

UPPER ARKANSAS WATER
CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, 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, 2019, 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.

Hancock Froese & Company LLC

HANCOCK FROESE & COMPANY LLC

June 30, 2020

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, 2019. 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 \$6,731,547 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 2019 and 2018:

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

Statement of Net Position - 2019

	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets	\$ 737,265	\$ 2,564,870	\$ 3,302,135
Restricted Assets	-	9,210	9,210
Capital Assets and Other Assets	-	4,928,713	4,928,713
TOTAL ASSETS	\$ 737,265	\$ 7,502,793	\$ 8,240,058
LIABILITIES:			
Current Liabilities	\$ 7,252	\$ 180,197	\$ 187,449
Non-Current Liabilities	-	843,999	843,999
Total Liabilities	7,252	1,024,196	1,031,448
DEFERRED INFLOWS OF RESOURCES:			
Deferred Revenues – Property Taxes	477,063	-	477,063
NET POSITION:			
Net Investment in Capital Assets	-	4,064,586	4,064,586
Restricted	14,700	9,210	23,910
Unrestricted	238,250	2,404,801	2,643,051
Total Net Position	252,950	6,478,597	6,731,547
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 737,265	\$ 7,502,793	\$ 8,240,058

Statement of Net Position - 2018

	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets	\$ 675,065	\$ 2,283,825	\$ 2,958,890
Restrict 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

The total net position of the District exceeded its liabilities by \$6,731,547. Of this amount \$2,643,051 (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 \$294,624 during the current year. The net position of our governmental activities increased by \$44,940 and net position of our business-type activity increased by \$249,684.
- As of the close of the current year, the District's governmental fund reported combined ending fund balance of \$252,950, an increase of \$44,940 in comparison with the prior year fund balance of \$208,010.
- At the end of the current year, unassigned fund balance for the governmental fund was \$238,250 or 48 percent of total general fund expenditures of \$492,405.

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 2019 and 2018:

2019	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	\$ 492,405	\$ -	\$ -	\$ -	\$ (492,405)	\$ -	\$(492,405)
TOTAL BUSINESS-TYPE ACTIVITIES	1,133,568	1,266,141	51,950	-	-	184,523	184,523
TOTAL PRIMARY GOVERNMENT	<u>\$1,625,973</u>	<u>\$1,266,141</u>	<u>\$ 51,950</u>	<u>\$ -</u>	(492,405)	184,523	(307,882)
GENERAL REVENUES							
TAXES					536,424	-	536,424
INTEREST, RENT AND OTHER					921	65,161	66,082
TOTAL GENERAL REVENUES					<u>537,345</u>	<u>65,161</u>	<u>602,506</u>
CHANGE IN NET POSITION					44,940	249,684	294,624
NET POSITION - BEGINNING					<u>208,010</u>	<u>6,228,913</u>	<u>6,436,923</u>
NET POSITION - ENDING					<u>\$ 252,950</u>	<u>\$6,478,597</u>	<u>\$6,731,547</u>

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>

The change in net position for the governmental activity was an increase of \$44,940 for the year ended December 31, 2019.

The change in net position for the business-type activity was an increase of \$249,684 for the year ended December 31, 2019.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

REVIEW OF REVENUES AND EXPENSES VS BUDGETARY COMPARISON - GENERAL FUND

Year Ended December 31, 2019:

	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 532,189	\$ 537,345
Total Expenditures	719,189	492,405
Revenues over Expenditures	(187,000)	44,940
Fund Balance January 1	208,010	208,010
Fund Balance December 31	<u>\$ 21,010</u>	<u>\$ 252,950</u>

Year Ended December 31, 2018:

	<u>Final Budget</u>	<u>Actual</u>
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	<u>\$ 29,218</u>	<u>\$ 208,010</u>

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

<i>Revenues: 2019</i>	<u>Final Budget</u>	<u>Actual</u>
Water Sales & Maintenance Fees	\$ 1,175,378	\$ 1,028,948
Well Permits & Application Fees	20,000	65,064
Grants, Loans and Miscellaneous	608,904	224,079
Interest & Rental	27,500	65,161
Total Revenues	<u>\$ 1,831,782</u>	<u>\$ 1,383,252</u>

