

LOWER ARKANSAS VALLEY
WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2022

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

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HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS
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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, 2022, 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, 2022, 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.

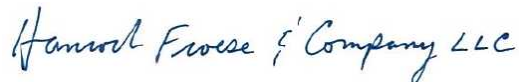
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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
June 16, 2023

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, 2022. 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 Lower Ark Valley 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 \$28,996,970 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 \$28,996,970. Of this amount \$23,628,560 (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 \$1,504,785 during the current year. The net position of our governmental activities increased by \$1,173,560 and net position of our business-type activities increased by \$331,225.
- As of the close of the current year, the District's governmental activities reported combined ending fund balance of \$4,294,774 an increase of \$1,173,560 in comparison with the prior year balances of \$3,121,214.
- At the end of the current year, unrestricted net position for the governmental activities was \$4,124,830.

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 2022 and 2021.

Statement of Net Position

2022

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	\$ 6,816,201	\$ 2,543,445	\$ 9,359,646
Total Non-Current Assets	-	61,097	61,097
Total Capital Assets	117,644	7,191,256	7,308,900
Total Intangible Assets	-	18,588,836	18,588,836
TOTAL ASSETS	\$ 6,933,845	\$ 28,384,634	\$ 35,318,479
Liabilities:			
Current Liabilities	\$ 99,271	\$ 1,348,566	\$ 1,447,837
Non-Current Liabilities	-	2,273,828	2,273,828
Total Liabilities	99,271	3,622,394	3,721,665
Deferred Inflows of Resources	2,539,800	60,044	2,599,844
Net Position:			
Net investment in Capital Assets	117,644	4,914,428	5,035,072
Restricted	52,300	281,038	333,338
Unrestricted	4,124,830	19,503,730	23,628,560
Total Net Position	4,294,774	24,702,196	28,996,970
TOTAL LIABILITIES, DEFERRED INFLOWS NET POSITION	\$ 6,933,845	\$ 28,384,634	\$ 35,318,479

2021

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Total Current Assets	\$ 5,691,390	\$ 2,229,894	\$ 7,921,284
Total Non-Current Assets	-	63,752	63,752
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	\$ 28,093,659	\$ 33,889,371
Liabilities:			
Current Liabilities	\$ 126,998	\$ 1,227,021	\$ 1,354,019
Non-Current Liabilities	-	2,431,091	2,431,091
Total Liabilities	126,998	3,658,112	3,785,110
Deferred Inflows of Resources	2,547,500	64,576	2,612,076
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	19,324,987	22,262,879
Total Net Position	3,121,214	24,370,971	27,492,185
TOTAL LIABILITIES, DEFERRED INFLOWS NET POSITION	\$ 5,795,712	\$ 28,093,659	\$ 33,889,371

Statement of Activities

The change in net position for the governmental activities was \$1,173,560 for the year ended December 31, 2022 and (\$20,436) for the year ended December 31, 2021. The change in net position for the business-type activities was \$331,225 for the year ended December 31, 2022 and \$1,428,641 for the year ended December 31, 2021. 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 2022 and 2021:

2022	Functions	Expenses	Charges for Services	Capital and Operating Reimbursements & Contributions	CHANGES IN NET POSITION		
					Governmental Activities	Business Type Activities	Total
	TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,727,556	\$ -	\$ 5,532	\$ (1,722,024)	\$ -	\$ (1,722,024)
	TOTAL BUSINESS-TYPE ACTIVITIES	784,972	917,464	191,593	-	324,085	324,085
	TOTAL PRIMARY GOVERNMENT	<u>\$ 2,512,528</u>	<u>\$ 917,464</u>	<u>\$ 197,125</u>	(1,722,024)	324,085	(1,397,939)
	TOTAL GENERAL REVENUES				<u>2,895,584</u>	<u>7,140</u>	<u>2,902,724</u>
	CHANGE IN NET POSITION				1,173,560	331,225	1,504,785
	NET POSITION JANUARY 1				<u>3,121,214</u>	<u>24,370,971</u>	<u>27,492,185</u>
	NET POSITION DECEMBER 31				<u>\$ 4,294,774</u>	<u>\$ 24,702,196</u>	<u>\$ 28,996,970</u>

2021	Functions	Expenses	Charges for Services	Capital and Operating Reimbursements & Contributions	CHANGES IN NET POSITION		
					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	1,971,622	855,724	-	1,397,817	1,397,817
	TOTAL PRIMARY GOVERNMENT	<u>\$ 4,051,671</u>	<u>\$ 1,971,622</u>	<u>\$ 955,724</u>	(2,522,142)	1,397,817	(1,124,325)
	TOTAL GENERAL REVENUES				<u>2,501,706</u>	<u>30,824</u>	<u>2,532,530</u>
	CHANGE IN NET POSITION				<u>\$ (20,436)</u>	<u>\$ 1,428,641</u>	<u>\$ 1,408,205</u>

GENERAL FUND

REVIEW OF EXPENDITURES VS. BUDGETARY COMPARISON GENERAL FUND

Revenues and expenditures budget comparison for year ended December 31, 2022:

2022	Final Budget	Actual
Total Revenues	\$ 2,767,000	\$ 2,901,116
Total Expenditures	4,637,700	1,740,878
Transfers Out	-	-
Revenues over (under) Expenditures and other sources	(\$1,870,000)	1,160,238
Fund Balance January 1	3,016,892	3,016,892
Fund Balance December 31	1,146,892	4,177,130

Revenues: Changes between actual revenues and budgeted amounts were mainly due to an increase in property and specific ownership tax receipts when compared to the budgeted amount as well as the reimbursement received in 2022.

