposed by law through constitutional provisions or enabling legislation. As discussed in *Note 6* below, Colorado voters passed an amendment to the State Constitution, one of the provisions of which requires local governments to establish an emergency reserve which is calculated at 3% of certain expenditures. These funds may only be expended in cases of emergencies as defined by the amendment, and are used to fund appropriations only after unrestricted resources are depleted.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the Board of Directors). These amounts cannot be changed except by taking the same type of action employed to previously commit these amounts.

Assigned – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the governing body itself, or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the residual for the general fund.

It is the District's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted assets are available. Committed and assigned amounts are considered to have been spent first when an expenditure is incurred for purposes for which such categories and unassigned amounts are available.

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

L. Inter-fund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the fund providing services and as expenditures/expenses in the fund receiving services. Flows of cash or goods from one fund to another without requirement for repayment are inter-fund transfers which are reported as other financing sources/uses in governmental funds and non-operating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the fund that initially paid for them are not presented.

M. Internal Balances

During the year, the District has transactions between funds to finance operations and provide services and to allocate combined cash balances. To the extent that certain transactions between funds had not been paid or received as of year-end, balances of inter-fund amounts receivable or payable are recorded.

N. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 2 - CASH AND INVESTMENTS

In order to facilitate the recording of cash transactions and maximize interest earnings, the District has pooled cash deposits for all funds. The District maintains accountability for each fund's equity in pooled cash and 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. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which included obligations of the United States, the State of Colorado, Local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. 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 State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA. At December 31, 2018, the District's cash deposits (including certificates of deposit) were entirely insured or collateralized with securities held by the entity's agent in the District's name and had bank balances of \$1,178,651 of which \$487,841 was covered by FDIC insurance and \$690,810 under PDPA, as described above.

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - CASH AND INVESTMENTS, continued

A summary of the District's cash and investments at December 31, 2018 is as follows:

Total checking, savings and CDs	\$	1,178,651
Outstanding items, Net		<u>(63,634)</u>
Total Cash and Cash Equivalents	\$	<u>1,115,017</u>

Certificates of Deposit subject to PDPA are included in cash and cash equivalents:

	<u>Fair Value</u>	<u>Maturity Date</u>
Certificate of Deposit 0.25% (unrated)	\$ 21,736	10/06/19
Certificate of Deposit 0.1% (unrated)	\$ 111,907	07/12/19

The District has not adopted a formal investment policy; however, the District invests public funds in a manner which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the District, and conform to all federal, state and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities, including securities issued by FNMA (federal national mortgage association), GNMA (governmental national mortgage association), FHLMC (federal home loan mortgage corporation), the federal farm credit bank, the federal land bank, the export-import bank, and by the Tennessee Valley authority, and certain international agency securities, including the World Bank.
- . General obligation and revenue bonds of U.S. local government entities, the District of Columbia, and territorial possessions of the U.S. rated in the highest two rating categories by two or more nationally recognized rating agencies.
- . Bankers' acceptances of certain banks
- . Certain securities lending agreements
- . Commercial paper
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools
- . The investing local government's own securities including certificates of participation and lease obligations.

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 2 - CASH AND INVESTMENTS, continued

Deposit and Investment Risk Disclosures

To minimize custodial credit risk, or the risk that an insurer or other counterparty to an investment will not fulfill its obligations, state law limits District investments to those where the issuer is rated in one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers. The District has no investments subject to custodial credit risk.

The concentration of credit risk, or the risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. The District's policy places no limit on the amount it may invest in any one issuer; however the District maintains general guidelines for investments to ensure proper diversification by security type and institution. All investments are issued or explicitly guaranteed by securities of the U.S. government, or insured by the Public Depository Protection Act, or are investments in mutual fund or external investment pools, and therefore not subject to concentration of credit risk. The District has no deposits subject to custodial credit risk.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to three years as means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board. The District has no investments that were subject to material interest rate risk as described above.

The District was not subject to foreign currency risk as of December 31, 2018.

NOTE 3 - CAPITAL ASSETS

A summary of changes in the District's Capital Assets follows:

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>Balances</u> <u>01/01/18</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balances</u> <u>12/31/18</u>
<i>Non-depreciable Assets:</i>				
Water Rights-Historical Cost	\$1,213,801	\$ -	\$ -	\$ 1,213,801

NOTE 4 - CONTINGENCIES

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of these financial statements.