<i>Revenues: 2018</i>	<u>Final Budget</u>	<u>Actual</u>
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	<u>\$ 1,548,297</u>	<u>\$ 1,420,731</u>

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

Expenditures: 2019	<u>Final Budget</u>	<u>Actual</u>
Capital Outlay	\$ 2,323,846	\$ -
Professional Fees	85,000	93,698
General & Administrative	511,249	464,996
Water Related Expenditure	865,635	548,364
Interest & Debt Retirement	46,052	46,052
Total Expenditures	<u>3,831,782</u>	<u>1,153,110</u>
Revenues over/under expenditures	(2,000,000)	230,142
Adjustments from budgetary to GAAP basis	<u>2,343,388</u>	<u>19,542</u>
Net change in net position	<u>\$ 343,388</u>	<u>\$ 249,684</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

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	<u>2,848,297</u>	<u>1,125,172</u>
Revenues over/under expenditures	(1,300,000)	295,559
Adjustments from budgetary to GAAP basis	<u>1,647,957</u>	<u>58,256</u>
Net change in net position	<u>\$ 347,957</u>	<u>\$ 353,815</u>

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. The District continues to improve the reliability and accuracy of the existing stations by improving the technical equipment, better rating of stream sections or relocation of equipment to a more reliable section as well as adding new locations within the Upper Arkansas Basin and its tributaries.

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.

The District gages and the CoAgMet sites' information is utilized to assist in obtaining more accurate evaluation of the potential impacts from changes of water rights. The District's hydrology personnel maintain these stations and verify 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. Most recently augmentation for water delivered from well #3 to the Town's municipal delivery system has been added. This has helped move demands for the Town to the Arkansas River for outside irrigation of parks and recreational areas and to supplement residential demands at a greatly reduced cost and 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. Additional work was added to this study in late 2019 to strengthen the database of this study. The need for further phases will be identified upon completion of this phase. Work on this Phase 2 continued in 2019 with completion of the study and a final report due by the Fall of 2020.

Regional Resource Planning Group Projects

In 2019 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 \$2,800 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. In 2019 the District filed for a change of this water right. 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 2019 we continued this work by engaging the Department of Corrections for utilization of some of their land for construction of infiltration fields, establishment of an easement and construction of the pipeline in the 2020-2021 time period.

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.

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 the end of 2019, the outstanding loan principal balance was \$864,127.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

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. 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. 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. Work on this case continued through 2019.

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. Through 2019 work has continued with these entities.

Contacting the District' Financial Management

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

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

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

BASIC FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2019

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
CASH EQUIVALENTS	\$ 203,196	\$ 686,279	\$ 889,475
INVESTMENTS	51,127	1,636,003	1,687,130
RECEIVABLES - NET			
ACCOUNTS	-	2,505	2,505
TAXES	482,942	-	482,942
REIMBURSEMENT	-	48,182	48,182
WATER INVENTORY	-	48,688	48,688
PREPAID EXPENSES	-	143,213	143,213
	<u>737,265</u>	<u>2,564,870</u>	<u>3,302,135</u>
RESTRICTED ASSETS			
CASH RESTRICTED FOR DEBT RETIREMENT	-	9,210	9,210
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)	(1,481,366)	(1,522,286)
CAPITAL ASSETS NET OF DEPRECIATION	-	4,928,713	4,928,713
TOTAL ASSETS	<u>\$ 737,265</u>	<u>\$ 7,502,793</u>	<u>\$ 8,240,058</u>
LIABILITIES			
ACCOUNTS PAYABLE	\$ 7,252	\$ 33,934	\$ 41,186
ACCRUED EXPENSES	-	7,876	7,876
UNEARNED REVENUES - CURRENT	-	118,259	118,259
NOTE PAYABLE - CURRENT	-	20,128	20,128
NONCURRENT LIABILITIES			
DUE IN MORE THAN ONE YEAR	-	843,999	843,999
TOTAL LIABILITIES	<u>7,252</u>	<u>1,024,196</u>	<u>1,031,448</u>
DEFERRED INFLOWS OF RESOURCES			
DEFERRED REVENUES - PROPERTY TAXES	477,063	-	477,063
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	-	4,064,586	4,064,586
RESTRICTED FOR			
EMERGENCIES - TABOR	14,700	-	14,700
DEBT SERVICE	-	9,210	9,210
UNRESTRICTED	<u>238,250</u>	<u>2,404,801</u>	<u>2,643,051</u>
TOTAL NET POSITION	<u>252,950</u>	<u>6,478,597</u>	<u>6,731,547</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 737,265</u>	<u>\$ 7,502,793</u>	<u>\$ 8,240,058</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF ACTIVITIES

