

UPPER ARKANSAS WATER
CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2018

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Upper Arkansas Water Conservancy District
Salida, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Upper Arkansas Water Conservancy District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Upper Arkansas Water Conservancy District, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

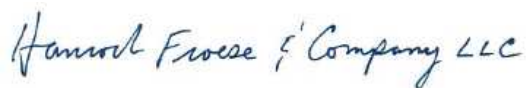
Required Supplementary Information

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

Other Information

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

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

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

HANCOCK FROESE & COMPANY LLC

July 3, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Upper Arkansas Water Conservancy District (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2018. This information is presented in conjunction with the audited financial statements that follow this section.

Overview of the Financial Statements

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

District-Wide Financial Statements

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

Governmental Activities - The activity of the District's General Fund is reported here. Property taxes and specific ownership taxes make up the majority of the revenues and general and administration expenditures along with protection of water and water rights are the major activities of this fund.

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

Fund Financial Statements

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

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

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

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

District-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6,436,923 at the end of the current year.

Financial Highlights

The perspective of the statement of net position is of the District as a whole. Following is a summary of the District's net position for 2018 and 2017:

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

Statement of Net Position - 2018

	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets	\$ 675,065	\$ 2,283,825	\$ 2,958,890
Restricted Assets	-	4,605	4,605
Capital Assets and Other Assets	-	5,059,126	5,059,126
TOTAL ASSETS	\$ 675,065	\$ 7,347,556	\$ 8,022,621
LIABILITIES:			
Current Liabilities	\$ 4,269	\$ 254,515	\$ 258,784
Non-Current Liabilities	-	864,128	864,128
Total Liabilities	4,269	1,118,643	1,122,912
DEFERRED INFLOWS OF RESOURCES:			
Deferred Revenues – Property Taxes	462,786	-	462,786
NET POSITION:			
Net Investment in Capital Assets	-	4,175,456	4,175,456
Restricted	16,500	4,605	21,105
Unrestricted	191,510	2,048,852	2,240,362
Total Net Position	208,010	6,228,913	6,436,923
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 675,065	\$ 7,347,556	\$ 8,022,621

Statement of Net Position - 2017

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

The total net position of the District exceeded its liabilities by \$6,436,923. Of this amount \$2,244,967 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

- The District's net position increased by \$331,607 during the current year. The net position of our governmental activities decreased by (\$22,208) and net position of our business-type activity increased by \$353,815
- As of the close of the current year, the District's governmental fund reported combined ending fund balance of \$208,010, a decrease of (\$22,208) in comparison with the prior year fund balance of \$230,218.
- At the end of the current year, unassigned fund balance for the governmental fund was \$191,510 or 35 percent of total general fund expenditures of \$551,939.

Statement of Activities

The perspective of the statement of activities is of the District as a whole. The following table reflects the change in net position for year 2018 and 2017:

2018	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions							
TOTAL GOVERNMENTAL ACTIVITIES	\$ 551,939	\$ -	\$ -	\$ -	\$ (551,939)	\$ -	\$(551,939)
TOTAL BUSINESS-TYPE ACTIVITIES	1,066,916	1,244,729	147,769	-	-	325,582	325,582
TOTAL PRIMARY GOVERNMENT	<u>\$1,618,855</u>	<u>\$1,244,729</u>	<u>\$ 147,769</u>	<u>\$ -</u>	(551,939)	325,582	(226,357)
GENERAL REVENUES							
TAXES					527,673	-	527,673
INTEREST, RENT AND OTHER					2,058	28,233	30,291
TOTAL GENERAL REVENUES					<u>529,731</u>	<u>28,233</u>	<u>557,964</u>
CHANGE IN NET POSITION					(22,208)	353,815	331,607
NET POSITION - BEGINNING					<u>230,218</u>	<u>5,875,098</u>	<u>6,105,316</u>
NET POSITION - ENDING					<u>\$ 208,010</u>	<u>\$6,228,913</u>	<u>\$6,436,923</u>
2017	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions							
TOTAL GOVERNMENTAL ACTIVITIES	\$ 486,087	\$ -	\$ -	\$ -	\$ (486,087)	\$ -	\$(486,087)
TOTAL BUSINESS-TYPE ACTIVITIES	942,287	1,075,390	153,305	-	-	286,408	286,408
TOTAL PRIMARY GOVERNMENT	<u>\$1,428,374</u>	<u>\$1,075,390</u>	<u>\$ 153,305</u>	<u>\$ -</u>	(486,087)	286,408	(199,679)
GENERAL REVENUES							
TAXES					514,629	-	514,629
INTEREST, RENT AND OTHER					979	28,862	29,841
TOTAL GENERAL REVENUES					<u>515,608</u>	<u>28,862</u>	<u>544,470</u>
CHANGE IN NET POSITION					29,521	315,270	344,791
NET POSITION - BEGINNING					<u>200,697</u>	<u>5,559,828</u>	<u>5,760,525</u>
NET POSITION - ENDING					<u>\$ 230,218</u>	<u>\$5,875,098</u>	<u>\$6,105,316</u>

The change in net position for the governmental activity was a decrease of (\$22,208) for the year ended December 31, 2018.

