

LOWER ARKANSAS VALLEY
WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2017

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 7.
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	8.
STATEMENT OF ACTIVITIES	9.
FUND FINANCIAL STATEMENTS	
BALANCE SHEET - GOVERNMENTAL FUND	10.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	11.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND	12.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	13.
STATEMENT OF NET POSITION - PROPRIETARY FUNDS	14.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	15.
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	16.
NOTES TO FINANCIAL STATEMENTS	17 – 24.
REQUIRED SUPPLEMENTAL INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL ON A BUDGETARY BASIS - GENERAL FUND	25.
OTHER SUPPLEMENTAL INFORMATION	
INDIVIDUAL FUND FINANCIAL STATEMENTS	26 – 33.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION BUDGET AND ACTUAL ON A BUDGETARY BASIS - WATER ACTIVITY ENTERPRISE FUND	34.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION BUDGET AND ACTUAL ON A BUDGETARY BASIS - LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND	35.

HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lower Arkansas Valley Water Conservancy District

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Lower Arkansas Valley Water Conservancy District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Lower Arkansas Valley Water Conservancy District, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lower Arkansas Valley 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

May 1, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAVWCD Management's Discussion and Analysis

Our discussion and analysis of the Lower Arkansas Valley Water Conservancy District's (the "District") financial performance provides an overview of the District's financial activities for the year ended December 31, 2017. This information is presented in conjunction with the audited financial statements that follow this section.

Overview of the Financial Statements

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

District-Wide Financial Statements

The district-wide statement consists of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include all assets and liabilities and activities of the District in a manner similar to private sector businesses. The District's net position, the difference between assets and liabilities, is one way to measure the District's financial position. Over time, increases or decreases in the District's net position is 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 and business-type activities.

Governmental Activities - The activity of the District's general fund is reported here. Property taxes, specific ownership taxes, and interest income make up the majority of the revenues and general and administration expenditures are the major activities of this fund.

Business-Type Activities - The District manages two enterprise activity funds. The Water Activity Enterprise Fund develops and operates the District's water right assets and the Lower Ark Valley Engineering Services Enterprise Fund develops and operates the District's engineering services. The activities of the water activity enterprise fund are supported by management fees from the general fund and water leasing.

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 two proprietary funds – the Water Activity Enterprise Fund and the Lower Ark Valley Engineering Services Enterprise Fund. Both funds are reported using the accrual basis of accounting. Both enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information. The District uses the enterprise funds to account for the District's water management operations and engineering services.

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 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 \$ 23,661,950 at the end of the current year.

Financial Highlights

The total net position of the District exceeded its liabilities by \$23,661,950. Of this amount \$19,134,032 (unrestricted net position) less intangible assets of \$18,354,836 may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's net position increased by \$647,812 during the current year. The net position of our governmental activities increased by \$147,789 and net position of our business-type activities increased by \$500,023.
- As of the close of the current year, the District's governmental activities reported combined ending fund balance of \$1,697,458 an increase of \$147,789 in comparison with the prior year balances of \$1,549,669.
- At the end of the current year, unrestricted net position for the governmental activities was \$1,519,056 or 74 percent of total general activities expenses of \$2,040,295.

The perspective of the statement of net position is of the District as a whole. Following is a summary of the District's net position for 2017 and 2016.

Statement of Net Position

2017	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	\$ 3,740,576	\$ 365,003	\$ 4,105,579
Non-Current Assets Restricted	0	204,223	204,223
Total Capital Assets	116,902	7,212,833	7,329,735
Total Intangible Assets	0	18,354,836	18,354,836
TOTAL ASSETS	\$ 3,857,478	\$ 26,136,895	\$ 29,994,373
Liabilities:			
Current Liabilities	\$ 156,520	\$ 166,842	\$ 323,362
Non-Current Liabilities	0	4,005,561	4,005,561
Total Liabilities	156,520	4,172,403	4,328,923
Deferred Inflows of Resources	2,003,500	0	2,003,500
Net Position:			
Net investment in Capital Assets	116,902	4,174,972	4,291,874
Restricted	61,500	174,544	236,044
Unrestricted	1,519,056	17,614,976	19,134,032
Total Net Position	1,697,458	21,964,492	23,661,950
TOTAL LIABILITIES, DEFERRED INFLOWS NET POSITION	\$ 3,857,478	\$ 26,136,895	\$ 29,994,373

2016	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	\$ 3,551,627	\$ 1,085,775	\$ 4,637,402
Non-Current Assets Restricted	0	189,175	189,175
Total Capital Assets	120,047	7,190,867	7,310,914
Total Intangible Assets	0	17,442,536	17,442,536
TOTAL ASSETS	\$ 3,671,674	\$ 25,908,353	\$ 29,580,027
Liabilities:			
Current Liabilities	\$ 162,605	\$ 1,045,633	\$ 1,208,238
Non-Current Liabilities	0	3,398,251	3,398,251
Total Liabilities	162,605	4,443,884	4,606,489
Deferred Inflows of Resources	1,959,400	0	1,959,400
Net Position:			
Net investment in Capital Assets	120,047	4,006,266	4,126,313
Restricted	58,000	174,335	232,335
Unrestricted	1,371,622	17,283,868	18,655,490
Total Net Position	1,549,669	21,464,469	23,014,138
TOTAL LIABILITIES, DEFERRED INFLOWS NET POSITION	\$ 3,671,674	\$ 25,908,353	\$ 29,580,027

Statement of Activities

The change in net position for the governmental activities was \$147,789 for the year ended December 31, 2017 and \$216,939 for the year ended December 31, 2016. The change in net position for the business-type activities was \$500,023 for the year ended December 31, 2017 and \$140,609 for the year ended December 31, 2016. The perspective of the statement of activities is of the District as a whole.

The following tables reflect the change in net position for the years 2017 and 2016:

17	Functions	Expenses	Charges for Services	Capital and Operating Reimbursements & Contributions	CHANGES IN NET POSITION		
					Governmental Activities	Business Type Activities	Total
	TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,040,295	\$ 0	\$ 0	\$ (2,040,295)	\$ 0	\$ (2,040,295)
	TOTAL BUSINESS-TYPE ACTIVITIES	1,539,303	1,133,131	861,080	0	454,908	454,908
	TOTAL PRIMARY GOVERNMENT	<u>\$ 3,579,598</u>	<u>\$ 1,133,131</u>	<u>\$ 861,080</u>	(2,040,295)	454,908	(1,585,387)
	TOTAL GENERAL REVENUES				2,188,084	45,115	2,233,199
	CHANGE IN NET POSITION				<u>\$ 147,789</u>	<u>\$ 500,023</u>	<u>\$ 647,812</u>