DECEMBER 31, 2019

	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
FUNCTIONS				
GOVERNMENTAL ACTIVITIES				
GENERAL GOVERNMENT	\$ 492,405	\$ -	\$ -	\$ -
BUSINESS-TYPE ACTIVITIES				
WATER CONSERVATION	1,133,568	1,266,141	51,950	-
TOTAL PRIMARY GOVERNMENT	\$ 1,625,973	\$ 1,266,141	\$ 51,950	\$ -

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
\$ (492,405)	\$ -	\$ (492,405)
-	184,523	184,523
(492,405)	184,523	(307,882)
463,878	-	463,878
72,546	-	72,546
403	36,936	37,339
-	28,225	28,225
518	-	518
537,345	65,161	602,506
44,940	249,684	294,624
208,010	6,228,913	6,436,923
\$ 252,950	\$ 6,478,597	\$ 6,731,547

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2019

ASSETS	
CASH	\$ 203,196
INVESTMENTS	51,127
TAXES RECEIVABLE	482,942
	<hr/>
TOTAL ASSETS	\$ 737,265
	<hr/> <hr/>
LIABILITIES	
ACCOUNTS PAYABLE	\$ 7,252
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
DEFERRED REVENUES - PROPERTY TAXES	477,063
	<hr/>
FUND BALANCE	.
RESTRICTED FOR EMERGENCIES - TABOR	14,700
UNASSIGNED	238,250
	<hr/>
TOTAL FUND BALANCE	252,950
	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 737,265
	<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2019

REVENUES	
REAL PROPERTY TAXES	\$ 463,878
SPECIFIC OWNERSHIP	72,546
INTEREST ON SAVINGS	403
OTHER	518
	<hr/>
TOTAL REVENUES	537,345
	<hr/>
EXPENDITURES	
GENERAL GOVERNMENT	
ADVERTISING	7,827
AUTO	4,862
DUES AND SUBSCRIPTIONS	4,839
INSURANCE	16,366
HEALTH INSURANCE	32,363
LEGAL AND PROFESSIONAL	33,006
ACCOUNTING AND AUDIT	21,058
MEALS	5,647
OFFICE	14,529
PENSION	11,098
PAYROLL TAXES	15,206
TELEPHONE	7,234
TRAVEL	18,420
UTILITIES	7,102
REPAIRS AND MAINTENANCE	9,146
EQUIPMENT RENT	8,007
SALARIES	168,647
DIRECTORS FEES	31,200
TREASURERS FEES	14,830
ENGINEERING	17,596
EDUCATION	6,638
IT SERVICES	36,784
CAPITAL OUTLAY	-
	<hr/>
TOTAL EXPENDITURES	492,405
	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	44,940
	<hr/>
FUND BALANCE JANUARY 1	208,010
	<hr/>
FUND BALANCE DECEMBER 31	\$ 252,950
	<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