The change in net position for the business-type activity was an increase of \$353,815 for the year ended December 31, 2018.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

REVIEW OF REVENUES AND EXPENSES VS BUDGETARY COMPARISON - GENERAL FUND

Year Ended December 31, 2018:

	Final Budget	Actual
Total Revenues	\$ 529,004	\$ 529,731
Total Expenditures	730,004	551,939
Revenues over Expenditures	(201,000)	(22,208)
Fund Balance January 1	230,218	230,218
Fund Balance December 31	\$ 29,218	\$ 208,010

Year Ended December 31, 2017:

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

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

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

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

Revenues: 2018	Final Budget	Actual
Water Sales & Maintenance Fees	\$ 1,052,315	\$ 1,188,277
Well Permits & Application Fees	11,000	26,951
Grants, Loans and Miscellaneous	465,482	177,270
Interest & Rental	19,500	28,233
Total Revenues	\$ 1,548,297	\$ 1,420,731

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

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

Expenditures: 2018	Final Budget	Actual
Capital Outlay	\$ 1,628,984	\$ 39,283
Professional Fees	115,000	47,117
General & Administrative	404,902	319,000
Water Related Expenditure	653,359	673,720
Interest & Debt Retirement	46,052	46,052
Total Expenditures	2,848,297	1,125,172
Revenues over/under expenditures	(1,300,000)	295,559
Adjustments from budgetary to GAAP basis	1,647,957	58,256
Net change in net position	\$ 347,957	\$ 353,815

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

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

Expenditures: Changes between actual expenditures and budgeted amounts were due to fewer capital outlay expenditures than anticipated.

Capital Activity

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

Protection of Water Rights

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

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

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

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

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

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

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

Integrated Water Management

Combined management of water resources in the Cottonwood Creek and the South Arkansas River has been a goal of the District for many years. Efforts to coordinate with the Municipalities of Buena Vista and Poncha Springs have been realized. The District and the Town of Buena Vista have combined efforts, memorialized by several agreements, to study an enlargement of storage capacity at Cottonwood Lake for mutual water storage benefits. Additionally, efforts have been undertaken to minimize the future demands on water supply from Cottonwood and shift demands to the Arkansas River. In this effort, the District has enrolled Buena Vista's well number 3 in 2017 into its umbrella augmentation plan. In 2017 Buena Vista's well number 3 was used for irrigation of parks and athletic fields. In 2018 work was begun to add augmentation for water delivered from well #3 to the Town's municipal delivery system. This has helped move demands for the Town to the Arkansas River for outside irrigation of parks and recreational areas at a greatly reduced cost and soon will move up to 35 + acre feet of annual depletions from Cottonwood Creek to the Arkansas River. Poncha Springs entered into an agreement with the District to integrate raw water accounting and also to take advantage of reduced augmentation costs for its wells and future well construction by enrolling them into the District's umbrella augmentation plan. In 2018, a new well #6 was added to the UAWCD umbrella augmentation plan for domestic water delivery to the Town. UAWCD also assisted the Town administration with obtaining a Water Supply Reserve Account grant to develop water delivery infrastructure. All these efforts improve management of water resources in both the Cottonwood Creek and on the South Arkansas river.

USGS Water Budget Study

During 2010 the District embarked on a cooperative study with the United States Geologic Survey and 8 other county, municipal and water entities. The Water Budget Study uses modern technical tools to estimate the annually available surface and ground water supplies of the basin as compared to the present and future water needs. During 2011 and 2012 most of the intensive data collection was completed. Phase one covered the area from Northern Chaffee County to Wellsville and began in 2010 at a cost of approximately \$407,000. A completed study of Phase one was released to the public in late 2014. Since the mid 1980's the District has financed a Ground Water Level Network. This network is used as a database for continued studies such as the water budget studies.

In 2016 the District and cooperators from Custer, Chaffee, and Fremont Counties approved the Phase 2 scope of work for extension of the study to Custer County and parts of Fremont County. This Phase 2 study will include work on a water balance, and evaluation of alluvial storage potential by the USGS as well as a study by Colorado State University of irrigation water management techniques. The total cost of this 3-year study is \$667,056. The District's net monetary cost is 10 percent of the total cost with cost share entities' net monetary contribution of 11 percent. USGS and CSU will provide a total of a 33 percent match with the remainder of 46 percent of the cost coming from the Water Supply Reserve Account of the Colorado Water Conservation Board. Additionally, the District is contributing administration, grant sponsor and data from its gage project network and the Upper Basin CoAgMet Stations. The need for further phases will be identified upon completion of this phase. Work on this Phase 2 continued in 2018 with completion of the study and a final report due by the Spring of 2020.

Regional Resource Planning Group Projects

In 2018 the District has spearheaded or cooperated in other projects of note. It has participated in the Regional Resource Planning Group sponsored by the SECWCD at an annual cost of \$10,000. Several Arkansas River water quality studies have been completed to date and are available online.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

Ice Lake Project

The Ice Lake Project was undertaken in 2018. The project is designed to assist the Ice Lake homeowners to augment out of priority depletions from the evaporation of the Lake. The Lake is a historic element of the area and now provides habitat for waterfowl as well as serving as an amenity for the homeowners. The District provided project management and up to \$2800 of funding to develop a bathometric study of the reservoir as well as control and measurement devices. UAWCD is also leading the effort to change a water right purchased by the homeowners of Ice Lake Preserve for the consumptive use to be used in the District's umbrella augmentation plan to replace out of priority depletions from the evaporation from Ice Lake. The homeowners provide the majority of the infrastructure and water rights as well as purchasing augmentation from the District. The top 12 inches of the reservoir will be used by the District as an emergency augmentation storage supply on Cottonwood Creek.

Upper Arkansas Multi-Use Project & Lake Ranch Multi-Use Project

Formerly this project was entitled the Trout Creek Storage Project. Storage is a major component of the operation of the District's augmentation plans. The need for additional storage by other constituents of the Upper Arkansas Basin is apparent too. In addition to the Trout Creek Multi-Use project area the District owned Lake Ranch was evaluated through a previous grant for multi-purpose uses such as alluvial storage, and hydro-power potential.

