

LOWER ARKANSAS VALLEY
WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2021

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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

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HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS
601 SOUTH EIGHTH STREET
ROCKY FORD, COLORADO 81067

Patrick A. Hancock CPA 719-688-0812
Andrew H. Froese CPA 719-980-1962

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lower Arkansas Valley Water Conservancy District

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise Lower Arkansas Valley Water Conservancy District's basic financial statements as listed in the table of contents.

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, 2021, and the respective changes in financial position and, where applicable, cashflows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lower Arkansas Valley Water Conservancy District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lower Arkansas Valley Water Conservancy District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Lower Arkansas Valley Water Conservancy District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lower Arkansas Valley Water Conservancy District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 and budget schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and budget schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

HANCOCK FROESE & COMPANY LLC

Rocky Ford, Colorado
July 12, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2021. 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, deferred inflows of resources 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 and Engineering Services Enterprise Fund are supported by engineering services, leasing activities and reimbursements.

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 and deferred inflows of resources by \$ 27,490,532 at the end of the current year.

Financial Highlights

The total net position of the District exceeded its liabilities and deferred inflows of resources by \$27,490,532. Of this amount \$22,261,226 (unrestricted net position) less intangible assets of \$18,588,836 may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's net position increased by \$1,406,552 during the current year. The net position of our governmental activities decreased by \$20,436 and net position of our business-type activities increased by \$1,426,988.
- As of the close of the current year, the District's governmental activities reported combined ending fund balance of \$3,121,214 a decrease of \$20,436 in comparison with the prior year balances of \$3,141,650.
- At the end of the current year, unrestricted net position for the governmental activities was \$2,937,892.

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 2021 and 2020.

Statement of Net Position

2021

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	\$ 5,691,390	\$ 961,519	\$ 6,652,909
Non-Current Assets Restricted	-	1,265,898	1,265,898
Total Capital Assets	104,322	7,211,177	7,315,499
Total Intangible Assets	-	18,588,836	18,588,836
TOTAL ASSETS	\$ 5,795,712	\$ 28,027,430	\$ 33,823,142
Liabilities:			
Current Liabilities	\$ 126,998	\$ 1,384,284	\$ 1,511,282
Non-Current Liabilities	-	2,273,828	2,273,828
Total Liabilities	126,998	3,658,112	3,785,110
Deferred Inflows of Resources	2,547,500	-	2,547,500
Net Position:			
Net investment in Capital Assets	104,322	4,780,086	4,884,408
Restricted	79,000	265,898	344,898
Unrestricted	2,937,892	19,323,334	22,261,226
Total Net Position	3,121,214	24,369,318	27,490,532
TOTAL LIABILITIES, DEFERRED INFLOWS NET POSITION	\$ 5,795,712	\$ 28,027,430	\$ 33,823,142

2020

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	\$ 5,413,061	\$ 452,524	\$ 5,865,585
Non-Current Assets Restricted	-	246,986	246,986
Total Capital Assets	107,467	7,224,217	7,331,684
Total Intangible Assets	-	18,588,836	18,588,836
TOTAL ASSETS	\$ 5,520,528	\$ 26,512,563	\$ 32,033,091
Liabilities:			
Current Liabilities	\$ 130,178	\$ 1,139,142	\$ 1,269,320
Non-Current Liabilities	-	2,431,091	2,431,091
Total Liabilities	130,178	3,570,233	3,700,411
Deferred Inflows of Resources	2,248,700	-	2,248,700
Net Position:			
Net investment in Capital Assets	107,467	4,638,216	4,745,683
Restricted	48,000	246,986	294,986
Unrestricted	2,986,183	18,057,128	21,043,311
Total Net Position	3,141,650	22,942,330	26,083,980
TOTAL LIABILITIES, DEFERRED INFLOWS NET POSITION	\$ 5,520,528	\$ 26,512,563	\$ 32,033,091

Statement of Activities

The change in net position for the governmental activities was (\$20,436) for the year ended December 31, 2021 and \$859,712 for the year ended December 31, 2020. The change in net position for the business-type activities was \$1,426,988 for the year ended December 31, 2021 and \$120,312 for the year ended December 31, 2020. 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 2021 and 2020:

				CHANGES IN NET POSITION		
2021						
Functions	Expenses	Charges for Services	Capital and Operating Reimbursements & Contributions	Governmental Activities	Business Type Activities	Total
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,622,142	\$ -	\$ 100,000	\$ (2,522,142)	\$ -	\$ (2,522,142)
TOTAL BUSINESS-TYPE ACTIVITIES	1,429,529	1,972,783	855,724	-	1,398,978	1,398,978
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,051,671</u>	<u>\$ 1,972,783</u>	<u>\$ 955,724</u>	(2,522,142)	1,398,978	(1,123,164)
TOTAL GENERAL REVENUES				2,501,706	28,010	2,529,716
CHANGE IN NET POSITION				<u>\$ (20,436)</u>	<u>\$ 1,426,988</u>	<u>\$ 1,406,552</u>

				CHANGES IN NET POSITION		
2020						
Functions	Expenses	Charges for Services	Capital and Operating Reimbursements & Contributions	Governmental Activities	Business Type Activities	Total
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,607,727	\$ -	\$ -	\$ (1,607,727)	\$ -	\$ (1,607,727)
TOTAL BUSINESS-TYPE ACTIVITIES	1,461,601	973,457	602,743	-	114,599	114,599
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,069,328</u>	<u>\$ 973,457</u>	<u>\$ 602,743</u>	(1,607,727)	114,599	(1,493,128)
TOTAL GENERAL REVENUES				2,467,439	5,713	2,473,152
CHANGE IN NET POSITION				<u>\$ 859,712</u>	<u>\$ 120,312</u>	<u>\$ 980,024</u>

GENERAL FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON GENERAL FUND

Revenues and expenditures budget comparison for year ended December 31, 2021:

2021	<u>Final Budget</u>	<u>Actual</u>
Total Revenues	\$ 2,394,100	\$ 2,601,706
Total Expenditures	3,994,400	2,618,997
Transfers Out	-	-
Revenues over (under) Expenditures and other sources	(1,600,300)	(17,291)
Fund Balance January 1	3,034,183	3,034,183
Fund Balance December 31	1,433,883	3,016,892

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 as well as the reimbursement received in 2021.