DECEMBER 31, 2019

CURRENT ASSETS	
CASH & CASH EQUIVALENTS	\$ 686,279
INVESTMENTS	1,636,003
ACCOUNTS RECEIVABLE	2,505
REIMBURSEMENT RECEIVABLE	48,182
WATER INVENTORY	48,688
PREPAID EXPENSES	143,213
	<hr/>
TOTAL CURRENT ASSETS	2,564,870
	<hr/>
CURRENT ASSETS	
CASH RESTRICTED FOR DEBT RETIREMENT	9,210
	<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	(1,481,366)
	<hr/>
CAPITAL ASSETS NET OF DEPRECIATION	4,928,713
	<hr/>
TOTAL ASSETS	\$ 7,502,793
	<hr/> <hr/>
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	\$ 33,934
ACCRUED EXPENSES	7,876
UNEARNED REVENUES - CURRENT	118,259
NOTE PAYABLE - CURRENT	20,128
	<hr/>
TOTAL CURRENT LIABILITIES	180,197
	<hr/>
TERM LIABILITIES	
NOTE PAYABLE	843,999
	<hr/>
TOTAL TERM LIABILITIES	843,999
	<hr/>
TOTAL LIABILITIES	1,024,196
	<hr/>
NET POSITION	
NET INVESTMENT IN CAPITAL ASSETS	4,064,586
RESTRICTED FOR DEBT SERVICE	9,210
UNRESTRICTED	2,404,801
	<hr/>
TOTAL NET POSITION	6,478,597
	<hr/>
TOTAL LIABILITIES AND NET POSITION	\$ 7,502,793
	<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, 2019

REVENUES		
SALE OF WATER	\$	356,932
WELL PERMITS		12,500
MAINTENANCE FEES		672,016
APPLICATION FEES		52,564
STORAGE FEES		13,260
OWNERSHIP TRANSFER FEES		4,020
FUNDED WATER STUDIES REIMBURSEMENTS		154,849
		<hr/>
TOTAL REVENUES		1,266,141
		<hr/>
OPERATING EXPENSES		
DEPRECIATION		130,413
INSURANCE - HEALTH		25,395
LEGAL AND PROFESSIONAL		93,698
REPAIRS AND MAINTENANCE		8,439
PENSION		20,030
SALARIES AND WAGES		253,928
PAYROLL TAXES		20,058
SUPPLIES		5,644
WATER STORAGE FEES & PURCHASE		152,826
FUNDED WATER STUDIES		151,181
EDUCATION EXPENSE		28,969
SPECIAL USE FEES		21,514
WATER APPLICATIONS AND ASSESSMENTS		3,750
WELL PERMITS		13,100
ENGINEERING		125,074
OTHER		1,089
		<hr/>
TOTAL OPERATING EXPENSES		1,055,108
		<hr/>
OPERATING INCOME		211,033
NONOPERATING REVENUES (EXPENSES)		
INTEREST EXPENSE		(26,510)
REIMBURSEMENT FOR SERVICES		51,950
WATER CONSERVATION SERVICES		(51,950)
RENTAL INCOME		28,225
INTEREST INCOME		36,936
		<hr/>
CHANGE IN NET POSITION		249,684
NET POSITION JANUARY 1		6,228,913
		<hr/>
NET POSITION DECEMBER 31	\$	6,478,597
		<hr/> <hr/>

SEE NOTES TO FINANCIAL STATEMENTS

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
CASH RECEIVED FROM CUSTOMERS	\$ 1,171,952
CASH PAYMENTS TO SUPPLIERS OF GOODS OR SERVICES	(600,950)
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(319,411)
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	251,591
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
RENTS RECEIVED	28,225
ADVANCES TO GENERAL FUND	(1,634)
CASH RECEIVED FROM REIMBURSEMENTS	24,228
CASH PAYMENTS FOR WATER CONSERVATION SERVICES	(51,950)
	<hr/>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(1,131)
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
LOAN PAYMENTS	(19,542)
INTEREST PAID	(26,511)
	<hr/>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(46,053)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
INTEREST ON INVESTMENTS	36,936
PURCHASE OF INVESTMENTS	(1,636,003)
	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,599,067)
	<hr/>
NET CHANGE IN CASH AND RESTRICTED CASH	(1,394,660)
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	2,090,149
	<hr/>
CASH AND RESTRICTED CASH - END OF YEAR	\$ 695,489
	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
OPERATING INCOME	\$ 211,033
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
DEPRECIATION	130,413
CHANGE IN ASSETS AND LIABILITIES	
ACCOUNTS AND REIMBURSEMENT RECEIVABLES	(20,948)
WATER INVENTORY	(5,843)
PREPAID EXPENSES	11,840
ACCOUNTS PAYABLE & UNEARNED REVENUES	(74,904)
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 251,591
	<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:

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.