16	Functions	Expenses	Charges for Services	Capital and Operating Reimbursements & Contributions	CHANGES IN NET POSITION		
					Governmental Activities	Business Type Activities	Total
	TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,934,713	\$ 0	\$ 0	\$ (1,934,713)	\$ 0	\$ (1,934,713)
	TOTAL BUSINESS-TYPE ACTIVITIES	1,772,037	1,195,527	712,114	0	135,604	135,604
	TOTAL PRIMARY GOVERNMENT	<u>\$ 3,706,750</u>	<u>\$ 1,195,527</u>	<u>\$ 712,114</u>	(1,934,713)	135,604	(1,799,109)
	TOTAL GENERAL REVENUES				2,151,649	5,005	2,156,654
	CHANGE IN NET POSITION				<u>\$ 216,936</u>	<u>\$ 140,609</u>	<u>\$ 357,545</u>

GENERAL FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON GENERAL FUND

Revenues and expenditures budget comparison for year ended December 31, 2017:

2017	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 2,146,900	\$ 2,188,084
Total Expenditures	2,902,600	2,037,150
Transfers Out	0	0
Revenues over (under) Expenditures and other sources	(755,700)	150,934
Fund Balance January 1	1,429,622	1,429,622
Fund Balance December 31	673,922	1,580,556

Revenues: Changes between actual revenues and budgeted amounts were mainly due to an increase in specific ownership tax receipts when compared to the budgeted amount.

Expenditures: Changes between actual expenditures and budgeted amounts were due to no actual capital outlay and contingency expenditures were made in 2017 and the actual expenditures for general government were less than the budgeted amount.

WATER ACTIVITY ENTERPRISE FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON WATER ACTIVITY ENTERPRISE FUND

Revenues: Budget comparison for year ended December 31, 2017:

2017

Revenues:	Final Budget	Actual
Water Leasing	\$ 5,000	\$ 3,750
Fees	54,000	57,610
Management Fees	1,300,000	758,811
Reimbursements and Other	332,700	900,673
Interest	800	675
Total Revenues	\$ 1,692,500	\$ 1,721,519

Changes between actual revenue and budgeted amounts were primarily due to operational changes resulting from water leasing, reimbursements, and management fees.

Expenditures: Budget comparison for year ended December 31, 2017:

2017

Expenditures:	Final Budget	Actual
Water Leases	\$ 125,000	\$ 12,685
Water Storage Fees	7,000	104,475
Arkansas Irrigation Rules	6,000	2,555
Super Ditch	85,000	338,372
Pond Study	4,000	6,326
Tail Water Study	0	11,750
Flood Mitigation	0	743
Water Conservation Services	84,700	430,083
Depreciation	0	14,538
General and Administrative	427,400	257,304
Water Assessments and Costs	140,000	18,192
Water Quality Study	18,000	13,282
Interest	59,000	46,163
Water and Capital Acquisitions	8,000	22,251
Debt Service	145,200	146,741
NEPA Storage	115,000	2,445
Purchased Conservation Easement	400,000	912,300
Total Expenditures	\$ 1,624,300	\$ 2,340,205

Changes between actual expenditures and budgeted amounts were primarily due to operational changes, the purchase of three conservation easements and the higher reimbursement expenditures.

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON LAV ENGINEERING SERVICES ENTERPRISE FUND

Revenues: Budget comparison for year ended December 31, 2017:

2017

Revenues:	Final Budget	Actual
Lease Income	\$ 6,000	\$ 5,115
Fees	17,000	15,450
Management Fees	125,000	115,745
Reimbursements and Other	662,400	180,997
Other	200	500
Total Revenues	\$ 810,600	\$ 317,807

Changes between actual revenue and budgeted amounts were primarily due to anticipated reimbursement revenue to be received in the Engineering Services Enterprise Fund was actually for the Water Activity Enterprise Fund.

Expenditures: Budget comparison for year ended December 31, 2017:

2017

Expenditures:	Final Budget	Actual
Water Quality Study	\$ 8,000	\$ 2,872
Depreciation	0	1,947
General and Administrative	197,300	57,827
Soil Quality Study	0	3,712
Pollutant Trading	0	5,647
Tail Water Study	2,000	6,622
Other	15,300	20,766
Water Conservation Services	662,700	180,997
Capital Outlay	25,000	16,201
Total Expenditures	\$ 910,300	\$ 296,591

Changes between actual expenditures and budgeted amounts were primarily due to operational changes and the lower reimbursement expenditures water conservation services than anticipated.

Capital Activity

The District's mission is to participate in water-related projects that will embody thoughtful conservation, responsible growth, and beneficial water usage within the Lower Arkansas Valley. One attempt in keeping water in the valley is to purchase water/land with the end result that the water will remain in the valley.

A listing of water rights purchased by the District in 2017 is as follows:

1. Larkspur Inc. water rights — 310.000 shares of water stock with no land attached

Long-Term Liabilities

Long Term Liabilities include loans with Colorado Water Conservation Board and Eleanor Schiro for the purchase of water stock in the Colorado Canal Company, Lake Henry Reservoir Company and Lake Meredith Reservoir Company as well as the outstanding purchase of five conservation easements.

Contacting the District's Financial Management

The financial report is designed to provide the general public with a general overview of the District's finances and to show the District's accountability for the money it receives.

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:

Lower Arkansas Valley Water Conservancy District

Attn: Jay Winner, Executive Director

801 Swink Ave

Rocky Ford, CO 81067

(719) 254-5115 phone

(719) 254-5150 fax

BASIC FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 763,718	\$ 957,484	\$ 1,721,202
REIMBURSEMENT RECEIVABLES	-	164,611	164,611
ACCRUED INTEREST RECEIVABLE	586	-	586
TAXES RECEIVABLE	2,003,500	-	2,003,500
WATER INVENTORY	-	83,528	83,528
DEPOSITS	19,052	-	19,052
PREPAIDS	-	110,068	110,068
DUE FROM (TO) OTHER FUNDS	953,698	(953,698)	-
DUE FROM OTHER ENTITIES	22	3,010	3,032
	<u>3,740,576</u>	<u>365,003</u>	<u>4,105,579</u>
RESTRICTED ASSETS			
STEWARDSHIP CASH	-	174,544	174,544
DEBT RETIREMENT	-	29,679	29,679
	<u>-</u>	<u>204,223</u>	<u>204,223</u>
CAPITAL ASSETS			
BUILDING AND OTHER - NET	101,167	210,114	311,281
LAND	15,735	20,143	35,878
WATER STOCK	-	6,982,576	6,982,576
NET CAPITAL ASSETS	<u>116,902</u>	<u>7,212,833</u>	<u>7,329,735</u>
INTANGIBLE ASSETS			
CONSERVATION EASEMENTS	-	18,354,836	18,354,836
TOTAL ASSETS	<u>\$ 3,857,478</u>	<u>\$ 26,136,895</u>	<u>\$ 29,994,373</u>
LIABILITIES			
ACCOUNTS PAYABLE	\$ 60,211	\$ 112,819	\$ 173,030
ACCRUED EXPENSES	96,309	42,772	139,081
UNEARNED REVENUE	-	11,251	11,251
NONCURRENT LIABILITIES:			
DUE WITHIN ONE YEAR	-	811,664	811,664
DUE IN MORE THAN ONE YEAR	-	3,193,897	3,193,897
TOTAL LIABILITIES	<u>156,520</u>	<u>4,172,403</u>	<u>4,328,923</u>
DEFERRED INFLOWS OF RESOURCES			
DEFERRED REVENUES - PROPERTY TAXES	2,003,500	-	2,003,500
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	116,902	4,174,972	4,291,874
RESTRICTED FOR			
EMERGENCIES - TABOR	61,500	-	61,500
STEWARDSHIP COSTS	-	174,544	174,544
UNRESTRICTED	1,519,056	17,614,976	19,134,032
NET POSITION	<u>1,697,458</u>	<u>21,964,492</u>	<u>23,661,950</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 3,857,478</u>	<u>\$ 26,136,895</u>	<u>\$ 29,994,373</u>