Expenditures: Changes between actual expenditures and budgeted amounts were due to no capital outlay and contingency expenditures made in 2021 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, 2021:

2021		
Revenues:	Final Budget	Actual
Water Leasing	\$ 5,000	\$ 6,270
Fees	42,000	39,720
Management Fees	1,325,000	1,682,426
Reimbursements and Other	3,000	67,122
Interest	500	17,037
Total Revenues	\$ 1,375,500	\$ 1,812,575

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

Expenditures: Budget comparison for year ended December 31, 2021:

2021		
Expenditures:	Final Budget	Actual
Water Leases	\$ 20,000	\$ -
Water Storage Fees	124,500	117,375
Arkansas Irrigation Rules	5,000	155
Deficit Irrigation	-	49,000
Dry up and Revegetation	-	14,696
Super Ditch	165,000	64,283
Cattlin Canal Pilot Project	-	452
Flood Mitigation	-	-
Depreciation	-	8,014
General and Administrative	266,200	84,249
Water Assessments and Costs	55,000	63,391
Water Conservation Services	-	67,122
Interest	39,300	39,037
Water and Capital Acquisitions	25,000	-
Debt Service	154,900	154,910
Conservation Easement	100,000	49,504
Contingency	137,600	-
Total Expenditures	\$ 1,092,500	\$ 712,188

Changes between actual expenditures and budgeted amounts were primarily due to operational changes, and lower general and administration, and conservation easement expenditures than anticipated.

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, 2021:

2021		
Revenues:	Final Budget	Actual
Lease Income	\$ 11,000	\$ 8,055
Fees	15,000	12,338
Management Fees	950,000	223,974
Reimbursements and Other	547,000	765,602
Other	-	33,973
Total Revenues	\$ 1,523,000	\$ 1,043,942

Changes between actual revenue and budgeted amounts were primarily due to higher reimbursement and lower management revenue received than was anticipated.

Expenditures: Budget comparison for year ended December 31, 2021:

2021

Expenditures:	Final Budget	Actual
Water Quality Projects	\$ 53,000	\$ 11,772
Depreciation	-	11,907
General and Administrative	140,800	13,165
Soil Quality Projects	120,000	48,881
Pollutant Trading	20,000	-
Tail Water Study	-	543
Pond Study	7,000	19,878
John Martin Reservoir Account	-	-
Property Taxes	1,500	1,043
Repairs & Maintenance	14,500	10,289
Other	32,700	11,722
Water Conservation Services	547,000	743,051
Capital Outlay	5,000	6,881
Contingency	152,300	-
Total Expenditures	\$ 1,093,800	\$ 879,132

Changes between actual expenditures and budgeted amounts were primarily due to lower general and administrative and soil quality projects expenditures and higher water conservation services expenditures 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.

No water rights were purchased by the District in 2021.

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.

Contacting the District's 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:

Lower Arkansas Valley Water Conservancy District
801 Swink Ave
Rocky Ford, CO 81067
(719) 254-5115 phone (719) 254-5150 fax

BASIC FINANCIAL STATEMENTS

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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2021

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS	\$ 2,989,954	\$ 621,217	\$ 3,611,171
REIMBURSEMENT RECEIVABLES	-	86,263	86,263
ACCRUED INTEREST RECEIVABLE	586	-	586
TAXES RECEIVABLE	2,547,500	-	2,547,500
WATER INVENTORY	-	46,993	46,993
DEPOSITS	25,439	-	25,439
PREPAIDS	-	114,175	114,175
DUE FROM OTHER FUNDS	98,109	68,291	166,400
DUE FROM OTHER ENTITIES	29,802	24,580	54,382
TOTAL CURRENT ASSETS	5,691,390	961,519	6,652,909
RESTRICTED ASSETS			
STEWARDSHIP CASH	-	176,861	176,861
DEBT RETIREMENT	-	89,037	89,037
SEP AGREEMENT	-	1,000,000	1,000,000
TOTAL RESTRICTED ASSETS	-	1,265,898	1,265,898
CAPITAL ASSETS			
BUILDINGS AND OTHER - NET	88,587	288,458	377,045
LAND	15,735	20,143	35,878
WATER STOCK	-	6,902,576	6,902,576
NET CAPITAL ASSETS	104,322	7,211,177	7,315,499
INTANGIBLE ASSETS			
CONSERVATION EASEMENTS	-	18,588,836	18,588,836
TOTAL ASSETS	\$ 5,795,712	\$ 28,027,430	\$ 33,823,142
LIABILITIES			
ACCOUNTS PAYABLE	\$ 20,317	\$ 33,856	\$ 54,173
ACCRUED EXPENSES	106,681	17,744	124,425
UNEARNED REVENUE	-	1,009,021	1,009,021
DUE TO OTHER FUNDS	-	166,400	166,400
NONCURRENT LIABILITIES:			
DUE WITHIN ONE YEAR	-	157,263	157,263
DUE IN MORE THAN ONE YEAR	-	2,273,828	2,273,828
TOTAL LIABILITIES	126,998	3,658,112	3,785,110
DEFERRED INFLOWS OF RESOURCES			
DEFERRED REVENUES - PROPERTY TAXES	2,547,500	-	2,547,500
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	104,322	4,780,086	4,884,408
RESTRICTED FOR			
EMERGENCIES - TABOR	79,000	-	79,000
STEWARDSHIP COSTS	-	176,861	176,861
DEBT RETIREMENT	-	89,037	89,037
UNRESTRICTED	2,937,892	19,323,334	22,261,226
NET POSITION	3,121,214	24,369,318	27,490,532
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 5,795,712	\$ 28,027,430	\$ 33,823,142