Proprietary Fund:

Water Activity Enterprise 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

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 taxes, 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;

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position / Fund Position (Continued)

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

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, 2019, had a bank balance of \$914,809 with a corresponding carrying balance as follows:

Insured Deposits	\$	443,116
Covered by Public Deposit Protection Act		455,569
		\$ 898,685
Cash is reported as follows:		
Cash and Cash Equivalents	\$	889,475
Cash Restricted for Debt Retirement		9,210
Total Cash Reported	\$	898,685

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.

Investments

At December 31, 2019, the District had the following investments:

	<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
COLO Trust	External Investment Pool	Under 60 Day Avg.	<u>\$ 1,687,130</u>

The carrying amount is reflected in the accompanying financial statements as follows:

Governmental Activities - Investments	\$ 51,127
Business-Type Activities – Investments	<u>1,636,003</u>
	<u>\$ 1,687,130</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and; Level 3 inputs are significant unobservable inputs.

The District has no recurring fair value measurements as of December 31, 2019.

COLOTRUST – Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

NOTE 3 – PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUES

Taxes receivable represents 2019 property tax assessments, which are due in 2020. 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>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS (Continued)

Business-Type Activities – Capital Assets Being Depreciated:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Buildings & Other	1,115,414	-	-	1,115,414
Dams	1,044,806	-	-	1,044,806
Furniture & Equipment	<u>989,614</u>	<u>-</u>	<u>-</u>	<u>989,614</u>
Total	<u>3,149,834</u>	<u>-</u>	<u>-</u>	<u>3,149,834</u>
Less Accumulated Depreciation				
Buildings & Other	(402,146)	(21,804)	-	(423,950)
Dams	(229,984)	(20,896)	-	(250,880)
Furniture & Equipment	<u>(718,823)</u>	<u>(87,713)</u>	<u>-</u>	<u>(806,536)</u>
Total	<u>(1,350,953)</u>	<u>(130,413)</u>	<u>-</u>	<u>(1,481,366)</u>
Business-Type Activities Capital Assets - Net	<u>\$ 5,059,126</u>	<u>\$ (130,413)</u>	<u>\$ -</u>	<u>\$ 4,928,713</u>

NOTE 5 - UNEARNED REVENUE

The District in its Water Activity Enterprise Fund collected fees in the amount of \$118,259 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

Plan Description - 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 all its full-time employee's wages. The District is the trustee of the plan and has the duty of due care that would be required of an ordinary prudent investor, but has no liability for losses under the plan.

Funding Policy - In a deferred compensation plan, the District agrees to pay deferred funds, plus any investment earnings, to eligible employees at a specified time. The plan requires that the District match employee contributions up to 8% of the employees' annual compensation. The District's contributions to the plan in 2019 were \$31,128.

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.

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	\$ 191,500	\$ -	\$ (73,241)	\$ 118,259	\$ 118,259
Note Payable	<u>883,670</u>	<u>-</u>	<u>(19,543)</u>	<u>864,127</u>	<u>20,128</u>
	<u>\$ 1,075,170</u>	<u>\$ -</u>	<u>\$ (92,784)</u>	<u>\$ 982,386</u>	<u>\$ 138,387</u>

Accrued interest and fees payable on the note payable as of December 31, 2019 is \$6,751 and interest expensed is \$26,510.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – TERM LIABILITIES (Continued)

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

	Principal	Interest	Total
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	22,655	23,397	46,052
2025-2029	123,885	106,376	230,261
2030-2034	143,616	86,645	230,261
2035-2039	166,491	63,770	230,261
2040-2044	193,008	37,253	230,261
2045-2047	130,263	7,893	138,156
	\$ 864,127	\$ 425,333	\$ 1,289,460

In connection with the above notes payable, the District is subject to various covenants. As of December 31, 2019, the District was in compliance with all covenants and maintained a debt service reserve account of \$9,210 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.