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

To meet the goals of the District, potential storage sites are always explored by the District to evaluate feasibility and cost of construction and operation to meet these omni-present demands. The Multi-Use Project embodies traditional storage, gravel pit storage and alluvial storage with a potential for a hydro-power project. Included are preservation of agricultural lands for wildlife and recreation with recreational Arkansas River access. The Lake Ranch project evaluation discovered minimal feasibility for alluvial storage and hydro power production. CWCB grant funding for this project on alluvial storage was shifted to the Trout Creek UAWCD multi-use project area. Ongoing effort is being exerted to enter into a pipeline easement on the Moltz Ranch property to bring water from the Trout Creek Ditch Company Ditch or the Helena Ditch to constructed infiltration pond(s). In 2018 we continued this work and anticipate completion of the easement and construction of the pipeline in 2019 or early 2020.

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

DEWEESE-DYE Reservoir

Discussion of a feasibility study for enlargement of Deweese Reservoir was begun in 2018. During 2019 this project will be started with a contract with GEI. This project concept arose out of the Deweese-Dye Grape Creek efficiency study undertaken with the ditch company and the BLM.

South Arkansas Reservoir Project & Permitting

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

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

North Fork Reservoir Rehabilitation & NEPA So. Ark. Reservoir Studies

The District, through its Water Activity Enterprise Fund, received a low-interest loan from the Colorado Water Conservation Board for \$3,009,800 with a rate of 3 percent per annum for 30 years. Total funds loaned for the project were \$893,705. In 2017 the loan was closed and the District paid in full the accrued interest. With the closing a 1% loan service fee of \$8,937 the total ending loan balance is \$902,642. The 30-year loan will be paid off in annual installments of Principal and Interest totaling \$46,052 per year. As of December 31, 2018, the outstanding balance was \$883,670.

Development and Implementation of Water Replacement Data Base

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

This accurate and timely tracking of stream flows and reservoir contents has optimized exchange and reservoir release operations saving the District precious water resources. Operations of the database are assisted by real time updating of data from our stream and reservoir gage operations on the district website. Expenditures for this development and ongoing operation are reflected in engineering and software & website design expenses. Today this work has been moved in-house and operated by the District Hydrologist. Data base software improvements are continuing. Integrated water management on the South Arkansas has increased the workload for accounting and the software infrastructure needed to handle more tasks and more complicated accounting. This workload was realized in 2017 and through 2018. This need will continue into the foreseeable future. Most of the costs are associated with the staff salaries or software development costs.

Expansion of Augmentation Area

In December of 2018 the District filed an application to include the Eastern portion of Fremont County and part of Custer County into our umbrella augmentation plan. The delay was necessary in order that the District's consulting engineers could complete a "Projection Tool". During 2018 this tool was developed and is now a part of our water management. Water augmentation is needed for pond evaporation replacement, commercial development, as well as dust control by the Fremont Public Transportation department in Eastern Fremont County as well as Custer County. The extension of the District's plan to include these areas will address some of these demands. Prior to this filing water storage and water rights were obtain by the district. Most of the costs are associated with the Legal and Engineering accounts.

Augmentation Activities

Evaluation of the transferrable consumptive use from the District's Thompson Ditch water rights was undertaken in 2015 and continued through 2018. As part of this project other entities were assisted by the District's augmentation plans to comply with the requirements of their HOA's decree. Adjacent entities (HOAs) were embroiled in the re-evaluation of the Thompson Ditch water rights and the District has been able to assist them in finding a resolution. Other entities in the Cottonwood Creek basin have had other challenges in meeting decree requirements. Among them are the Lakeside Estates Preserve and Trail West Lodge and Trail West Association. These entities worked with the District to secure plans and engineering to resolve their issues. The District continues to work with these entities. As noted above Lakeside Estates Preserve (Ice Lake) is being assisted. During 2018 both the Trail West Association and the Trail West Lodge (Young Life) worked the district to obtain augmentation. The Trail West Lodge and UAWCD jointly filed for a change of water rights owned by Young Life for use as a source of augmentation for their needs. Additionally, in 2018 Yale Lakes POA entered into an augmentation agreement with the UAWCD and transferred their Thompson Ditch water rights to the District in exchange for inclusion of their subdivision within the UAWCD umbrella augmentation plan. These additional augmentation activities assisted district constituents as well as providing funding and water resources to the District.

Contacting the District' Financial Management

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

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

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

BASIC FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2018

	PRIMARY GOVERNMENT		TOTALS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
ASSETS			
CASH EQUIVALENTS	\$ 205,096	\$ 2,085,544	\$ 2,290,640
RECEIVABLES - NET			
ACCOUNTS	-	2,017	2,017
TAXES	468,335	-	468,335
DUE FROM (TO) OTHER FUNDS	1,634	(1,634)	-
WATER INVENTORY	-	42,845	42,845
PREPAID EXPENSES	-	155,053	155,053
	<u>675,065</u>	<u>2,283,825</u>	<u>2,958,890</u>
RESTRICTED ASSETS			
CASH RESTRICTED FOR DEBT RETIREMENT	-	4,605	4,605
CAPITAL ASSETS			
LAND	-	540,000	540,000
WATER SHARES AND RIGHTS	-	2,720,245	2,720,245
PROPERTY AND EQUIPMENT	40,920	2,105,028	2,145,948
DAMS	-	1,044,806	1,044,806
ACCUMULATED DEPRECIATION	(40,920)	(1,350,953)	(1,391,873)
CAPITAL ASSETS NET OF DEPRECIATION	-	5,059,126	5,059,126
TOTAL ASSETS	<u>\$ 675,065</u>	<u>\$ 7,347,556</u>	<u>\$ 8,022,621</u>
LIABILITIES			
ACCOUNTS PAYABLE	\$ 4,269	\$ 35,597	\$ 39,866
ACCRUED EXPENSES	-	7,876	7,876
UNEARNED REVENUES - CURRENT	-	191,500	191,500
NOTE PAYABLE - CURRENT	-	19,542	19,542
NONCURRENT LIABILITIES			
DUE IN MORE THAN ONE YEAR	-	864,128	864,128
TOTAL LIABILITIES	<u>4,269</u>	<u>1,118,643</u>	<u>1,122,912</u>
DEFERRED INFLOWS OF RESOURCES			
DEFERRED REVENUES - PROPERTY TAXES	462,786	-	462,786
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	-	4,175,456	4,175,456
RESTRICTED FOR			
EMERGENCIES - TABOR	16,500	-	16,500
DEBT SERVICE	-	4,605	4,605
UNRESTRICTED	191,510	2,048,852	2,240,362
TOTAL NET POSITION	<u>208,010</u>	<u>6,228,913</u>	<u>6,436,923</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 675,065</u>	<u>\$ 7,347,556</u>	<u>\$ 8,022,621</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF ACTIVITIES