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

FUNCTIONS	PROGRAM REVENUES				CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING REIMBURSEMENTS & CONTRIBUTIONS	CAPITAL REIMBURSEMENTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	
GOVERNMENTAL ACTIVITIES								
GENERAL GOVERNMENT	\$ 2,622,142	\$ -	\$ 100,000	\$ -	\$ (2,522,142)	\$ -	\$ (2,522,142)	
TOTAL GOVERNMENTAL ACTIVITIES	2,622,142	-	100,000	-	(2,522,142)	-	(2,522,142)	
BUSINESS-TYPE ACTIVITIES								
WATER CONSERVATION	1,429,529	1,972,783	855,724	-	-	1,398,978	1,398,978	
TOTAL BUSINESS-TYPE ACTIVITIES	1,429,529	1,972,783	855,724	-	-	1,398,978	1,398,978	
TOTAL PRIMARY GOVERNMENT	\$ 4,051,671	\$ 1,972,783	\$ 955,724	\$ -	(2,522,142)	1,398,978	(1,123,164)	
GENERAL REVENUES:								
					2,235,891	-	2,235,891	
					250,928	-	250,928	
					14,887	28,010	42,897	
					TOTAL GENERAL REVENUES	2,501,706	28,010	2,529,716
					CHANGE IN NET POSITION	(20,436)	1,426,988	1,406,552
					NET POSITION JANUARY 1	3,141,650	22,942,330	26,083,980
					NET POSITION DECEMBER 31	\$ 3,121,214	\$ 24,369,318	\$ 27,490,532

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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2021

ASSETS

CASH IN BANKS	\$ 2,989,954
ACCRUED INTEREST RECEIVABLE	586
TAXES RECEIVABLE	2,547,500
DEPOSITS	25,439
DUE FROM OTHER FUNDS	98,109
DUE FROM OTHER ENTITIES	29,802

TOTAL ASSETS	<u>\$ 5,691,390</u>
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LIABILITIES

ACCOUNTS PAYABLE	\$ 20,317
ACCRUED EXPENSES	106,681

TOTAL LIABILITIES	<u>126,998</u>
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DEFERRED INFLOWS OF RESOURCES

DEFERRED REVENUE - PROPERTY TAX	<u>2,547,500</u>
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FUND BALANCE

RESTRICTED FOR EMERGENCIES - TABOR	79,000
ASSIGNED FOR FUTURE YEARS EXPENDITURES	1,870,000
UNASSIGNED	<u>1,067,892</u>

TOTAL FUND BALANCE	<u>3,016,892</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 5,691,390</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, 2021

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

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$ 3,016,892
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>(26,981)</u>
	<u>104,322</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,121,214</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, 2021

REVENUES	
TAXES	\$ 2,486,819
REIMBURSEMENTS	100,000
MISCELLANEOUS	<u>14,887</u>
TOTAL REVENUES	<u>2,601,706</u>
EXPENDITURES	
GENERAL GOVERNMENT	<u>2,618,997</u>
REVENUES OVER EXPENDITURES	(17,291)
FUND BALANCE JANUARY 1	<u>3,034,183</u>
FUND BALANCE DECEMBER 31	<u><u>\$ 3,016,892</u></u>

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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, 2021

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

NET CHANGE IN FUND BALANCE	\$ (17,291)
----------------------------	-------------

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>\$ (20,436)</u>
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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2021

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
CURRENT ASSETS			
CASH	\$ 243,535	\$ 377,682	\$ 621,217
REIMBURSEMENT RECEIVABLES	14,420	71,843	86,263
WATER INVENTORY	46,993	-	46,993
PREPAIDS	114,175	-	114,175
DUE FROM OTHER FUNDS	68,291	-	68,291
DUE FROM OTHER ENTITIES	24,580	-	24,580
TOTAL CURRENT ASSETS	511,994	449,525	961,519
RESTRICTED ASSETS			
CASH RESTRICTED FOR STEWARDSHIP COSTS	176,861	-	176,861
CASH RESTRICTED FOR DEBT RETIREMENT	89,037	-	89,037
CASH RESTRICTED FOR SEP AGREEMENT	-	1,000,000	1,000,000
TOTAL RESTRICTED ASSETS	265,898	1,000,000	1,265,898
CAPITAL ASSETS			
BUILDINGS AND OTHER - NET	84,060	204,398	288,458
LAND	20,143	-	20,143
WATER STOCK	6,902,576	-	6,902,576
NET CAPITAL ASSETS	7,006,779	204,398	7,211,177
INTANGIBLE ASSETS			
CONSERVATION EASEMENTS	18,588,836	-	18,588,836
TOTAL ASSETS	\$ 26,373,507	\$ 1,653,923	\$ 28,027,430
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	\$ 6,631	\$ 27,225	\$ 33,856
ACCRUED EXPENSES	8,001	5,181	13,182
ACCRUED INTEREST PAYABLE	4,562	-	4,562
DUE TO OTHER FUNDS	-	166,400	166,400
UNEARNED REVENUE	-	1,009,021	1,009,021
NOTES PAYABLE - CURRENT	157,263	-	157,263
TOTAL CURRENT LIABILITIES	176,457	1,207,827	1,384,284
NONCURRENT LIABILITIES			
NOTES PAYABLE	2,273,828	-	2,273,828
TOTAL NONCURRENT LIABILITIES	2,273,828	-	2,273,828
TOTAL LIABILITIES	2,450,285	1,207,827	3,658,112
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	4,575,688	204,398	4,780,086
RESTRICTED FOR STEWARDSHIP COSTS	176,861	-	176,861
RESTRICTED FOR DEBT RETIREMENT	89,037	-	89,037
UNRESTRICTED	19,081,636	241,698	19,323,334
TOTAL NET POSITION	23,923,222	446,096	24,369,318
TOTAL LIABILITIES AND NET POSITION	\$ 26,373,507	\$ 1,653,923	\$ 28,027,430