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.

UPPER ARKANSAS WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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. As of December 31, 2019, the inter-fund receivable and payable was \$0, respectively.

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.

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, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
TAXES	\$ 531,389	\$ 531,389	\$ 536,424	\$ 5,035
MISCELLANEOUS	800	800	921	121
TOTAL REVENUES	532,189	532,189	537,345	5,156
EXPENDITURES				
GENERAL GOVERNMENT	719,189	719,189	492,405	226,784
REVENUES OVER (UNDER) EXPENDITURE	(187,000)	(187,000)	44,940	231,940
FUND BALANCE JANUARY 1	208,010	208,010	208,010	-
FUND BALANCE DECEMBER 31	\$ 21,010	\$ 21,010	\$ 252,950	\$ 231,940

OTHER SUPPLEMENTARY INFORMATION

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CASH	\$ 203,196	\$ 205,096
INVESTMENTS	51,127	-
TAXES RECEIVABLE	482,942	468,335
DUE FROM WATER ACTIVITY ENTERPRISE	-	1,634
	<u>737,265</u>	<u>675,065</u>
TOTAL ASSETS	<u>\$ 737,265</u>	<u>\$ 675,065</u>
LIABILITIES		
ACCOUNTS PAYABLE	\$ 7,252	\$ 4,269
	<u>7,252</u>	<u>4,269</u>
DEFERRED INFLOWS OF RESOURCES		
DEFERRED REVENUES - PROPERTY TAXES	477,063	462,786
	<u>477,063</u>	<u>462,786</u>
FUND BALANCE		
RESTRICTED FOR EMERGENCIES - TABOR	14,700	16,500
UNASSIGNED	238,250	191,510
	<u>252,950</u>	<u>208,010</u>
TOTAL FUND BALANCE	<u>252,950</u>	<u>208,010</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 737,265</u>	<u>\$ 675,065</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUES		
REAL PROPERTY TAXES	\$ 463,878	\$ 458,252
SPECIFIC OWNERSHIP	72,546	69,421
INTEREST ON SAVINGS	403	107
OTHER	518	1,951
TOTAL REVENUES	<u>537,345</u>	<u>529,731</u>
EXPENDITURES		
GENERAL GOVERNMENT		
ADVERTISING	7,827	5,751
AUTO	4,862	7,695
DUES AND SUBSCRIPTIONS	4,839	4,761
INSURANCE	16,366	16,114
HEALTH INSURANCE	32,363	25,459
LEGAL AND PROFESSIONAL	33,006	32,518
ACCOUNTING AND AUDIT	21,058	22,741
MEALS	5,647	2,707
OFFICE	14,529	20,766
PENSION	11,098	12,000
PAYROLL TAXES	15,206	15,968
TELEPHONE	7,234	7,599
TRAVEL	18,420	19,407
UTILITIES	7,102	7,092
REPAIRS AND MAINTENANCE	9,146	11,682
EQUIPMENT RENT	8,007	8,212
SALARIES	168,647	183,459
DIRECTORS FEES	31,200	31,200
TREASURERS FEES	14,830	14,661
ENGINEERING	17,596	41,062
EDUCATION	6,638	13,619
IT SERVICES	36,784	41,698
CAPITAL OUTLAY	-	5,768
TOTAL EXPENDITURES	<u>492,405</u>	<u>551,939</u>
REVENUES OVER (UNDER) EXPENDITURES	44,940	(22,208)
FUND BALANCE JANUARY 1	<u>208,010</u>	<u>230,218</u>
FUND BALANCE DECEMBER 31	<u>\$ 252,950</u>	<u>\$ 208,010</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