DECEMBER 31, 2018

	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
FUNCTIONS				
GOVERNMENTAL ACTIVITIES				
GENERAL GOVERNMENT	\$ 551,939	\$ -	\$ -	\$ -
BUSINESS-TYPE ACTIVITIES				
WATER CONSERVATION	1,066,916	1,244,729	147,769	-
TOTAL PRIMARY GOVERNMENT	\$ 1,618,855	\$ 1,244,729	\$ 147,769	\$ -

GENERAL REVENUES

REAL PROPERTY TAXES

SPECIFIC OWNERSHIP

INTEREST INCOME

RENT

OTHER

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION - BEGINNING

NET POSITION - ENDING

SEE NOTES TO FINANCIAL STATEMENTS

CHANGES IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (551,939)	\$ -	\$ (551,939)
-	325,582	325,582
(551,939)	325,582	(226,357)
458,252	-	458,252
69,421	-	69,421
107	2,458	2,565
-	25,775	25,775
1,951	-	1,951
529,731	28,233	557,964
(22,208)	353,815	331,607
230,218	5,875,098	6,105,316
\$ 208,010	\$ 6,228,913	\$ 6,436,923

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2018

ASSETS	
CASH	\$ 205,096
TAXES RECEIVABLE	468,335
DUE TO WATER ACTIVITY ENTERPRISE	<u>1,634</u>
TOTAL ASSETS	<u><u>\$ 675,065</u></u>
LIABILITIES	
ACCOUNTS PAYABLE	<u>\$ 4,269</u>
DEFERRED INFLOWS OF RESOURCES	
DEFERRED REVENUES - PROPERTY TAXES	<u>462,786</u>
FUND BALANCE	
RESTRICTED FOR EMERGENCIES - TABOR	16,500
UNASSIGNED	<u>191,510</u>
TOTAL FUND BALANCE	<u>208,010</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u><u>\$ 675,065</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2018

REVENUES	
REAL PROPERTY TAXES	\$ 458,252
SPECIFIC OWNERSHIP	69,421
INTEREST ON SAVINGS	107
OTHER	1,951
	<hr/>
TOTAL REVENUES	529,731
	<hr/>
EXPENDITURES	
GENERAL GOVERNMENT	
ADVERTISING	5,751
AUTO	7,695
DUES AND SUBSCRIPTIONS	4,761
INSURANCE	16,114
HEALTH INSURANCE	25,459
LEGAL AND PROFESSIONAL	32,518
ACCOUNTING AND AUDIT	22,741
MEALS	2,707
OFFICE	20,766
PENSION	12,000
PAYROLL TAXES	15,968
TELEPHONE	7,599
TRAVEL	19,407
UTILITIES	7,092
REPAIRS AND MAINTENANCE	11,682
EQUIPMENT RENT	8,212
SALARIES	183,459
DIRECTORS FEES	31,200
TREASURERS FEES	14,661
ENGINEERING	41,062
EDUCATION	13,619
IT SERVICES	41,698
CAPITAL OUTLAY	5,768
	<hr/>
TOTAL EXPENDITURES	551,939
	<hr/>
REVENUES OVER EXPENDITURES	(22,208)
FUND BALANCE JANUARY 1	230,218
	<hr/>
FUND BALANCE DECEMBER 31	\$ 208,010
	<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

DECEMBER 31, 2018

CURRENT ASSETS	
CASH & CASH EQUIVALENTS	\$ 2,085,544
ACCOUNTS RECEIVABLE	2,017
WATER INVENTORY	42,845
PREPAID EXPENSES	155,053
	<hr/>
TOTAL CURRENT ASSETS	2,285,459
	<hr/>
CURRENT ASSETS	
CASH RESTRICTED FOR DEBT RETIREMENT	4,605
	<hr/>
CAPITAL ASSETS	
LAND	540,000
WATER SHARES AND RIGHTS	2,720,245
PROPERTY AND EQUIPMENT	2,105,028
DAMS	1,044,806
ACCUMULATED DEPRECIATION	(1,350,953)
	<hr/>
CAPITAL ASSETS NET OF DEPRECIATION	5,059,126
	<hr/>
TOTAL ASSETS	\$ 7,349,190
	<hr/> <hr/>
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	\$ 35,597
ACCRUED EXPENSES	7,876
DUE TO GENERAL FUND	1,634
UNEARNED REVENUES - CURRENT	191,500
NOTE PAYABLE - CURRENT	19,542
	<hr/>
TOTAL CURRENT LIABILITIES	256,149
	<hr/>
TERM LIABILITIES	
NOTE PAYABLE	864,128
	<hr/>
TOTAL TERM LIABILITIES	864,128
	<hr/>
TOTAL LIABILITIES	1,120,277
	<hr/>
NET POSITION	
NET INVESTMENT IN CAPITAL ASSETS	4,175,456
RESTRICTED FOR DEBT SERVICE	4,605
UNRESTRICTED	2,048,852
	<hr/>
TOTAL NET POSITION	6,228,913
	<hr/>
TOTAL LIABILITIES AND NET POSITION	\$ 7,349,190
	<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2018