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, 2021

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
OPERATING REVENUES			
LEASE INCOME	\$ 6,270	\$ 8,055	\$ 14,325
FEE INCOME	39,720	12,338	52,058
MANAGEMENT FEES AND REIMBURSEMENTS	1,682,426	223,974	1,906,400
TOTAL OPERATING REVENUES	1,728,416	244,367	1,972,783
OPERATING EXPENSES			
IRRIGATION RULES	155	-	155
DEFICIT IRRIGATION	49,000	-	49,000
DRY UP AND REVEGETATION	14,696	-	14,696
SUPER DITCH	64,283	-	64,283
CATLIN CANAL PILOT PROJECT EASEMENTS	452	-	452
NEPA STORAGE	49,504	-	49,504
WATER QUALITY PROJECTS	1,150	-	1,150
DEPRECIATION	-	12,315	12,315
STORAGE FEES	8,014	11,907	19,921
PERSONNEL	116,225	-	116,225
SOIL QUALITY PROJECTS	80,283	13,165	93,448
POND STUDY	-	48,881	48,881
WATER ASSESSMENTS	-	19,878	19,878
PROPERTY TAXES	63,391	-	63,391
REPAIRS AND MAINTENANCE	3,695	1,043	4,738
OTHER	-	10,289	10,289
TOTAL OPERATING EXPENSES	271	11,722	11,993
OPERATING INCOME	451,119	129,200	580,319
NONOPERATING REVENUES (EXPENSES)			
INTEREST AND OTHER INCOME	17,037	10,973	28,010
IN-KIND CONTRIBUTIONS	-	23,000	23,000
INTEREST EXPENSE	(39,037)	-	(39,037)
WATER CONSERVATION SERVICES	(67,122)	(743,051)	(810,173)
REIMBURSEMENT FOR SERVICES	67,122	765,602	832,724
TOTAL NONOPERATING REVENUES (EXPENSES)	(22,000)	56,524	34,524
CHANGE IN NET POSITION	1,255,297	171,691	1,426,988
NET POSITION JANUARY 1	22,667,925	274,405	22,942,330
NET POSITION DECEMBER 31	\$ 23,923,222	\$ 446,096	\$ 24,369,318

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2021

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIVED FROM CUSTOMERS	\$ 35,958	\$ 9,117	\$ 45,075
RECEIVED FROM INTERFUND ACTIVITIES	780,063	371,394	1,151,457
PAYMENTS FOR SUPPLIES, GOODS AND SERVICES	(368,240)	(119,785)	(488,025)
PAYMENTS TO EMPLOYEES	(112,523)	(37,487)	(150,010)
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	335,258	223,239	558,497
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
REIMBURSEMENT FOR SERVICES	171,507	1,825,747	1,997,254
PAYMENTS FOR WATER CONSERVATION SERVICES	(67,122)	(717,231)	(784,353)
NET CASH PROVIDED (USED) IN NONCAPITAL FINANCING ACTIVITIES	104,385	1,108,516	1,212,901
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES			
ACQUISITION OF CAPITAL ASSETS	-	(6,881)	(6,881)
LOAN PAYMENTS	(154,910)	-	(154,910)
INTEREST PAID	(39,323)	-	(39,323)
NET CASH USED IN CAPITAL & RELATED FINANCING ACTIVITIES	(194,233)	(6,881)	(201,114)
CASH FLOWS FROM INVESTING ACTIVITIES			
INTEREST RECEIVED AND OTHER	17,037	10,973	28,010
NET CASH PROVIDED BY INVESTING ACTIVITIES	17,037	10,973	28,010
NET CHANGE IN CASH AND RESTRICTED CASH	262,447	1,335,847	1,598,294
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	246,986	41,835	288,821
CASH AND RESTRICTED CASH - END OF YEAR	\$ 509,433	\$ 1,377,682	\$ 1,887,115
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES			
OPERATING INCOME	\$ 1,277,297	\$ 115,167	\$ 1,392,464
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES			
DEPRECIATION	8,014	11,907	19,921
CHANGES IN ASSETS AND LIABILITIES			
WATER INVENTORY	(4,803)	-	(4,803)
PREPAIDS	(1,925)	180	(1,745)
DUE FROM/TO OTHER FUNDS	(902,363)	147,420	(754,943)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	(30,930)	(40,159)	(71,089)
DUE FROM/TO OTHER ENTITIES	(10,032)	-	(10,032)
UNEARNED REVENUE	-	(11,276)	(11,276)
NET CASH PROVIDED BY (USED IN) IN OPERATING ACTIVITIES	\$ 335,258	\$ 223,239	\$ 558,497

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

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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, 2021, 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, 2021, there were no funds of the District 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 (including restricted assets) with a maturity of six months or less when purchased to be cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of net positions of the proprietary funds that sum to the total of the same such amounts shown in the statement of cash flows:

	Water Activity Enterprise Fund	Lower Ark Valley Engineering Services Enterprise Fund	Total Proprietary Funds
Cash and Cash Equivalents	\$ 243,535	\$ 377,682	\$ 621,217
Restricted Assets	<u>265,898</u>	<u>1,000,000</u>	<u>1,265,898</u>
Total Cash, Cash Equivalents, and Restricted Cash shown in the Statement of Cash Flows	<u>\$ 509,433</u>	<u>\$ 1,377,682</u>	<u>\$ 1,887,115</u>

Restricted Cash

Restricted cash in the proprietary funds represent payments received for stewardship fees on conservation easements, cash set aside for debt retirement per loan covenants and cash received for pollution prevention and water conservation as described in the Supplemental Environmental Projects (SEP) Agreement.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reimbursement Receivables

Reimbursement receivables consist primarily of noninterest-bearing amounts due for District operations related to water activity, engineering services and other projects. The District determines the allowance for uncollectable reimbursement receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Reimbursement receivables are written off when deemed uncollectable. At December 31, 2021, no allowance was noted. The full reimbursement outstanding balance for all funds is deemed current, collectable within a year.