SEE NOTES TO FINANCIAL STATEMENTS

CHANGES IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
\$ (2,040,295)	\$ -	\$ (2,040,295)
(2,040,295)	-	(2,040,295)
-	454,908	454,908
-	454,908	454,908
(2,040,295)	454,908	(1,585,387)
2,175,829	-	2,175,829
12,255	45,115	57,370
2,188,084	45,115	2,233,199
147,789	500,023	647,812
1,549,669	21,464,469	23,014,138
\$ 1,697,458	\$ 21,964,492	\$ 23,661,950

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2017

ASSETS

CASH IN BANKS	\$ 763,718
ACCRUED INTEREST RECEIVABLE	586
TAXES RECEIVABLE	2,003,500
DEPOSITS	19,052
DUE FROM OTHER FUNDS	953,698
DUE FROM OTHER ENTITIES	22

TOTAL ASSETS	<u>\$ 3,740,576</u>
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LIABILITIES

ACCOUNTS PAYABLE	\$ 60,211
ACCRUED EXPENSES	96,309

TOTAL LIABILITIES	<u>156,520</u>
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DEFERRED INFLOWS OF RESOURCES

DEFERRED REVENUE - PROPERTY TAX	<u>2,003,500</u>
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FUND BALANCE

RESTRICTED FOR EMERGENCIES - TABOR	61,500
ASSIGNED FOR FUTURE YEARS EXPENDITURES	238,400
UNASSIGNED	<u>1,280,656</u>

TOTAL FUND BALANCE	<u>1,580,556</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 3,740,576</u>
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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2017

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$ 1,580,556
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CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN FUNDS.

THE COST OF THE CAPITAL ASSET IS	131,303	
ACCUMULATED DEPRECIATION IS	<u>(14,401)</u>	
		<u>116,902</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,697,458</u></u>
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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2017

REVENUES	
TAXES	\$ 2,175,829
MISCELLANEOUS	<u>12,255</u>
TOTAL REVENUES	<u>2,188,084</u>
EXPENDITURES	
GENERAL GOVERNMENT	<u>2,037,150</u>
REVENUES OVER EXPENDITURES	150,934
FUND BALANCE JANUARY 1	<u>1,429,622</u>
FUND BALANCE DECEMBER 31	<u><u>\$ 1,580,556</u></u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

NET CHANGE IN FUND BALANCE	\$ 150,934
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GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES.
HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE
ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND
REPORTED AS DEPRECIATION EXPENSE.

DEPRECIATION EXPENSE	(3,145)
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CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 147,789</u>
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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
CURRENT ASSETS			
CASH	\$ 162,554	\$ 794,930	\$ 957,484
REIMBURSEMENT RECEIVABLES	135,353	29,258	164,611
WATER INVENTORY	83,528	-	83,528
PREPAIDS	108,442	1,626	110,068
DUE FROM OTHER ENTITIES	3,010	-	3,010
TOTAL CURRENT ASSETS	<u>492,887</u>	<u>825,814</u>	<u>1,318,701</u>
RESTRICTED ASSETS			
CASH RESTRICTED FOR STEWARDSHIP COSTS	174,544	-	174,544
CASH RESTRICTED FOR DEBT RETIREMENT	29,679	-	29,679
TOTAL RESTRICTED ASSETS	<u>204,223</u>	<u>-</u>	<u>204,223</u>
CAPITAL ASSETS			
BUILDINGS AND OTHER - NET	131,879	78,235	210,114
LAND	20,143	-	20,143
WATER STOCK	6,982,576	-	6,982,576
NET CAPITAL ASSETS	<u>7,134,598</u>	<u>78,235</u>	<u>7,212,833</u>
INTANGIBLE ASSETS			
CONSERVATION EASEMENTS	18,354,836	-	18,354,836
TOTAL ASSETS	<u>\$ 26,186,544</u>	<u>\$ 904,049</u>	<u>\$ 27,090,593</u>
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	\$ 78,013	\$ 34,806	\$ 112,819
ACCRUED EXPENSES	27,358	9,454	36,812
ACCRUED INTEREST PAYABLE	5,960	-	5,960
DUE TO OTHER FUNDS	196,237	757,461	953,698
UNEARNED REVENUE	11,251	-	11,251
EASEMENTS PAYABLE - CURRENT	663,600	-	663,600
NOTES PAYABLE - CURRENT	148,064	-	148,064
TOTAL CURRENT LIABILITIES	<u>1,130,483</u>	<u>801,721</u>	<u>1,932,204</u>
NONCURRENT LIABILITIES			
EASEMENTS PAYABLE	304,100	-	304,100
NOTES PAYABLE	2,889,797	-	2,889,797
TOTAL NONCURRENT LIABILITIES	<u>3,193,897</u>	<u>-</u>	<u>3,193,897</u>
TOTAL LIABILITIES	<u>4,324,380</u>	<u>801,721</u>	<u>5,126,101</u>
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	4,096,737	78,235	4,174,972
RESTRICTED FOR STEWARDSHIP COSTS	174,544	-	174,544
UNRESTRICTED	17,590,883	24,093	17,614,976
TOTAL NET POSITION	<u>21,862,164</u>	<u>102,328</u>	<u>21,964,492</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 26,186,544</u>	<u>\$ 904,049</u>	<u>\$ 27,090,593</u>