REVENUES		
SALE OF WATER	\$	479,070
WELL PERMITS		9,790
MAINTENANCE FEES		709,207
APPLICATION FEES		17,161
STORAGE FEES		18,338
OWNERSHIP TRANSFER FEES		5,163
FUNDED WATER STUDIES REIMBURSEMENTS		6,000
		<hr/>
TOTAL REVENUES		1,244,729
		<hr/>
OPERATING EXPENSES		
DEPRECIATION		129,769
INSURANCE - HEALTH		25,303
LEGAL AND PROFESSIONAL		47,117
REPAIRS AND MAINTENANCE		8,295
PENSION		19,534
SALARIES AND WAGES		254,014
PAYROLL TAXES		20,149
SUPPLIES		12,108
WATER STORAGE FEES & PURCHASE		166,236
FUNDED WATER STUDIES		55,268
EDUCATION EXPENSE		52,296
SPECIAL USE FEES		20,990
WATER APPLICATIONS AND ASSESSMENTS		3,800
WELL PERMITS		11,700
ENGINEERING		66,509
OTHER		234
		<hr/>
TOTAL OPERATING EXPENSES		893,322
		<hr/>
OPERATING INCOME		351,407
NONOPERATING REVENUES (EXPENSES)		
INTEREST EXPENSE		(27,079)
REIMBURSEMENT FOR SERVICES		147,769
WATER CONSERVATION SERVICES		(146,515)
RENTAL INCOME		25,775
INTEREST INCOME		2,458
		<hr/>
CHANGE IN NET POSITION		353,815
NET POSITION JANUARY 1		5,875,098
		<hr/>
NET POSITION DECEMBER 31	\$	6,228,913
		<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
CASH RECEIVED FROM CUSTOMERS	\$ 1,244,729
CASH PAYMENTS TO SUPPLIERS OF GOODS OR SERVICES	(406,485)
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(319,000)
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	519,244
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
RENTS RECEIVED	39,334
ADVANCES TO GENERAL FUND	502
CASH RECEIVED FROM REIMBURSEMENTS	165,680
CASH PAYMENTS FOR WATER CONSERVATION SERVICES	(164,426)
	<hr/>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	41,090
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
ACQUISITION OF CAPITAL ASSETS	(39,283)
LOAN PAYMENTS	(18,972)
INTEREST PAID	(27,079)
	<hr/>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(85,334)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
INTEREST ON INVESTMENTS	2,458
	<hr/>
NET CHANGE IN CASH AND RESTRICTED CASH	477,458
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	1,612,691
	<hr/>
CASH AND RESTRICTED CASH - END OF YEAR	\$ 2,090,149
	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
OPERATING INCOME	\$ 351,407
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
DEPRECIATION	129,769
CHANGE IN ASSETS AND LIABILITIES	
WATER INVENTORY	17,602
PREPAID EXPENSES	(3,795)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	24,261
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 519,244
	<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Upper Arkansas Water Conservancy District (the "District") was formed pursuant to Colorado Revised Statutes in 1979. The District designates a thirteen-member Board of Directors to act as the governing authority. The accounting policies of the Upper Arkansas Water Conservancy District conform to generally accepted accounting principles as applicable to governments. The District's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. A summary of significant policies is as follows:

Financial Reporting Entity

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has the following major funds:

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

Proprietary Fund – The Water Activity Enterprise Fund operation is composed of water and water share sales and leasing activities. It accounts for transactions that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through charges. The fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with the fund’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets and Budgetary Accounting

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

- Public hearings are held to obtain taxpayer comment.
- Prior to December 31, the budget is adopted by formal resolution.
- Revisions that alter the total expenditures of any fund generally must be approved by the Board of Directors.
- Appropriations lapse at year end and any open purchase items must be re-appropriated in the following year.
- Expenditures may not legally exceed appropriations at the fund level.

Encumbrances

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash in the proprietary fund represents cash set aside for debt retirement per the loan covenant.

Receivables/Payables

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

Water Inventory

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

Capital Assets

Capital assets, which include water rights, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The monetary threshold for capitalization of assets is \$5,000.

The estimated useful lives for depreciation are as follows:

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

Property Tax Revenues Recognition

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied November 15 and are due and payable in full by April 30 or in two equal installments due February 28 and June 15 of the ensuing year to the County Treasurers.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water Leases

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

Water Shares and Rights

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

Long – Term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Deferred revenue – property tax, represents unavailable revenues that are deferred and recognized in the period that the amounts become available.

Net Position / Fund Position

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

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

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

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

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

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

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

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

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

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

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position / Fund Position (Continued)

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

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

Restricted Fund Balance

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

The net position of the proprietary fund has been restricted for cash that is held in a restricted account. The Colorado Water Conservation Board per the loan covenant requires the District to establish, maintain and deposit an amount equal to 1/10th of the annual payment into a debt reserve fund for a period of ten years.

Advertising

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

Estimates

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

NOTE 2 - CASH AND TEMPORARY CASH INVESTMENTS

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

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

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

Deposits as of December 31, 2018, had a bank balance of \$2,318,779 with a corresponding carrying balance as follows:

Insured Deposits	\$ 442,183
Covered by Public Deposit Protection Act	<u>1,853,062</u>
	<u>\$ 2,295,245</u>
Cash is reported as follows:	
Cash and Cash Equivalents	\$ 2,290,640
Cash Restricted for Debt Retirement	<u>4,605</u>
Total Cash Reported	<u>\$ 2,295,245</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH AND TEMPORARY CASH INVESTMENTS (Continued)

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

NOTE 3 – PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUES

Taxes receivable represents 2018 property tax assessments, which are due in 2019. Deferred revenue in the same amount has also been recognized.