WATER ACTIVITY ENTERPRISE FUND

DECEMBER 31, 2019 AND 2018

	2019	2018
CURRENT ASSETS		
CASH & CASH EQUIVALENTS	\$ 686,279	\$ 2,085,544
INVESTMENTS	1,636,003	-
ACCOUNTS RECEIVABLE	2,505	2,017
REIMBURSEMENT RECEIVABLE	48,182	-
WATER INVENTORY	48,688	42,845
PREPAID EXPENSES	143,213	155,053
TOTAL CURRENT ASSETS	<u>2,564,870</u>	<u>2,285,459</u>
RESTRICTED ASSETS		
CASH RESTRICTED FOR DEBT RETIREMENT	9,210	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	2,105,028
DAMS	1,044,806	1,044,806
ACCUMULATED DEPRECIATION	(1,481,366)	(1,350,953)
CAPITAL ASSETS NET OF DEPRECIATION	<u>4,928,713</u>	<u>5,059,126</u>
TOTAL ASSETS	<u>\$ 7,502,793</u>	<u>\$ 7,349,190</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 33,934	\$ 35,597
ACCRUED EXPENSES	7,876	7,876
DUE TO GENERAL FUND	-	1,634
UNEARNED REVENUES - CURRENT	118,259	191,500
NOTE PAYABLE - CURRENT	20,128	19,542
TOTAL CURRENT LIABILITIES	<u>180,197</u>	<u>256,149</u>
TERM LIABILITIES		
NOTE PAYABLE	843,999	864,128
TOTAL TERM LIABILITIES	<u>843,999</u>	<u>864,128</u>
TOTAL LIABILITIES	<u>1,024,196</u>	<u>1,120,277</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	4,064,586	4,175,456
RESTRICTED FOR DEBT SERVICE	9,210	4,605
UNRESTRICTED	2,404,801	2,048,852
TOTAL NET POSITION	<u>6,478,597</u>	<u>6,228,913</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,502,793</u>	<u>\$ 7,349,190</u>

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
SALE OF WATER	\$ 356,932	\$ 479,070
WELL PERMITS	12,500	9,790
MAINTENANCE FEES	672,016	709,207
APPLICATION FEES	52,564	17,161
STORAGE FEES	13,260	18,338
OWNERSHIP TRANSFER FEES	4,020	5,163
FUNDED WATER STUDIES REIMBURSEMENTS	154,849	6,000
TOTAL OPERATING REVENUES	1,266,141	1,244,729
OPERATING EXPENSES		
DEPRECIATION	130,413	129,769
INSURANCE - HEALTH	25,395	25,303
LEGAL AND PROFESSIONAL	93,698	47,117
REPAIRS AND MAINTENANCE	8,439	8,295
PENSION	20,030	19,534
SALARIES AND WAGES	253,928	254,014
PAYROLL TAXES	20,058	20,149
SUPPLIES	5,644	12,108
WATER STORAGE FEES & PURCHASE	152,826	166,236
FUNDED WATER STUDIES	151,181	55,268
EDUCATION EXPENSE	28,969	52,296
SPECIAL USE FEES	21,514	20,990
WATER APPLICATIONS & ASSESSMENTS	3,750	3,800
WELL PERMITS	13,100	11,700
ENGINEERING	125,074	66,509
OTHER	1,089	234
TOTAL OPERATING EXPENSES	1,055,108	893,322
OPERATING INCOME	211,033	351,407
NONOPERATING REVENUES (EXPENSES)		
INTEREST EXPENSE	(26,510)	(27,079)
REIMBURSEMENT FOR SERVICES	51,950	147,769
WATER CONSERVATION SERVICES	(51,950)	(146,515)
RENTAL INCOME	28,225	25,775
INTEREST INCOME	36,936	2,458
TOTAL NONOPERATING REVENUES (EXPENSES)	38,651	2,408
CHANGE IN NET POSITION	249,684	353,815
NET POSITION JANUARY 1	6,228,913	5,875,098
NET POSITION DECEMBER 31	\$ 6,478,597	\$ 6,228,913