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
OPERATING REVENUES			
LEASE INCOME	\$ 3,750	\$ 5,115	\$ 8,865
FEE INCOME	57,610	15,450	73,060
ROTATIONAL LAND FALLOWING - WATER LEASING	176,650	-	176,650
MANAGEMENT FEES AND REIMBURSEMENTS	758,811	115,745	874,556
TOTAL OPERATING REVENUES	996,821	136,310	1,133,131
OPERATING EXPENSES			
WATER LEASES	12,685	-	12,685
IRRIGATION RULES	2,555	-	2,555
SUPER DITCH	74,680	-	74,680
CATLIN CANAL PILOT PROJECT	263,692	-	263,692
EASEMENTS	26,077	-	26,077
NEPA STORAGE	2,445	-	2,445
WATER QUALITY STUDY	7,021	2,872	9,893
DEPRECIATION	14,538	1,947	16,485
STORAGE FEES	104,475	-	104,475
PERSONNEL	191,678	52,977	244,655
WATER ASSESSMENTS	18,192	-	18,192
RECHARGE POND	6,326	-	6,326
TAILWATER STUDY	11,750	6,622	18,372
SPECIAL PROJECTS	7,004	9,359	16,363
PROPERTY TAXES	4,034	3,020	7,054
PROFESSIONAL FEES	4,273	1,830	6,103
OTHER	31,242	20,766	52,008
TOTAL OPERATING EXPENSES	782,667	99,393	882,060
OPERATING INCOME	214,154	36,917	251,071
NONOPERATING REVENUES (EXPENSES)			
ENVIRONMENTAL IMPACT STUDY	250,000	-	250,000
OTHER INCOME	43,940	500	44,440
INTEREST INCOME	675	-	675
INTEREST EXPENSE	(46,163)	-	(46,163)
WATER CONSERVATION SERVICES	(430,083)	(180,997)	(611,080)
REIMBURSEMENT FOR SERVICES	430,083	180,997	611,080
TOTAL NONOPERATING REVENUES (EXPENSES)	248,452	500	248,952
CHANGE IN NET POSITION	462,606	37,417	500,023
NET POSITION JANUARY 1	21,399,558	64,911	21,464,469
NET POSITION DECEMBER 31	\$ 21,862,164	\$ 102,328	\$ 21,964,492

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2017

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIVED FROM CUSTOMERS	\$ (16,471)	\$ 20,565	\$ 4,094
RECEIVED FROM INTERFUND ACTIVITIES	1,402,564	873,206	2,275,770
PAYMENTS TO EMPLOYEES AND SUPPLIERS	(748,975)	(76,895)	(825,870)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>637,118</u>	<u>816,876</u>	<u>1,453,994</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
REIMBURSEMENT FOR SERVICES	384,012	151,739	535,751
PAYMENTS FOR WATER CONSERVATION SERVICES	(453,349)	(158,914)	(612,263)
RECEIVED FOR ENVIRONMENTAL IMPACT STUDY	250,000	-	250,000
NET CASH PROVIDED (USED) IN NONCAPITAL FINANCING ACTIVITIES	<u>180,663</u>	<u>(7,175)</u>	<u>173,488</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES			
WATER STOCK PURCHASES	(22,251)	-	(22,251)
ACQUISITION OF CAPITAL ASSETS	-	(16,201)	(16,201)
LOAN PAYMENTS	(146,741)	-	(146,741)
PURCHASED CONSERVATION EASEMENTS	(839,100)	-	(839,100)
INTEREST PAID	(46,163)	-	(46,163)
NET CASH USED IN CAPITAL & RELATED FINANCING ACTIVITIES	<u>(1,054,255)</u>	<u>(16,201)</u>	<u>(1,070,456)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
CHANGE IN RESTRICTED CASH	(15,048)	-	(15,048)
INTEREST RECEIVED AND OTHER	44,617	500	45,117
NET CASH USED IN INVESTING ACTIVITIES	<u>29,569</u>	<u>500</u>	<u>30,069</u>
NET CHANGE IN CASH	(206,905)	794,000	587,095
CASH BEGINNING OF YEAR	<u>369,459</u>	<u>930</u>	<u>370,389</u>
CASH END OF YEAR	<u>\$ 162,554</u>	<u>\$ 794,930</u>	<u>\$ 957,484</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
OPERATING INCOME	\$ 214,154	\$ 36,917	\$ 251,071
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
DEPRECIATION	14,538	1,947	16,485
CHANGES IN ASSETS AND LIABILITIES			
WATER INVENTORY	(10,778)	-	(10,778)
PREPAIDS	(2,604)	(1,626)	(4,230)
DUE FROM/TO OTHER FUNDS	643,753	757,461	1,401,214
ACCOUNTS PAYABLE & ACCRUED EXPENSES	32,536	22,177	54,713
DUE FROM/TO OTHER ENTITIES	(117,960)	-	(117,960)
UNEARNED REVENUE	(136,521)	-	(136,521)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 637,118</u>	<u>\$ 816,876</u>	<u>\$ 1,453,994</u>

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lower Arkansas Valley Water Conservancy District (the "District") was formed pursuant to Colorado Revised Statutes and as decreed by the District Court in and for Pueblo County, in 2002. The Court appoints a seven-member Board of Directors to act as the governing authority. The mission of the District is to acquire, retain, and conserve native water flowing in the Arkansas River and its tributaries in the five counties comprising the District. The accounting policies of the 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.

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 Statement 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.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 61, "*The Financial Reporting Entity: Omnibus*" which amended GASB Statement No. 14 to clarify the reporting of equity interests in legally separate organizations. If a government owns a majority of the equity interest in a legally separate organization (for example, through acquisition of its voting stock) and the government's intent for owning the equity interest is not directly to enhance its ability to provide governmental services it should report the equity interest as an investment. The District's investment is water stock that has been purchased. As of December 31, 2017, the Lower Arkansas Valley Water Conservancy District owned 14,864.125 shares or approximately 80% of Larkspur Inc. The Larkspur Inc. is a mutual irrigation company that provides for the storage and distribution of irrigation water for the mutual benefit of its stockholders.

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 the governmental 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.

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.

The District reports the following major governmental funds:

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

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District reports the following major proprietary funds:

Water Activity Enterprise Fund – Accounts for the activities of water acquisition, retainage and conservation within the Lower Arkansas River region.

Lower Ark Valley Engineering Services Enterprise Fund – Accounts for the activities of engineering services provided by the District.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are composed of water and water stock sales, leasing activities, management fees, engineering services and reimbursements. Operating expenses for the enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The enterprise funds account 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.

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.

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 reappropriated in the following year.

Expenditures may not legally exceed appropriations at the fund level. For the year ended December 31, 2017, the Water Activity Enterprise Fund was in violation.

Cash and Cash Equivalents

The District's cash and cash equivalents are represented by cash on hand as well as demand deposits and certificate of deposits held in banks. For purposes of the statement of cash flows, the District considers all highly liquid investments (excluding restricted assets) with a maturity of six months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash in the proprietary funds represent payments received for stewardship fees on conservation easements as well as cash set aside for debt retirement per loan covenants. The District chose to treat their restricted cash and cash equivalents as investments. Accordingly, the restricted cash and cash equivalents are treated as investing activities in the statement of cash flows.

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.