NOTE 4 – CAPITAL ASSETS

Governmental Activities – Capital Assets Being Depreciated:

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

Business-Type Activities – Capital Assets Not Being Depreciated:

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

Business-Type Activities – Capital Assets Being Depreciated:

Buildings & Other	1,115,414	-	-	1,115,414
Dams	1,044,806	-	-	1,044,806
Furniture & Equipment	<u>950,331</u>	<u>39,283</u>	<u>-</u>	<u>989,614</u>
Total	<u>3,110,551</u>	<u>39,283</u>	<u>-</u>	<u>3,149,834</u>

Less Accumulated Depreciation

Buildings & Other	(380,341)	(21,805)	-	(402,146)
Dams	(209,088)	(20,896)	-	(229,984)
Furniture & Equipment	<u>(631,755)</u>	<u>(87,068)</u>	<u>-</u>	<u>(718,823)</u>
Total	<u>(1,221,184)</u>	<u>(129,769)</u>	<u>-</u>	<u>(1,350,953)</u>

Business-Type Activities Capital Assets - Net	<u>\$ 5,149,612</u>	<u>\$ (90,486)</u>	<u>\$ -</u>	<u>\$ 5,059,126</u>
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NOTE 5 - UNEARNED REVENUE

The District in its Water Activity Enterprise Fund collected fees in the amount of \$191,500 that is for future years rent, fees, applications and future projects which the full amount is accounted for as unearned revenues – current.

NOTE 6 - PENSION PLANS

The District entered into a pension plan under I.R.C. Sec. 457, otherwise referred to as a deferred compensation plan, whereby the District will match contributions up to 8% of the employee's wages. Contributions to the plan in 2018 were \$31,534.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – TERM LIABILITIES

On February 1, 2005, the Water Activity Enterprise Fund entered into a loan contract with the Colorado Water Conservation Board. The loan amount may be up to \$3,009,800. The terms call for reimbursement of project costs up to a maximum of \$2,980,000 over the life of the project estimated at seven years with a loan fee of 1%. Upon completion, the loan terms will be 3% per annum for thirty years with annual payments due beginning one year from completion. As of December 31, 2018, \$902,642 of costs incurred had been requested and reimbursed.

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

Business-Type Activities:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Current</u>
Unearned Revenues – See Note 5	\$ 177,941	\$ 13,559	\$ -	\$ 191,500	\$ 191,500
Note Payable	<u>902,642</u>	<u>-</u>	<u>(18,972)</u>	<u>883,670</u>	<u>19,542</u>
	<u>\$ 1,080,583</u>	<u>\$ 13,559</u>	<u>\$ (18,972)</u>	<u>\$ 1,075,170</u>	<u>\$ 211,042</u>

Accrued interest and fees payable on the note payable as of December 31, 2018 is \$6,751 and interest expensed is \$27,079.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 19,542	\$ 26,510	\$ 46,052
2020	20,128	25,924	46,052
2021	20,732	25,320	46,052
2022	21,354	24,698	46,052
2023	21,995	24,057	46,052
2024-2028	120,277	109,984	230,261
2029-2033	139,433	90,828	230,261
2034-2038	161,642	68,619	230,261
2039-2043	187,387	42,874	230,261
2044-2048	<u>171,180</u>	<u>13,028</u>	<u>184,208</u>
	<u>\$ 883,670</u>	<u>\$ 451,842</u>	<u>\$ 1,335,512</u>

In connection with the above notes payable, the District is subject to various covenants. As of December 31, 2018, the District was in compliance with all covenants and maintained a debt service reserve account of \$4,605 that is accounted for in the Water Activity Enterprise Fund as Cash Restricted for Debt Retirement.

NOTE 8 - AMENDMENT ONE

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

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

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

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

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - AMENDMENT ONE (Continued)

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

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

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

NOTE 9– INTER-FUND RECEIVABLES AND PAYABLES

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

Interfund receivables and payables at December 31, 2018 are as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Water Activity Enterprise	General	<u>\$ 1,634</u>

NOTE 10– COMMITMENTS AND CONTINGENT LIABILITIES

Board of Water Works of Pueblo, Colorado

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

Town of Poncha Springs, Colorado

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

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

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

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

Town of Buena Vista, Colorado - Cottonwood Lake

The District entered into an agreement regarding Cottonwood Lake with the Town of Buena Vista which the District and the Town of Buena Vista desire to work together to 1.) determine how much water in addition to the current 50 acre-feet could feasibly be stored and released from Cottonwood Lake; 2.) attempt to procure either a renewal of the current special use permit for Cottonwood Lake or a new special use permit, that allows for the storage and release of an amount of water that is equal to or greater than 50 acre-feet; and 3.) develop a framework for management of Cottonwood Lake.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10– COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Town of Buena Vista, Colorado – Cottonwood Lake (Continued)

The District and the Town of Buena Vista shall split the cost of certain capital improvements and certain other expenses on a pro rata basis that is based on the allocation between them of all available storage space in Cottonwood Lake. Capital expenditures necessary to repair conditions that were identified to the existing dam and will be required as a dam safety requirement shall be paid by the District.

Upon issuance of a special use permit for Cottonwood Lake that allows for “Additional Usable Space” in the amount of 10 acre-feet or more and the completion of the necessary improvements to make such space operational, the agreement shall terminate and the Town of Buena Vista may use the additional usable space for its operations as provided in the contract agreement.