Due To / From Other Funds and Entities

Outstanding balances between funds and other entities are reported as "due to/from other funds" or "due to/from other entities". For "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".

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.

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.

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.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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.

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.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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% of an employee's contribution up to 3% of their annual salary into the plan. If the employee makes no contributions, the District contributes 2% of eligible employee's annual salary into the plan. The expense was \$12,108 for the year ended December 31, 2021.

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.

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, 2021, had a bank balance of \$5,039,217 and a corresponding carrying balance as follows:

Insured Deposits		\$ 1,142,518
Covered by Public Deposit Protection Act		<u>3,734,551</u>
		<u>\$ 4,877,069</u>

Cash is reported as follows:

Cash and Cash Equivalents		\$ 3,611,171
Restricted Assets		<u>1,265,898</u>
		<u>\$ 4,877,069</u>

NOTE 3 – PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUES

Taxes receivable represents 2021 property tax assessments, which are due in 2022. Deferred revenue in the same amount has also been recognized.

NOTE 4 – CAPITAL ASSETS

Primary Government:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
<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>(23,836)</u>	<u>(3,145)</u>	<u>-</u>	<u>(26,981)</u>
	<u>91,732</u>	<u>(3,145)</u>	<u>-</u>	<u>88,587</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 107,467</u>	<u>\$ (3,145)</u>	<u>\$ -</u>	<u>\$ 104,322</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS (Continued)

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated				
Water Stock	\$ 6,902,576	\$ -	\$ -	\$ 6,902,576
Land	<u>20,143</u>	<u>-</u>	<u>-</u>	<u>20,143</u>
	<u>6,922,719</u>	<u>-</u>	<u>-</u>	<u>6,922,719</u>
Capital Assets Being Depreciated:				
Building and Other	435,120	6,881	-	442,001
Accumulated Depreciation	<u>(133,622)</u>	<u>(19,921)</u>	<u>-</u>	<u>(153,543)</u>
	<u>301,498</u>	<u>(13,040)</u>	<u>-</u>	<u>288,458</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 7,224,217</u>	<u>\$ (13,040)</u>	<u>\$ -</u>	<u>\$ 7,211,177</u>

For the year ended December 31, 2021, depreciation expense of \$3,145 was charged to general government in the governmental activities and \$19,921 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 December 16, 2035. The loan is collateralized by 149.40 shares of the Lake Henry Reservoir Company and 149.40 shares of the Colorado Canal Company.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 157,263	\$ 36,971	\$ 194,234
2023	159,651	34,583	194,234
2024	162,075	32,159	194,234
2025	164,538	29,696	194,234
2026	167,037	27,197	194,234
2027-2031	874,033	97,135	971,168
2031-2035	<u>746,494</u>	<u>31,769</u>	<u>778,263</u>
	<u>\$ 2,431,091</u>	<u>\$ 289,510</u>	<u>\$ 2,720,601</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, 2021, the cash reserve account had a balance of \$89,037. As of December 31, 2021, 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, 2021:

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	\$ 1,987,628	\$ -	\$ (119,575)	\$ 1,868,053	\$ 121,309
Schiro	<u>598,373</u>	<u>-</u>	<u>(35,335)</u>	<u>563,038</u>	<u>35,954</u>
Totals	<u>\$ 2,586,001</u>	<u>\$ -</u>	<u>\$ (154,910)</u>	<u>\$ 2,431,091</u>	<u>\$ 157,263</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – NOTES AND EASEMENT PAYABLES (Continued)

For the year ended December 31, 2021, interest incurred and expensed in the Water Activity Enterprise Fund was \$39,037 with \$4,562 of the total reported as accrued interest payable.

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, 2021 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Activity Enterprise	\$ -
General Fund	Engineering Services Enterprise	<u>98,109</u>
		<u>\$ 98,109</u>
Water Activity Enterprise	Engineering Services Enterprise	<u>\$ 68,291</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – LEASES

The District has an agreement to lease water rights and/or canal company stock and water rights. The agreement expires on March 31, 2022. On February 16, 2022, a supplemental agreement was entered into to extend the lease of 100 Acre-Feet for five additional years through December 31, 2026 and to extend a lease of 60 Acre-Feet for one additional year ending December 31, 2022. The Lessor will pay \$5,000 or \$50 per share annually, based on the number of Acre-Feet, of Colorado Canal Water.

The future minimum lease payments to be received as of December 31, 2021 are as follows:

2022	\$ 8,000
2023	5,000
2024	5,000
2025	5,000
2026	<u>5,000</u>
Total	<u>\$ 28,000</u>

NOTE 10 – 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, 2021. The total amount paid by the District in 2021 to Larkspur was \$44,458 and the total amount received from Larkspur was \$0. As of December 31, 2021, the balance due to Larkspur was \$0 and the amount due from Larkspur was \$54,382 and is reported in “due from other entities” on the Statement of Net Position for the Water Activity Enterprise Fund for \$24,580 and on the Balance Sheet of the General Fund for \$29,802.

NOTE 11 - 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 Great Outdoors Colorado (GOCO), then the District shall make repayment to the State if GOCO makes a demand for repayment to CWCB.

NOTE 12 – 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.

NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS

In June 2017, the Governmental Accounting Standards Board (“GASB”) issued Statement No.87, Leases. The GASB is issuing this Statement to improve accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

In May 2020, the Governmental Accounting Standards Board (“GASB”) issued Statement No.95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The Statement has postponed the effective date of GASB Statement No. 87, Leases, 18 months from December 15, 2019 to June 15, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
TAXES				
REAL PROPERTY TAXES	\$ 2,215,700	\$ 2,215,700	\$ 2,235,891	\$ 20,191
SPECIFIC OWNERSHIP	159,900	159,900	250,928	91,028
REIMBURSEMENTS	-	-	100,000	100,000
INTEREST & OTHER	18,500	18,500	14,887	(3,613)
TOTAL REVENUES	2,394,100	2,394,100	2,601,706	207,606
EXPENDITURES				
GENERAL GOVERNMENT	3,721,000	3,721,000	2,618,997	1,102,003
CAPITAL OUTLAY	34,000	34,000	-	34,000
CONTINGENCY	239,400	239,400	-	239,400
TOTAL EXPENDITURES	3,994,400	3,994,400	2,618,997	1,375,403
REVENUES OVER (UNDER) EXPENDITURES	(1,600,300)	(1,600,300)	(17,291)	1,583,009
FUND BALANCE JANUARY 1	3,034,183	3,034,183	3,034,183	-
FUND BALANCE DECEMBER 31	\$ 1,433,883	\$ 1,433,883	\$ 3,016,892	\$ 1,583,009

SUPPLEMENTARY INFORMATION

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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CASH IN BANKS	\$ 2,989,954	\$ 2,288,268
ACCRUED INTEREST RECEIVABLE	586	586
TAXES RECEIVABLE	2,547,500	2,248,700
DEPOSITS	25,439	17,539
DUE FROM OTHER FUNDS	98,109	853,052
DUE FROM OTHER ENTITIES	29,802	4,916
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 5,691,390</u>	<u>\$ 5,413,061</u>
LIABILITIES		
ACCOUNTS PAYABLE	\$ 20,317	\$ 6,339
ACCRUED EXPENSES	106,681	123,839
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>126,998</u>	<u>130,178</u>
DEFERRED INFLOWS OF RESOURCES		
DEFERRED REVENUE - PROPERTY TAX	2,547,500	2,248,700
FUND BALANCE		
RESTRICTED FOR EMERGENCIES - TABOR	79,000	48,000
ASSIGNED FOR FUTURE YEARS EXPENDITURES	1,870,000	1,570,900
UNASSIGNED	1,067,892	1,415,283
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>3,016,892</u>	<u>3,034,183</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 5,691,390</u>	<u>\$ 5,413,061</u>

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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
TAXES	\$ 2,486,819	\$ 2,431,194
INSURANCE PROCEEDS	-	19,388
REIMBURSEMENTS	100,000	-
MISCELLANEOUS	<u>14,887</u>	<u>16,857</u>
TOTAL REVENUES	<u>2,601,706</u>	<u>2,467,439</u>
EXPENDITURES		
GENERAL GOVERNMENT	<u>2,618,997</u>	<u>1,604,582</u>
REVENUES OVER (UNDER) EXPENDITURES	(17,291)	862,857
FUND BALANCE JANUARY 1	<u>3,034,183</u>	<u>2,171,326</u>
FUND BALANCE DECEMBER 31	<u><u>\$ 3,016,892</u></u>	<u><u>\$ 3,034,183</u></u>

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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

WATER ACTIVITY ENTERPRISE FUND

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
CASH	\$ 243,535	\$ -
REIMBURSEMENT RECEIVABLE	14,420	118,805
WATER INVENTORY	46,993	42,190
PREPAIDS	114,175	112,250
DUE FROM OTHER FUNDS	68,291	13,728
DUE FROM OTHER ENTITIES	24,580	14,548
TOTAL CURRENT ASSETS	<u>511,994</u>	<u>301,521</u>
RESTRICTED ASSETS		
CASH RESTRICTED FOR STEWARDSHIP COSTS	176,861	176,680
CASH RESTRICTED FOR DEBT RETIREMENT	89,037	70,306
TOTAL RESTRICTED ASSETS	<u>265,898</u>	<u>246,986</u>
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET	84,060	92,074
LAND	20,143	20,143
WATER STOCK	6,902,576	6,902,576
NET CAPITAL ASSETS	<u>7,006,779</u>	<u>7,014,793</u>
INTANGIBLE ASSETS		
CONSERVATION EASEMENTS	18,588,836	18,588,836
TOTAL ASSETS	<u>\$ 26,373,507</u>	<u>\$ 26,152,136</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 6,631	\$ 5,319
ACCRUED EXPENSES	8,001	40,243
ACCRUED INTEREST PAYABLE	4,562	4,848
DUE TO OTHER FUNDS	-	847,800
NOTES PAYABLE - CURRENT	157,263	154,910
TOTAL CURRENT LIABILITIES	<u>176,457</u>	<u>1,053,120</u>
NONCURRENT LIABILITIES		
NOTES PAYABLE	<u>2,273,828</u>	<u>2,431,091</u>
TOTAL NONCURRENT LIABILITIES	<u>2,273,828</u>	<u>2,431,091</u>
TOTAL LIABILITIES	<u>2,450,285</u>	<u>3,484,211</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	4,575,688	4,428,792
RESTRICTED FOR STEWARDSHIP COSTS	176,861	176,680
RESTRICTED FOR DEBT RETIREMENT	89,037	70,306
UNRESTRICTED	19,081,636	17,992,147
TOTAL NET POSITION	<u>23,923,222</u>	<u>22,667,925</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 26,373,507</u>	<u>\$ 26,152,136</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
WATER ACTIVITY ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
WATER LEASING	\$ 6,270	\$ 6,250
RULE 10 FEE INCOME	39,720	36,450
MANAGEMENT FEES AND REIMBURSEMENTS	1,682,426	632,408
TOTAL REVENUES	1,728,416	675,108
OPERATING EXPENSES		
WATER LEASES	-	37,973
IRRIGATION RULES	155	1,620
DEFICIT IRRIGATION	49,000	-
DRY UP AND REVEGETATION	14,696	-
SUPER DITCH	64,283	13,422
CATLIN CANAL PILOT PROJECT	452	29,845
EASEMENTS	49,504	47,614
NEPA STORAGE	1,150	1,459
DEPRECIATION	8,014	12,408
STORAGE FEES	116,225	113,595
PERSONNEL	80,283	188,655
WATER ASSESSMENTS	63,391	67,096
FLOOD MITIGATION	-	4,689
PROPERTY TAXES	3,695	3,693
OTHER	271	12,692
TOTAL OPERATING EXPENSES	451,119	534,761
OPERATING INCOME	1,277,297	140,347
NONOPERATING REVENUES (EXPENSES)		
OTHER INCOME	16,856	2,860
INTEREST INCOME	181	414
INTEREST EXPENSE	(39,037)	(41,359)
WATER CONSERVATION SERVICES	(67,122)	(180,887)
REIMBURSEMENT FOR SERVICES	67,122	180,887
TOTAL NONOPERATING REVENUES (EXPENSES)	(22,000)	(38,085)
CHANGE IN NET POSITION	1,255,297	102,262
NET POSITION JANUARY 1	22,667,925	22,565,663
NET POSITION DECEMBER 31	\$ 23,923,222	\$ 22,667,925