Capital Assets

Capital assets, which include water stocks, 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 District's depreciable capital assets currently consist of assets being depreciated over 10 - 40 years.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Water Stocks

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

Intangible Assets

Intangible assets represent conservation easements that were donated by the landowners or purchased by the District. Under GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", easements are capitalized if donated by the landowners or purchased by the District. The District recognizes contribution easement revenue from donated conservation easements as the difference between the appraised value before the donated conservation easement and the appraised value after the donated conservation easement. The District records the easements using an indefinite useful life since there is no legal, contractual, regulatory, technological, or other factors that limit the useful life of the easements. Due to the indefinite useful life of the easements recorded, they are not amortized.

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.

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."

Accrued Compensated Absences

The District recognizes the accrual in the general fund in that it is expected that the liability will be liquidated with expendable available financial resources.

Property Tax Revenues Recognition

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied December 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 and are recorded as revenue in the year for which they are levied. Accordingly, the taxes receivable is for the next year and are recorded as deferred revenue.

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.

Unearned Revenue

In proprietary funds, unearned revenues represent payments received from other governmental entities for services that have not yet been provided and have not yet been earned.

Net Position / Fund Balance

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.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position / Fund Balance (Continued)

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.

The Board of Directors 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 Balances

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 cash may only be used to pay for stewardship costs incurred in complying with easement requirements.

Retirement Plan

The District participates in a simple IRA plan that covers the employees of the District. Participation in the plan is available to both full and part time employees who work at least 1,000 hours per year and are 21 years old after one year of full time service. The District matches 100% up to 3% of the employee’s contribution into this plan. If the employee makes no contributions, the District contributes 2% of eligible employee’s annual salary into the plan. The expense was \$15,586 for the year ended December 31, 2017.

Contributed Capital

Equity transfer of assets from the Water Activity Enterprise Fund to the Lower Ark Valley Engineering Services Enterprise Fund is recognized as contributed capital in the Lower Ark Valley Engineering Services Enterprise Fund.

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.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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.

Custodial credit risk in that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The following shows the custodial risk of the District.

Deposits at December 31, 2017, had a bank balance of \$2,084,061 and a corresponding carrying balance as follows:

Insured Deposits	\$ 977,194
Covered by Public Deposit Protection Act	<u>948,231</u>
	<u>\$ 1,925,425</u>

Cash is reported as follows:

Cash and Cash Equivalents	\$ 1,721,202
Restricted Cash	<u>204,223</u>
	<u>\$ 1,925,425</u>

NOTE 3 – PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUES

Taxes receivable represents 2017 property tax assessments, which are due in 2018. Deferred revenue in the same amount has also been recognized.

NOTE 4 – CAPITAL ASSETS

Primary Government:

	Beginning	Increases	Decreases	Ending
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 15,735	\$ -	\$ -	\$ 15,735
Capital Assets Being Depreciated:				
Building and Other	115,568	-	-	115,568
Accumulated Depreciation	<u>(11,256)</u>	<u>(3,145)</u>	<u>-</u>	<u>(14,401)</u>
	<u>104,312</u>	<u>(3,145)</u>	<u>-</u>	<u>101,167</u>
Governmental Activities Capital Assets - Net	<u>\$ 120,047</u>	<u>\$ (3,145)</u>	<u>\$ -</u>	<u>\$ 116,902</u>
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated				
Water Stock	\$ 6,960,926	\$ 21,650	\$ -	\$ 6,982,576
Land	<u>20,143</u>	<u>-</u>	<u>-</u>	<u>20,143</u>
	<u>6,981,069</u>	<u>21,650</u>	<u>-</u>	<u>7,002,719</u>
Capital Assets Being Depreciated:				
Building and Other	270,224	16,801	-	287,025
Accumulated Depreciation	<u>(60,426)</u>	<u>(16,485)</u>	<u>-</u>	<u>(76,911)</u>
	<u>209,798</u>	<u>316</u>	<u>-</u>	<u>210,114</u>
Business-Type Activities Capital Assets - Net	<u>\$ 7,190,867</u>	<u>\$ 21,966</u>	<u>\$ -</u>	<u>\$ 7,212,833</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS (Continued)

For the year ended December 31, 2017, depreciation expense of \$3,145 was charged to general government in the governmental activities and \$16,485 to water conservation in the business-type activities.

NOTE 5 – NOTES AND EASEMENT PAYABLES

Colorado Water Conservation Board ("CWCB") - The District through its Water Activity Enterprise Fund entered into a loan agreement on July 13, 2015 with CWCB in the amount of \$2,560,350, with a 1.45% interest rate. The loan proceeds were used to purchase water stock. The loan is payable in annual installments of \$148,395 beginning January 1, 2017 and maturing January 1, 2036. The loan is payable from the revenues generated from the Water Activity Enterprise Fund. The loan is collateralized by 126.60 shares of the Lake Henry Reservoir Company, 282.00 shares of the Lake Meredith Reservoir Company, 408.60 shares of the Colorado Canal Company and 91.34 shares of the Twin Lakes Reservoir and Canal Company.

Eleanor Schiro ("Schiro") - The District through its Water Activity Enterprise Fund entered into a loan agreement on May 12, 2015 with Schiro in the amount of \$1,108,151, with a 1.75% interest rate. The loan proceeds were used to purchase water stock. The loan is payable in annual installments of \$45,838 beginning July 1, 2016 and maturing July 1, 2035. The loan is collateralized by 149.40 shares of the Lake Henry Reservoir Company and 149.40 shares of the Colorado Canal Company.

Conservation Easements Payable - The District through its Water Activity Enterprise Fund entered into three contracts for conservation easements in 2017 and three in 2016 for a total consideration of \$2,145,800 of which \$967,700 is payable in cash on or before December 31, 2019.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 811,664	\$ 46,170	\$ 857,834
2019	454,412	43,922	498,334
2020	152,594	41,640	194,234
2021	154,910	39,324	194,234
2022	157,263	36,971	194,234
2023-2027	822,874	148,294	971,168
2028-2032	887,315	83,853	971,168
2033-2035	<u>564,529</u>	<u>19,502</u>	<u>584,031</u>
	<u>\$ 4,005,561</u>	<u>\$ 459,676</u>	<u>\$ 4,465,237</u>

In connection with the above notes payable, the District is subject to various covenants. The District is required to establish a cash reserve account per the covenants of the note with the Colorado Water Conservation Board. For the year ending December 31, 2017, the cash reserve account had a balance of \$29,679 that is reported as cash restricted for debt retirement in the statement of net position. As of December 31, 2017, the District was in compliance with all covenants.