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

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

GENERAL FUND

YEAR ENDED DECEMBER 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
TAXES	\$ 528,304	\$ 528,304	\$ 527,673	\$ (631)
MISCELLANEOUS	700	700	2,058	1,358
TOTAL REVENUES	529,004	529,004	529,731	727
EXPENDITURES				
GENERAL GOVERNMENT	730,004	730,004	551,939	178,065
REVENUES OVER (UNDER) EXPENDITURE	(201,000)	(201,000)	(22,208)	178,792
FUND BALANCE JANUARY 1	230,218	230,218	230,218	-
FUND BALANCE DECEMBER 31	\$ 29,218	\$ 29,218	\$ 208,010	\$ 178,792

OTHER SUPPLEMENTARY INFORMATION

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CASH	\$ 205,096	\$ 234,839
TAXES RECEIVABLE	468,335	467,250
DUE FROM WATER ACTIVITY ENTERPRISE	1,634	1,132
	<u>675,065</u>	<u>703,221</u>
TOTAL ASSETS	<u>\$ 675,065</u>	<u>\$ 703,221</u>
LIABILITIES		
ACCOUNTS PAYABLE	\$ 4,269	\$ 12,962
DEFERRED INFLOWS OF RESOURCES		
DEFERRED REVENUES - PROPERTY TAXES	462,786	460,041
FUND BALANCE		
RESTRICTED FOR EMERGENCIES - TABOR	16,500	14,500
UNASSIGNED	191,510	215,718
	<u>208,010</u>	<u>230,218</u>
TOTAL FUND BALANCE	<u>208,010</u>	<u>230,218</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 675,065</u>	<u>\$ 703,221</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES		
REAL PROPERTY TAXES	\$ 458,252	\$ 445,923
SPECIFIC OWNERSHIP	69,421	68,706
INTEREST ON SAVINGS	107	383
OTHER	1,951	596
TOTAL REVENUES	<u>529,731</u>	<u>515,608</u>
EXPENDITURES		
GENERAL GOVERNMENT		
ADVERTISING	5,751	4,574
AUTO	7,695	1,837
DUES AND SUBSCRIPTIONS	4,761	8,798
INSURANCE	16,114	15,708
HEALTH INSURANCE	25,459	20,890
LEGAL AND PROFESSIONAL	32,518	31,668
ACCOUNTING AND AUDIT	22,741	25,459
MEALS	2,707	3,018
OFFICE	20,766	20,571
PENSION	12,000	9,349
PAYROLL TAXES	15,968	14,015
TELEPHONE	7,599	6,243
TRAVEL	19,407	19,906
UTILITIES	7,092	5,881
REPAIRS AND MAINTENANCE	11,682	7,792
EQUIPMENT RENT	8,212	6,471
SALARIES	183,459	152,003
DIRECTORS FEES	31,200	31,000
TREASURERS FEES	14,661	14,317
ENGINEERING	41,062	37,480
EDUCATION	13,619	9,165
IT SERVICES	41,698	39,942
CAPITAL OUTLAY	5,768	-
TOTAL EXPENDITURES	<u>551,939</u>	<u>486,087</u>
REVENUES OVER EXPENDITURES	(22,208)	29,521
FUND BALANCE JANUARY 1	<u>230,218</u>	<u>200,697</u>
FUND BALANCE DECEMBER 31	<u>\$ 208,010</u>	<u>\$ 230,218</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

WATER ACTIVITY ENTERPRISE FUND

DECEMBER 31, 2018 AND 2017

	2018	2017
CURRENT ASSETS		
CASH & CASH EQUIVALENTS	\$ 2,085,544	\$ 1,612,691
ACCOUNTS RECEIVABLE	2,017	2,017
REIMBURSEMENT RECEIVABLE	-	17,911
WATER INVENTORY	42,845	60,447
PREPAID EXPENSES	155,053	151,258
TOTAL CURRENT ASSETS	<u>2,285,459</u>	<u>1,844,324</u>
RESTRICTED ASSETS		
CASH RESTRICTED FOR DEBT RETIREMENT	4,605	-
CAPITAL ASSETS		
LAND	540,000	540,000
WATER SHARES AND RIGHTS	2,720,245	2,720,245
PROPERTY AND EQUIPMENT	2,105,028	2,065,745
DAMS	1,044,806	1,044,806
ACCUMULATED DEPRECIATION	(1,350,953)	(1,221,184)
CAPITAL ASSETS NET OF DEPRECIATION	<u>5,059,126</u>	<u>5,149,612</u>
TOTAL ASSETS	<u>\$ 7,349,190</u>	<u>\$ 6,993,936</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 35,597	\$ 29,247
ACCRUED EXPENSES	7,876	7,876
DUE TO GENERAL FUND	1,634	1,132
UNEARNED REVENUES - CURRENT	191,500	177,941
NOTE PAYABLE - CURRENT	19,542	18,973
TOTAL CURRENT LIABILITIES	<u>256,149</u>	<u>235,169</u>
TERM LIABILITIES		
NOTE PAYABLE	864,128	883,669
TOTAL TERM LIABILITIES	<u>864,128</u>	<u>883,669</u>
TOTAL LIABILITIES	<u>1,120,277</u>	<u>1,118,838</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	4,175,456	4,246,970
RESTRICTED FOR DEBT SERVICE	4,605	-
UNRESTRICTED	2,048,852	1,628,128
TOTAL NET POSITION	<u>6,228,913</u>	<u>5,875,098</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,349,190</u>	<u>\$ 6,993,936</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
SALE OF WATER	\$ 479,070	\$ 400,973
WELL PERMITS	9,790	7,100
MAINTENANCE FEES	709,207	623,778
APPLICATION FEES	17,161	12,768
STORAGE FEES	18,338	12,307
OWNERSHIP TRANSFER FEES	5,163	3,325
FUNDED WATER STUDIES REIMBURSEMENTS	6,000	15,139
TOTAL OPERATING REVENUES	1,244,729	1,075,390
OPERATING EXPENSES		
DEPRECIATION	129,769	126,455
INSURANCE - HEALTH	25,303	31,919
LEGAL AND PROFESSIONAL	47,117	33,925
REPAIRS AND MAINTENANCE	8,295	2,680
PENSION	19,534	18,792
SALARIES AND WAGES	254,014	234,952
PAYROLL TAXES	20,149	18,519
SUPPLIES	12,108	3,125
WATER STORAGE FEES & PURCHASE	166,236	175,549
FUNDED WATER STUDIES	55,268	6,002
EDUCATION EXPENSE	52,296	24,760
SPECIAL USE FEES	20,990	20,659
WATER APPLICATIONS & ASSESSMENTS	3,800	3,800
WELL PERMITS	11,700	6,900
ENGINEERING	66,509	55,090
OTHER	234	250
TOTAL OPERATING EXPENSES	893,322	763,377
OPERATING INCOME	351,407	312,013
NONOPERATING REVENUES (EXPENSES)		
INTEREST EXPENSE	(27,079)	(26,805)
REIMBURSEMENT FOR SERVICES	147,769	153,305
WATER CONSERVATION SERVICES	(146,515)	(152,105)
RENTAL INCOME	25,775	26,950
INTEREST INCOME	2,458	1,912
TOTAL NONOPERATING REVENUES (EXPENSES)	2,408	3,257
CHANGE IN NET POSITION	353,815	315,270
NET POSITION JANUARY 1	5,875,098	5,559,828
NET POSITION DECEMBER 31	\$ 6,228,913	\$ 5,875,098