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIVED FROM CUSTOMERS	\$ 35,958	\$ 35,912
RECEIVED FROM INTERFUND ACTIVITIES	780,063	803,055
PAYMENTS FOR SUPPLIES, GOODS, SERVICES	(368,240)	(346,520)
PAYMENTS TO EMPLOYEES	<u>(112,523)</u>	<u>(176,330)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>335,258</u>	<u>316,117</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
REIMBURSEMENT FOR SERVICES	171,507	62,082
PAYMENTS FOR WATER CONSERVATION SERVICES	<u>(67,122)</u>	<u>(180,887)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>104,385</u>	<u>(118,805)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
LOAN PAYMENTS	(154,910)	(152,594)
INTEREST PAID	<u>(39,323)</u>	<u>(41,641)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(194,233)</u>	<u>(194,235)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST RECEIVED AND OTHER	17,037	3,275
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>17,037</u>	<u>3,275</u>
NET CHANGE IN CASH AND RESTRICTED CASH	262,447	6,352
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	<u>246,986</u>	<u>240,634</u>
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 509,433</u>	<u>\$ 246,986</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 1,277,297	\$ 140,347
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION	8,014	12,408
CHANGES IN ASSETS AND LIABILITIES		
WATER INVENTORY	(4,803)	10,972
PREPAIDS	(1,925)	(1,900)
DUE FROM/TO OTHER FUNDS	(902,363)	170,647
ACCOUNTS PAYABLE & ACCRUED EXPENSES	(30,930)	(9,569)
DUE FROM/TO OTHER ENTITIES	(10,032)	(5,538)
UNEARNED REVENUE	<u>-</u>	<u>(1,250)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 335,258</u>	<u>\$ 316,117</u>

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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
CASH	\$ 377,682	\$ 41,835
REIMBURSEMENT RECEIVABLES	71,843	108,988
PREPAIDS	-	180
TOTAL CURRENT ASSETS	<u>449,525</u>	<u>151,003</u>
RESTRICTED ASSETS		
CASH RESTRICTED FOR SEP AGREEMENT	<u>1,000,000</u>	-
TOTAL RESTRICTED ASSETS	<u>1,000,000</u>	-
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET	<u>204,398</u>	<u>209,424</u>
TOTAL ASSETS	<u>\$ 1,653,923</u>	<u>\$ 360,427</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 27,225	\$ 17,292
ACCRUED EXPENSES	5,181	29,453
UNEARNED REVENUE	1,009,021	20,297
DUE TO OTHER FUNDS	<u>166,400</u>	<u>18,980</u>
TOTAL CURRENT LIABILITIES	<u>1,207,827</u>	<u>86,022</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	204,398	209,424
UNRESTRICTED	<u>241,698</u>	<u>64,981</u>
TOTAL NET POSITION	<u>446,096</u>	<u>274,405</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,653,923</u>	<u>\$ 360,427</u>

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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, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
LEASE INCOME	\$ 8,055	\$ 10,980
FEE INCOME	12,338	14,325
MANAGEMENT FEES AND REIMBURSEMENTS	223,974	273,044
TOTAL REVENUES	244,367	298,349
OPERATING EXPENSES		
WATER QUALITY PROJECTS	11,772	7,151
DEPRECIATION	11,907	9,141
PERSONNEL	13,165	97,145
SOIL QUALITY PROJECTS	48,881	101,995
TAILWATER STUDY	543	30,773
POND STUDY	19,878	3,468
JOHN MARTIN RESERVOIR ACCOUNT	-	1,403
PROPERTY TAXES	1,043	1,524
REPAIRS AND MAINTENANCE	10,289	11,299
OTHER	11,722	18,839
TOTAL OPERATING EXPENSES	129,200	282,738
OPERATING INCOME	115,167	15,611
NONOPERATING REVENUES (EXPENSES)		
OTHER INCOME	10,973	2,439
IN-KIND CONTRIBUTION	23,000	-
WATER CONSERVATION SERVICES	(743,051)	(421,856)
REIMBURSEMENT FOR SERVICES	765,602	421,856
TOTAL NONOPERATING REVENUES (EXPENSES)	56,524	2,439
CHANGE IN NET POSITION	171,691	18,050
NET POSITION JANUARY 1	274,405	256,355
NET POSITION DECEMBER 31	\$ 446,096	\$ 274,405