The following is a summary of long-term obligation transactions of the District for the year ended December 31, 2017:

Water Activity Enterprise Fund:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes Payable:					
CWCB	\$ 2,449,080	\$ -	\$ (112,884)	\$ 2,336,196	\$ 114,521
Schiro	<u>735,521</u>	<u>-</u>	<u>(33,856)</u>	<u>701,665</u>	<u>33,543</u>
	3,184,601	-	(146,740)	3,037,861	148,064
Easements Payable	<u>894,500</u>	<u>912,300</u>	<u>(839,100)</u>	<u>967,700</u>	<u>663,600</u>
Totals	<u>\$ 4,079,101</u>	<u>\$ 912,300</u>	<u>\$ (985,840)</u>	<u>\$ 4,005,561</u>	<u>\$ 811,664</u>

For the year ended December 31, 2017, interest incurred and expensed in the Water Activity Enterprise Fund was \$46,163 with \$5,960 of the total reported as accrued interest payable.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - 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 funds. 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 of the amendment in order to determine its compliance.

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – 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 other funds" and "due to other funds" on the balance sheet and statement of net position and will be settled within one year.

Interfund receivables and payables at December 31, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Activity Enterprise	\$ 196,547
General Fund	Engineering Services Enterprise	<u>757,151</u>
		<u>\$ 953,698</u>
Water Activity Enterprise	Engineering Services Enterprise	<u>\$ 309</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – RELATED PARTY TRANSACTIONS

The District purchased leased water, received lease revenue from and paid assessment fees to Larkspur Inc. (“Larkspur”), which the District owned approximately 80% of the shares as of December 31, 2017. The total amount paid by the District in 2017 to Larkspur was \$114,950 and the total amount received from Larkspur was \$43,940. As of December 31, 2017, the balance due to Larkspur was \$5,000 and is reported in “accrued expenses” on the Statement of Net Position of the Water Activity Enterprise Fund and the amount due from Larkspur was \$3,032 and is reported in “due from other entities” on the Statement of Net Position for the Water Activity Enterprise Fund for \$3,010 and on the Balance Sheet of the General Fund for \$22.

NOTE 10 - COMMITMENTS

The District shall repay to the State the grant funds from the Colorado Water Conservation Board (“CWCB”) pertaining to the purchase of a conservation easement and any appreciation in the value of the easement (if any appreciation exists and only in an amount equal to the State’s proportionate contribution to the purchase price), if the easement is terminated or extinguished or its material provisions rendered unenforceable due to acts or omissions of the District, its employees, agents, successors or assigns, including, but not limited to, complying with or enforcing the provisions of the easement. If any part of the grant funds were originally received by the State from GOCO, then District shall make repayment to the State if GOCO makes a demand for repayment to CWCB.

NOTE 11 – SUBSEQUENT EVENT

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 SUPPLEMENTAL INFORMATION

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

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

GENERAL FUND

YEAR ENDED DECEMBER 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
TAXES				
REAL PROPERTY TAXES	\$ 1,959,400	\$ 1,959,400	\$ 1,955,676	\$ (3,724)
SPECIFIC OWNERSHIP	174,100	174,100	220,153	46,053
INTEREST & OTHER	13,400	13,400	12,255	(1,145)
TOTAL REVENUES	<u>2,146,900</u>	<u>2,146,900</u>	<u>2,188,084</u>	<u>41,184</u>
EXPENDITURES				
GENERAL GOVERNMENT	2,615,600	2,615,600	2,037,150	578,450
CAPITAL OUTLAY	12,000	12,000	-	12,000
CONTINGENCY	275,000	275,000	-	275,000
TOTAL EXPENDITURES	<u>2,902,600</u>	<u>2,902,600</u>	<u>2,037,150</u>	<u>865,450</u>
REVENUES OVER (UNDER) EXPENDITURES	(755,700)	(755,700)	150,934	906,634
FUND BALANCE JANUARY 1	<u>1,429,622</u>	<u>1,429,622</u>	<u>1,429,622</u>	-
FUND BALANCE DECEMBER 31	<u>\$ 673,922</u>	<u>\$ 673,922</u>	<u>\$ 1,580,556</u>	<u>\$ 906,634</u>

OTHER SUPPLEMENTAL INFORMATION

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CASH IN BANKS	\$ 763,718	\$ 2,007,448
ACCRUED INTEREST RECEIVABLE	586	586
TAXES RECEIVABLE	2,003,500	1,959,400
DEPOSITS	19,052	31,709
DUE FROM OTHER FUNDS	953,698	-
DUE FROM OTHER ENTITIES	22	-
	<u>3,740,576</u>	<u>3,999,143</u>
TOTAL ASSETS	<u>\$ 3,740,576</u>	<u>\$ 3,999,143</u>
LIABILITIES		
ACCOUNTS PAYABLE	\$ 60,211	\$ 60,017
ACCRUED EXPENSES	96,309	102,588
DUE TO OTHER FUNDS	-	447,516
	<u>156,520</u>	<u>610,121</u>
TOTAL LIABILITIES	<u>156,520</u>	<u>610,121</u>
DEFERRED INFLOWS OF RESOURCES		
DEFERRED REVENUE - PROPERTY TAX	<u>2,003,500</u>	<u>1,959,400</u>
FUND BALANCE		
RESTRICTED FOR EMERGENCIES - TABOR	61,500	58,000
ASSIGNED FOR FUTURE YEARS EXPENDITURES	238,400	755,700
UNASSIGNED	<u>1,280,656</u>	<u>615,922</u>
TOTAL FUND BALANCE	<u>1,580,556</u>	<u>1,429,622</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 3,740,576</u>	<u>\$ 3,999,143</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
TAXES	\$ 2,175,829	\$ 2,142,040
MISCELLANEOUS	12,255	9,609
	<u>2,188,084</u>	<u>2,151,649</u>
TOTAL REVENUES		
EXPENDITURES		
GENERAL GOVERNMENT	<u>2,037,150</u>	<u>1,931,568</u>
REVENUES OVER (UNDER) EXPENDITURES	150,934	220,081
FUND BALANCE JANUARY 1	<u>1,429,622</u>	<u>1,209,541</u>
FUND BALANCE DECEMBER 31	<u><u>\$ 1,580,556</u></u>	<u><u>\$ 1,429,622</u></u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