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH RECEIVED FROM CUSTOMERS	\$ 1,244,729	\$ 1,076,203
CASH PAYMENTS TO OTHER SUPPLIERS OF GOODS OR SERVICES	(406,485)	(298,937)
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(319,000)	(304,182)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>519,244</u>	<u>473,084</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
RENTS RECEIVED	39,334	47,851
ADVANCES FROM (TO) GENERAL FUND	502	93
CASH RECEIVED FROM REIMBURSEMENTS	165,680	188,169
CASH PAYMENTS FOR WATER CONSERVATION SERVICES	(164,426)	(140,768)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>41,090</u>	<u>95,345</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
ACQUISITION OF CAPITAL ASSETS	(39,283)	(13,634)
LOAN PAYMENTS	(18,972)	-
INTEREST PAID	(27,079)	(123,647)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(85,334)</u>	<u>(137,281)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST ON INVESTMENTS	2,458	1,912
NET CHANGE IN CASH AND RESTRICTED CASH	477,458	433,060
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	<u>1,612,691</u>	<u>1,179,631</u>
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 2,090,149</u>	<u>\$ 1,612,691</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 351,407	\$ 312,013
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
DEPRECIATION	129,769	126,455
CHANGE IN ASSETS AND LIABILITIES		
ACCOUNTS RECEIVABLE	-	813
WATER INVENTORY	17,602	24,780
PREPAID EXPENSES	(3,795)	(5,920)
ACCOUNTS PAYABLE	24,261	6,006
ACCRUED EXPENSES	-	8,937
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 519,244</u>	<u>\$ 473,084</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

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

WATER ACTIVITY ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
SALE OF WATER	\$ 282,500	\$ 282,500	\$ 479,070	\$ 196,570
WELL PERMITS	5,000	5,000	9,790	4,790
MAINTENANCE FEES	769,815	769,815	709,207	(60,608)
APPLICATION FEES	6,000	6,000	17,161	11,161
STORAGE FEES	14,000	14,000	18,338	4,338
OWNERSHIP TRANSFER FEES	2,000	2,000	5,163	3,163
FUNDED WATER STUDIES REIMBURSEMENTS	136,610	136,610	6,000	(130,610)
WATER EDUCATION	5,000	5,000	-	(5,000)
RENTAL INCOME	17,500	17,500	25,775	8,275
REIMBURSEMENT FOR SERVICES	307,872	307,872	147,769	(160,103)
MISCELLANEOUS	2,000	2,000	2,458	458
TOTAL REVENUES	1,548,297	1,548,297	1,420,731	(127,566)
EXPENDITURES				
CAPITAL OUTLAY	1,628,984	1,628,984	39,283	1,589,701
INTEREST	27,079	27,079	27,079	-
LEGAL AND PROFESSIONAL	115,000	115,000	47,117	67,883
REPAIRS AND MAINTENANCE	10,000	10,000	8,295	1,705
PENSION	20,088	20,088	19,534	554
SALARIES AND WAGES	331,097	331,097	254,014	77,083
PAYROLL TAXES AND BENEFITS	53,717	53,717	45,452	8,265
SUPPLIES	20,000	20,000	12,108	7,892
WATER STORAGE FEES & PURCHASE	77,560	77,560	166,236	(88,676)
FUNDED WATER STUDIES	177,999	177,999	55,268	122,731
EDUCATION EXPENSE	25,000	25,000	52,296	(27,296)
SPECIAL USE FEES	-	-	20,990	(20,990)
WATER APPLICATIONS & ASSESSMENTS	-	-	3,800	(3,800)
WELL PERMITS	5,000	5,000	11,700	(6,700)
ENGINEERING	200,000	200,000	66,509	133,491
DEPRECIATION AND AMORTIZATION	127,000	127,000	129,769	(2,769)
WATER CONSERVATION SERVICES	10,000	10,000	146,515	(136,515)
DEBT SERVICE	18,973	18,973	18,973	-
OTHER	800	800	234	566
TOTAL EXPENDITURES	2,848,297	2,848,297	1,125,172	1,723,125
REVENUE OVER (UNDER) EXPENDITURES	\$ (1,300,000)	\$ (1,300,000)	295,559	\$ 1,595,559
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
CAPITAL ASSET PURCHASES			39,283	
DEBT SERVICE			18,973	
CHANGE IN NET POSITION			353,815	
NET POSITION JANUARY 1			5,875,098	
NET POSITION DECEMBER 31			\$ 6,228,913	