UPPER ARKANSAS WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH RECEIVED FROM CUSTOMERS	\$ 1,171,952	\$ 1,244,729
CASH PAYMENTS TO OTHER SUPPLIERS OF GOODS OR SERVICES	(600,950)	(406,485)
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(319,411)	(319,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>251,591</u>	<u>519,244</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
RENTS RECEIVED	28,225	39,334
ADVANCES FROM (TO) GENERAL FUND	(1,634)	502
CASH RECEIVED FROM REIMBURSEMENTS	24,228	165,680
CASH PAYMENTS FOR WATER CONSERVATION SERVICES	(51,950)	(164,426)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,131)</u>	<u>41,090</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
ACQUISITION OF CAPITAL ASSETS	-	(39,283)
LOAN PAYMENTS	(19,542)	(18,972)
INTEREST PAID	(26,511)	(27,079)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(46,053)</u>	<u>(85,334)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST ON INVESTMENTS	36,936	2,458
PURCHASE OF INVESTMENTS	(1,636,003)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,599,067)</u>	<u>2,458</u>
NET CHANGE IN CASH AND RESTRICTED CASH	<u>(1,394,660)</u>	<u>477,458</u>
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	<u>2,090,149</u>	<u>1,612,691</u>
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 695,489</u>	<u>\$ 2,090,149</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 211,033	\$ 351,407
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
DEPRECIATION	130,413	129,769
CHANGE IN ASSETS AND LIABILITIES		
ACCOUNTS AND REIMBURSEMENT RECEIVABLES	(20,948)	-
WATER INVENTORY	(5,843)	17,602
PREPAID EXPENSES	11,840	(3,795)
ACCOUNTS PAYABLE	(1,663)	24,261
UNEARNED REVENUES	(73,241)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 251,591</u>	<u>\$ 519,244</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, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
SALE OF WATER	\$ 337,000	\$ 337,000	\$ 356,932	\$ 19,932
WELL PERMITS	10,000	10,000	12,500	2,500
MAINTENANCE FEES	838,378	838,378	672,016	(166,362)
APPLICATION FEES	10,000	10,000	52,564	42,564
STORAGE FEES	14,000	14,000	13,260	(740)
OWNERSHIP TRANSFER FEES	3,000	3,000	4,020	1,020
FUNDED WATER STUDIES REIMBURSEMENTS	358,270	358,270	154,849	(203,421)
RENTAL INCOME	24,500	24,500	28,225	3,725
REIMBURSEMENT FOR SERVICES	233,634	233,634	51,950	(181,684)
MISCELLANEOUS	3,000	3,000	36,936	33,936
TOTAL REVENUES	1,831,782	1,831,782	1,383,252	(448,530)
EXPENDITURES				
CAPITAL OUTLAY	2,323,846	2,323,846	-	2,323,846
INTEREST	26,510	26,510	26,510	-
LEGAL AND PROFESSIONAL	85,000	85,000	93,698	(8,698)
REPAIRS AND MAINTENANCE	10,000	10,000	8,439	1,561
PENSION	18,940	18,940	20,030	(1,090)
SALARIES AND WAGES	278,002	278,002	253,928	24,074
PAYROLL TAXES AND BENEFITS	60,407	60,407	45,453	14,954
SUPPLIES	20,000	20,000	5,644	14,356
WATER STORAGE FEES & PURCHASE	97,636	97,636	152,826	(55,190)
FUNDED WATER STUDIES	322,999	322,999	151,181	171,818
EDUCATION EXPENSE	150,000	150,000	28,969	121,031
SPECIAL USE FEES	-	-	21,514	(21,514)
WATER APPLICATIONS & ASSESSMENTS	-	-	3,750	(3,750)
WELL PERMITS	10,000	10,000	13,100	(3,100)
ENGINEERING	275,000	275,000	125,074	149,926
DEPRECIATION AND AMORTIZATION	123,000	123,000	130,413	(7,413)
WATER CONSERVATION SERVICES	10,000	10,000	51,950	(41,950)
DEBT SERVICE	19,542	19,542	19,542	-
OTHER	900	900	1,089	(189)
TOTAL EXPENDITURES	3,831,782	3,831,782	1,153,110	2,678,672
REVENUE OVER (UNDER) EXPENDITURES	\$ (2,000,000)	\$ (2,000,000)	230,142	\$ 2,230,142
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
DEBT SERVICE			19,542	
CHANGE IN NET POSITION			249,684	
NET POSITION JANUARY 1			6,228,913	
NET POSITION DECEMBER 31			\$ 6,478,597	