WATER ACTIVITY ENTERPRISE FUND

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
CASH	\$ 162,554	\$ 369,459
CWCB REIMBURSEMENT	135,353	89,282
WATER INVENTORY	83,528	72,750
PREPAIDS	108,442	105,838
DUE FROM OTHER FUNDS	-	447,516
DUE FROM OTHER ENTITIES	3,010	-
TOTAL CURRENT ASSETS	<u>492,887</u>	<u>1,084,845</u>
RESTRICTED ASSETS		
CASH RESTRICTED FOR STEWARDSHIP COSTS	174,544	174,335
CASH RESTRICTED FOR DEBT RETIREMENT	29,679	14,840
TOTAL RESTRICTED ASSETS	<u>204,223</u>	<u>189,175</u>
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET	131,879	145,817
LAND	20,143	20,143
WATER STOCK	6,982,576	6,960,926
NET CAPITAL ASSETS	<u>7,134,598</u>	<u>7,126,886</u>
INTANGIBLE ASSETS		
CONSERVATION EASEMENTS	18,354,836	17,442,536
TOTAL ASSETS	<u>\$ 26,186,544</u>	<u>\$ 25,843,442</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 78,013	\$ 72,684
ACCRUED EXPENSES	27,358	23,417
ACCRUED INTEREST PAYABLE	5,960	5,960
DUE TO OTHER FUNDS	196,237	-
DUE TO OTHER ENTITIES	-	114,950
UNEARNED REVENUE	11,251	147,772
EASEMENTS PAYABLE - CURRENT	663,600	535,000
NOTES PAYABLE - CURRENT	148,064	145,850
TOTAL CURRENT LIABILITIES	<u>1,130,483</u>	<u>1,045,633</u>
NONCURRENT LIABILITIES		
EASEMENTS PAYABLE	304,100	359,500
NOTES PAYABLE	2,889,797	3,038,751
TOTAL NONCURRENT LIABILITIES	<u>3,193,897</u>	<u>3,398,251</u>
TOTAL LIABILITIES	<u>4,324,380</u>	<u>4,443,884</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	4,096,737	3,942,285
RESTRICTED FOR STEWARDSHIP COSTS	174,544	174,335
UNRESTRICTED	17,590,883	17,282,938
TOTAL NET POSITION	<u>21,862,164</u>	<u>21,399,558</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 26,186,544</u>	<u>\$ 25,843,442</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
WATER ACTIVITY ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
WATER LEASING FEES	\$ 3,750	\$ -
RULE 10 FEE INCOME	57,610	53,290
ROTATIONAL LAND FALLOWING - WATER LEASING MANAGEMENT FEES AND REIMBURSEMENTS	176,650	158,080
	<u>758,811</u>	<u>967,777</u>
TOTAL REVENUES	<u>996,821</u>	<u>1,194,597</u>
OPERATING EXPENSES		
WATER LEASES	12,685	204,358
IRRIGATION RULES	2,555	7,186
SUPER DITCH	74,680	63,796
CATLIN CANAL PILOT PROJECT POND STUDY	263,692	238,796
EASEMENTS	-	3,389
NEPA STORAGE	26,077	52,299
WATER QUALITY STUDY	2,445	7,612
DEPRECIATION	7,021	14,267
STORAGE FEES	14,538	10,084
PERSONNEL	104,475	130,035
WATER ASSESSMENTS	191,678	156,634
RECHARGE POND	18,192	130,290
TAILWATER STUDY	6,326	3,299
FLOOD MITIGATION	11,750	-
WATER SHED HEALTH PROJECT	743	40,000
PROPERTY TAXES	6,261	-
PROFESSIONAL FEES	4,034	3,800
OTHER	4,273	16,668
	<u>31,242</u>	<u>28,769</u>
TOTAL OPERATING EXPENSES	<u>782,667</u>	<u>1,111,282</u>
OPERATING INCOME	<u>214,154</u>	<u>83,315</u>
NONOPERATING REVENUES (EXPENSES)		
ENVIRONMENTAL IMPACT STUDY	250,000	250,000
OTHER INCOME	43,940	4,388
INTEREST INCOME	675	617
INTEREST EXPENSE	(46,163)	(48,239)
WATER CONSERVATION SERVICES	(430,083)	(462,114)
REIMBURSEMENT FOR SERVICES	430,083	462,114
ASSISTANCE TO OTHER ENTITIES	-	(150,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>248,452</u>	<u>56,766</u>
INCOME BEFORE CONTRIBUTIONS	462,606	140,081
CAPITAL CONTRIBUTIONS	-	(64,383)
CHANGE IN NET POSITION	462,606	75,698
NET POSITION JANUARY 1	<u>21,399,558</u>	<u>21,323,860</u>
NET POSITION DECEMBER 31	<u>\$ 21,862,164</u>	<u>\$ 21,399,558</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIVED FROM CUSTOMERS	\$ (16,471)	\$ 489,542
RECEIVED FROM INTERFUND ACTIVITIES	1,402,564	874,316
PAYMENTS FOR SUPPLIES, GOODS, SERVICES	(560,547)	(964,332)
PAYMENTS TO EMPLOYEES	(188,428)	(141,340)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>637,118</u>	<u>258,186</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
REIMBURSEMENT FOR SERVICES	384,012	508,654
PAYMENTS FOR WATER CONSERVATION SERVICES	(453,349)	(438,835)
RECEIVED FOR ENVIRONMENTAL IMPACT STUDY	250,000	250,000
PAYMENT FOR ASSISTANCE TO OTHER ENTITIES	-	(150,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>180,663</u>	<u>169,819</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
WATER STOCK PURCHASES	(22,251)	(13,059)
ACQUISITION OF CAPITAL ASSETS	-	(43,940)
CAPITAL CONTRIBUTED	-	(64,383)
LOAN PAYMENTS	(146,741)	(143,670)
PURCHASED CONSERVATION EASEMENTS	(839,100)	(339,000)
INTEREST PAID	(46,163)	(64,360)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,054,255)</u>	<u>(668,412)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
CHANGE IN RESTRICTED CASH	(15,048)	(15,085)
INTEREST RECEIVED AND OTHER	44,617	5,004
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	<u>29,569</u>	<u>(10,081)</u>
NET CHANGE IN CASH	(206,905)	(250,488)
CASH BEGINNING OF YEAR	<u>369,459</u>	<u>619,947</u>
CASH END OF YEAR	<u>\$ 162,554</u>	<u>\$ 369,459</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 214,154	\$ 83,315
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION	14,538	10,084
CHANGES IN ASSETS AND LIABILITIES		
WATER INVENTORY	(10,778)	76,934
PREPAIDS	(2,604)	18,560
DUE FROM/TO OTHER FUNDS	643,753	(93,461)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	32,536	(99,968)
DUE FROM/TO OTHER ENTITIES	(117,960)	114,950
UNEARNED REVENUE	(136,521)	147,772
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 637,118</u>	<u>\$ 258,186</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
CASH	\$ 794,930	\$ 930
REIMBURSEMENT RECEIVABLES	29,258	-
PREPAIDS	1,626	-
TOTAL CURRENT ASSETS	<u>825,814</u>	<u>930</u>
CAPITAL ASSETS		
BUILDINGS - NET	<u>78,235</u>	<u>63,981</u>
NET CAPITAL ASSETS	<u>78,235</u>	<u>63,981</u>
TOTAL ASSETS	<u>\$ 904,049</u>	<u>\$ 64,911</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 34,806	\$ -
ACCRUED EXPENSES	9,454	-
DUE TO OTHER FUNDS	757,461	-
TOTAL CURRENT LIABILITIES	<u>801,721</u>	<u>-</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	78,235	63,981
UNRESTRICTED	<u>24,093</u>	<u>930</u>
TOTAL NET POSITION	<u>102,328</u>	<u>64,911</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 904,049</u>	<u>\$ 64,911</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
LEASE INCOME	\$ 5,115	\$ 930
FEES	15,450	-
MANAGEMENT FEES AND REIMBURSEMENTS	115,745	-
TOTAL REVENUES	136,310	930
OPERATING EXPENSES		
WATER QUALITY STUDY	2,872	-
DEPRECIATION	1,947	402
PERSONNEL	52,977	-
SOIL QUALITY STUDY	3,712	-
POLLUTANT TRADING	5,647	-
TAILWATER STUDY	6,622	-
PROPERTY TAXES	3,020	-
PROFESSIONAL FEES	1,830	-
OTHER	20,766	-
TOTAL OPERATING EXPENSES	99,393	402
OPERATING INCOME	36,917	528
NONOPERATING REVENUES (EXPENSES)		
OTHER INCOME	500	-
WATER CONSERVATION SERVICES	(180,997)	-
REIMBURSEMENT FOR SERVICES	180,997	-
TOTAL NONOPERATING REVENUES (EXPENSES)	500	-
INCOME BEFORE CONTRIBUTIONS	37,417	528
CAPITAL CONTRIBUTIONS	-	64,383
CHANGE IN NET POSITION	37,417	64,911
NET POSITION JANUARY 1	64,911	-
NET POSITION DECEMBER 31	\$ 102,328	\$ 64,911