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 - 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 has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association (SDA) of Colorado. The pool provides property and general liability, automobile physical damage and liability, public official's liability and machinery coverage to its members.

There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in the last three years. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 6 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Tabor Amendment – Revenue and Spending Limitation Amendment

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

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The required reserve at December 31, 2018 is approximately \$700.

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

BASALT WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 - SUBSEQUENT EVENTS

Management of the District has evaluated events subsequent to December 31, 2018 through the issuance date of this report. There has been no material event noted during this period that would impact the results reflected in this report or the District's results going forward.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

BASALT WATER CONSERVANCY DISTRICT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND
For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>REVENUES:</u>				
General Property Taxes	\$ 26,929	\$ 26,929	\$ 26,839	\$ (90)
Specific Ownership Taxes	<u>1,200</u>	<u>1,200</u>	<u>1,466</u>	<u>266</u>
Total Revenues	<u>28,129</u>	<u>28,129</u>	<u>28,305</u>	<u>176</u>
<u>EXPENDITURES:</u>				
Accounting and Audit	21,000	21,000	19,479	1,521
Bonds and Insurance	1,700	1,700	1,500	200
Miscellaneous/Contingency	6,800	6,800	480	6,320
Secretarial	-	-	-	-
Treasurer's Fees	<u>950</u>	<u>950</u>	<u>918</u>	<u>32</u>
Total Expenditures	<u>30,450</u>	<u>30,450</u>	<u>22,377</u>	<u>8,073</u>
Excess Revenues Over (Under) Expenditures	(2,321)	(2,321)	5,928	8,249
FUND BALANCE - BEGINNING	<u>29,907</u>	<u>29,907</u>	<u>30,707</u>	<u>800</u>
FUND BALANCE - ENDING	<u>\$ 27,586</u>	<u>\$ 27,586</u>	<u>\$ 36,635</u>	<u>\$ 9,049</u>

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

OTHER SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

PROPRIETARY FUND

BASALT WATER CONSERVANCY DISTRICT
BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>GAAP OPERATING REVENUES:</u>				
Water Sales and Fees	\$ 497,430	\$ 497,430	\$ 508,090	\$ 10,660
Augmentation Plan Reimbursements	19,075	19,075	45,050	25,975
Operating Grants	3,150	3,150	3,150	-
Total Operating Revenues	<u>519,655</u>	<u>519,655</u>	<u>556,290</u>	<u>36,635</u>
<u>GAAP NON-OPERATING REVENUES:</u>				
Interest Income	1,200	1,200	1,402	202
Total Non-Operating Revenues	<u>1,200</u>	<u>1,200</u>	<u>1,402</u>	<u>202</u>
TOTAL BUDGETARY BASED REVENUES	<u>\$ 520,855</u>	<u>\$ 520,855</u>	<u>\$ 557,692</u>	<u>\$ 36,837</u>
<u>GAAP OPERATING EXPENSES:</u>				
Billing and Water Administration	\$ 95,000	\$ 95,000	\$ 103,203	\$ (8,203)
Bonds & Insurance	1,700	1,700	1,500	200
Directors Fees and Payroll Taxes	16,685	16,685	14,970	1,715
Dues and Subscriptions	2,500	2,500	1,782	718
Education/Round Table	6,500	6,500	1,364	5,136
Engineering and Augmentation	90,000	90,000	35,664	54,336
Legal Expenses	150,000	150,000	145,034	4,966
Miscellaneous/Contingency	25,000	25,000	7,182	17,818
Repairs and Maintenance	15,000	15,000	12,355	2,645
Secretarial	12,000	12,000	12,698	(698)
Water Purchase	70,000	70,000	122,702	(52,702)
Water Purchase O&M	30,000	30,000	12,554	17,446
Website	2,500	2,500	1,230	1,270
Well Monitoring	25,000	25,000	9,308	15,692
Total Operating Expenses	<u>541,885</u>	<u>541,885</u>	<u>481,546</u>	<u>60,339</u>
<u>NON-GAAP BUDGETARY EXPENSES:</u>				
Capital Outlay	100,000	100,000	-	100,000
Total Non-GAAP Expenses	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
TOTAL BUDGETARY BASED APPROPRIATIONS	<u>\$ 641,885</u>	<u>\$ 641,885</u>	<u>\$ 481,546</u>	<u>\$ 160,339</u>

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