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LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIVED FROM CUSTOMERS	\$ 9,117	\$ 35,602
RECEIVED FROM INTERFUND ACTIVITIES	371,394	143,339
PAYMENTS FOR SUPPLIES, GOODS, SERVICES	(119,785)	(167,683)
PAYMENTS TO EMPLOYEES	<u>(37,487)</u>	<u>(92,252)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>223,239</u>	<u>(80,994)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
REIMBURSEMENT FOR SERVICES	1,825,747	535,784
PAYMENTS FOR WATER CONSERVATION SERVICES	<u>(717,231)</u>	<u>(591,770)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1,108,516</u>	<u>(55,986)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
ACQUISITION OF CAPITAL ASSETS	<u>(6,881)</u>	<u>(44,461)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,881)</u>	<u>(44,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST RECEIVED AND OTHER	<u>10,973</u>	<u>2,439</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>10,973</u>	<u>2,439</u>
NET CHANGE IN CASH	1,335,847	(179,002)
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	<u>41,835</u>	<u>220,837</u>
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 1,377,682</u>	<u>\$ 41,835</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 115,167	\$ 15,611
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
DEPRECIATION	11,907	9,141
CHANGES IN ASSETS AND LIABILITIES		
PREPAIDS	180	20
DUE FROM/TO OTHER FUNDS	147,420	(129,705)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	(40,159)	13,642
UNEARNED REVENUES	<u>(11,276)</u>	<u>10,297</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 223,239</u>	<u>\$ (80,994)</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, 2021

REVENUES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
WATER LEASING	\$ 5,000	\$ 5,000	\$ 6,270	\$ 1,270
FEE INCOME	42,000	42,000	39,720	(2,280)
MANAGEMENT FEES	1,325,000	1,325,000	1,682,426	357,426
REIMBURSEMENTS	3,000	3,000	67,122	64,122
INTEREST AND OTHER	500	500	17,037	16,537
TOTAL REVENUES	1,375,500	1,375,500	1,812,575	437,075
EXPENDITURES				
WATER LEASES	20,000	20,000	-	20,000
WATER AND NEPA STORAGE FEES	124,500	124,500	117,375	7,125
ARKANSAS IRRIGATION RULES	5,000	5,000	155	4,845
DEFICIT IRRIGATION	-	-	49,000	(49,000)
DRY UP AND REVEGETATION	-	-	14,696	(14,696)
SUPER DITCH	165,000	165,000	64,283	100,717
CATLIN CANAL PILOT PROJECT	-	-	452	(452)
DEPRECIATION	-	-	8,014	(8,014)
GENERAL AND ADMINISTRATIVE	266,200	266,200	84,249	181,951
WATER ASSESSMENTS AND COSTS	55,000	55,000	63,391	(8,391)
WATER CONSERVATION SERVICES	-	-	67,122	(67,122)
INTEREST	39,300	39,300	39,037	263
WATER ACQUISITIONS	25,000	25,000	-	25,000
DEBT SERVICE	154,900	154,900	154,910	(10)
CONSERVATION EASEMENTS	100,000	100,000	49,504	50,496
CONTINGENCY	137,600	137,600	-	137,600
TOTAL EXPENDITURES	1,092,500	1,092,500	712,188	380,312
REVENUE OVER (UNDER) EXPENDITURES	\$ 283,000	\$ 283,000	1,100,387	\$ 817,387
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
PRINCIPAL PAID ON LOANS			154,910	
CHANGE IN NET POSITION			1,255,297	
NET POSITION JANUARY 1			22,667,925	
TOTAL NET POSITION DECEMBER 31			\$ 23,923,222	

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, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
LEASE INCOME	\$ 11,000	\$ 11,000	\$ 8,055	\$ (2,945)
FEE INCOME	15,000	15,000	12,338	(2,662)
MANAGEMENT FEES	950,000	950,000	223,974	(726,026)
REIMBURSEMENT FOR SERVICES	547,000	547,000	765,602	218,602
IN-KIND CONTRIBUTIONS	-	-	23,000	23,000
OTHER	-	-	10,973	10,973
TOTAL REVENUES	<u>1,523,000</u>	<u>1,523,000</u>	<u>1,043,942</u>	<u>(479,058)</u>
EXPENDITURES				
WATER QUALITY PROJECTS	53,000	53,000	11,772	41,228
DEPRECIATION	-	-	11,907	(11,907)
GENERAL AND ADMINISTRATIVE	140,800	140,800	13,165	127,635
SOIL QUALITY PROJECTS	120,000	120,000	48,881	71,119
POLLUTANT TRADING	20,000	20,000	-	20,000
TAIL WATER STUDY	-	-	543	(543)
POND STUDY	7,000	7,000	19,878	(12,878)
PROPERTY TAXES	1,500	1,500	1,043	457
REPAIRS AND MAINTENANCE	14,500	14,500	10,289	4,211
OTHER	32,700	32,700	11,722	20,978
WATER CONSERVATION SERVICES	547,000	547,000	743,051	(196,051)
CAPITAL OUTLAY	5,000	5,000	6,881	(1,881)
CONTINGENCY	152,300	152,300	-	152,300
TOTAL EXPENDITURES	<u>1,093,800</u>	<u>1,093,800</u>	<u>879,132</u>	<u>214,668</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 429,200</u>	<u>\$ 429,200</u>	164,810	<u>\$ (264,390)</u>
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
CAPITAL ASSET PURCHASES			<u>6,881</u>	
CHANGE IN NET POSITION			171,691	
NET POSITION JANUARY 1			<u>274,405</u>	
TOTAL NET POSITION DECEMBER 31			<u>\$ 446,096</u>	