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIVED FROM CUSTOMERS	\$ 20,565	\$ 930
RECEIVED FROM INTERFUND ACTIVITIES	873,206	-
PAYMENTS FOR SUPPLIES, GOODS, SERVICES	(31,865)	-
PAYMENTS TO EMPLOYEES	(45,030)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>816,876</u>	<u>930</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
REIMBURSEMENT FOR SERVICES	151,739	-
PAYMENTS FOR WATER CONSERVATION SERVICES	(158,914)	-
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	<u>(7,175)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
ACQUISITION OF CAPITAL ASSETS	(16,201)	(64,383)
TRANSFER FROM WATER ACTIVITY ENTERPRISE FUND	-	64,383
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(16,201)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST RECEIVED AND OTHER	500	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>500</u>	<u>-</u>
NET CHANGE IN CASH	794,000	930
CASH BEGINNING OF YEAR	<u>930</u>	<u>-</u>
CASH END OF YEAR	<u>\$ 794,930</u>	<u>\$ 930</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 36,917	\$ 528
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION	1,947	402
CHANGES IN ASSETS AND LIABILITIES		
PREPAIDS	(1,626)	-
DUE FROM/TO OTHER FUNDS	757,461	-
ACCOUNTS PAYABLE & ACCRUED EXPENSES	22,177	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 816,876</u>	<u>\$ 930</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

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

WATER ACTIVITY ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2017

REVENUES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
WATER LEASING	\$ 5,000	\$ 5,000	\$ 3,750	\$ (1,250)
FEES	54,000	54,000	57,610	3,610
MANAGEMENT FEES	1,300,000	1,300,000	758,811	(541,189)
REIMBURSEMENTS AND OTHER	332,700	332,700	900,673	567,973
INTEREST	800	800	675	(125)
TOTAL REVENUES	1,692,500	1,692,500	1,721,519	29,019
EXPENDITURES				
WATER LEASES	125,000	125,000	12,685	112,315
WATER STORAGE FEES	7,000	7,000	104,475	(97,475)
ARKANSAS IRRIGATION RULES	6,000	6,000	2,555	3,445
SUPER DITCH	85,000	85,000	338,372	(253,372)
POND STUDY	4,000	4,000	6,326	(2,326)
TAILWATER STUDY	-	-	11,750	(11,750)
FLOOD MITIGATION	-	-	743	(743)
WATER CONSERVATION SERVICES	84,700	84,700	430,083	(345,383)
DEPRECIATION	-	-	14,538	(14,538)
GENERAL AND ADMINISTRATIVE	427,400	427,400	257,304	170,096
WATER ASSESSMENTS AND COSTS	140,000	140,000	18,192	121,808
WATER QUALITY STUDY	18,000	18,000	13,282	4,718
INTEREST	59,000	59,000	46,163	12,837
WATER ACQUISITIONS	8,000	8,000	21,651	(13,651)
ACQUISITIONS OF CAPITAL ASSETS	-	-	600	(600)
NEPA STORAGE	115,000	115,000	2,445	112,555
DEBT SERVICE	145,200	145,200	146,741	(1,541)
PURCHASED CONSERVATION EASEMENTS	400,000	400,000	912,300	(512,300)
TOTAL EXPENDITURES	1,624,300	1,624,300	2,340,205	(715,905)
REVENUE OVER (UNDER) EXPENDITURES	\$ 68,200	\$ 68,200	(618,686)	\$ (686,886)
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
WATER STOCK PURCHASES			21,651	
CAPITAL ASSET PURCHASES			600	
PURCHASED CONSERVATION EASEMENTS			912,300	
PRINCIPAL PAID ON LOANS			146,741	
CHANGE IN NET POSITION			462,606	
NET POSITION JANUARY 1			21,399,558	
TOTAL NET POSITION DECEMBER 31			\$ 21,862,164	

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

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

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
LEASE INCOME	\$ 6,000	\$ 6,000	\$ 5,115	\$ (885)
FEEs	17,000	17,000	15,450	(1,550)
MANAGEMENT FEES	125,000	125,000	115,745	(9,255)
REIMBURSEMENT FOR SERVICES	662,400	662,400	180,997	(481,403)
OTHER	200	200	500	300
TOTAL REVENUES	<u>810,600</u>	<u>810,600</u>	<u>317,807</u>	<u>(492,793)</u>
EXPENDITURES				
WATER QUALITY STUDY	8,000	8,000	2,872	5,128
DEPRECIATION	-	-	1,947	(1,947)
GENERAL AND ADMINISTRATIVE	197,300	197,300	57,827	139,473
SOIL QUALITY STUDY	-	-	3,712	(3,712)
POLLUTANT TRADING	-	-	5,647	(5,647)
TAILWATER STUDY	2,000	2,000	6,622	(4,622)
OTHER	15,300	15,300	20,766	(5,466)
WATER CONSERVATION SERVICES	662,700	662,700	180,997	481,703
CAPITAL OUTLAY	25,000	25,000	16,201	8,799
TOTAL EXPENDITURES	<u>910,300</u>	<u>910,300</u>	<u>296,591</u>	<u>613,709</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (99,700)</u>	<u>\$ (99,700)</u>	21,216	<u>\$ 120,916</u>
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
CAPITAL ASSET PURCHASES			<u>16,201</u>	
CHANGE IN NET POSITION			37,417	
NET POSITION JANUARY 1			<u>64,911</u>	
TOTAL NET POSITION DECEMBER 31			<u>\$ 102,328</u>	