Expenditures: Changes between actual expenditures and budgeted amounts were due to general government expenditures being 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, 2022:

2022	Final Budget	Actual
Revenues:		
Water Leasing	\$ 5,000	\$ 9,660
Fees	41,000	31,627
Management Fees	1,745,500	634,356
Reimbursements and Other	25,000	7,519
Interest	-	300
Total Revenues	\$ 1,816,500	\$ 683,462

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, 2022:

2022	Final Budget	Actual
Expenditures:		
Water Leases	\$ 20,000	\$ -
Water Storage Fees	130,500	120,807
Arkansas Irrigation Rules	3,000	-
Deficit Irrigation	-	-
Dry up and Revegetation	69,500	15,129
Super Ditch	185,000	49,128
Catlin Canal Pilot Project	-	-
Flood Mitigation	-	-
Depreciation	-	8,014
General and Administrative	236,800	126,528
Water Assessments and Costs	71,000	63,393
Water Conservation Services	-	7,519
Interest	34,200	36,882
Water and Capital Acquisitions	250,000	-
Debt Service	160,000	157,263
Conservation Easement	95,000	49,693
Contingency	181,700	-
Total Expenditures	\$ 1,436,700	\$ 634,356

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, 2022:

2022	Final Budget	Actual
Revenues:		
Lease Income	\$ 9,000	\$ 4,532
Fees	12,000	13,725
Management Fees	1,100,000	223,564
Reimbursements and Other	375,000	184,074
Other	-	6,840
Total Revenues	\$ 1,496,000	\$ 432,735

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

Expenditures: Budget comparison for year ended December 31, 2022:

2022		
Expenditures:	Final Budget	Actual
Water Quality Projects	\$ 165,000	\$ 3,694
Depreciation	-	11,907
General and Administrative	393,000	77,091
Soil Quality Projects	50,000	2,521
Pollutant Trading	40,000	-
Tail Water Study	1,500	-
Pond Study	17,000	-
Property Taxes	1,100	1,044
Repairs & Maintenance	21,000	10,662
Other	1,000	16,886
Water Conservation Services	828,000	184,074
Contingency	149,600	-
Total Expenditures	\$ 1,667,200	\$ 307,879

Changes between actual expenditures and budgeted amounts were primarily due to lower general and administrative, soil quality projects expenditures and 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 2022.

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

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2022

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 3,998,674	\$ 914,553	\$ 4,913,227
RESTRICTED CASH	-	1,282,078	1,282,078
RECEIVABLES (NET)			
REIMBURSEMENT RECEIVABLES	-	87,549	87,549
ACCRUED INTEREST RECEIVABLE	586	-	586
LEASE RECEIVABLE	-	2,655	2,655
TAXES RECEIVABLE	2,539,800	-	2,539,800
WATER INVENTORY	-	48,781	48,781
DEPOSITS	28,697	-	28,697
PREPAIDS	-	116,625	116,625
DUE FROM OTHER FUNDS	220,414	83,261	303,675
DUE FROM OTHER ENTITIES	28,030	7,943	35,973
NONCURRENT ASSETS			
LEASE RECEIVABLE	-	61,097	61,097
CAPITAL ASSETS			
BUILDINGS AND OTHER - NET	101,909	268,537	370,446
LAND	15,735	20,143	35,878
WATER STOCK	-	6,902,576	6,902,576
INTANGIBLE ASSETS			
CONSERVATION EASEMENTS	-	18,588,836	18,588,836
TOTAL ASSETS	\$ 6,933,845	\$ 28,384,634	\$ 35,318,479
LIABILITIES			
ACCOUNTS PAYABLE	\$ 18,912	\$ 17,641	\$ 36,553
ACCRUED EXPENSES	80,359	18,229	98,588
UNEARNED REVENUE	-	1,009,021	1,009,021
DUE TO OTHER FUNDS	-	303,675	303,675
NONCURRENT LIABILITIES:			
DUE WITHIN ONE YEAR	-	159,651	159,651
DUE IN MORE THAN ONE YEAR	-	2,114,177	2,114,177
TOTAL LIABILITIES	99,271	3,622,394	3,721,665
DEFERRED INFLOWS OF RESOURCES			
DEFERRED REVENUES - PROPERTY TAXES	2,539,800	-	2,539,800
DEFERRED REVENUES - LEASE	-	60,044	60,044
TOTAL DEFERRED INFLOW OF RESOURCES	2,539,800	60,044	2,599,844
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	117,644	4,917,428	5,035,072
RESTRICTED FOR			
EMERGENCIES - TABOR	52,300	-	52,300
STEWARDSHIP COSTS	-	177,161	177,161
DEBT RETIREMENT	-	103,877	103,877
UNRESTRICTED	4,124,830	19,503,730	23,628,560
NET POSITION	4,294,774	24,702,196	28,996,970
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 6,933,845	\$ 28,384,634	\$ 35,318,479

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

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	\$ 1,727,556	\$ -	\$ 5,532	\$ -	\$ (1,722,024)	\$ -	\$ (1,722,024)
TOTAL GOVERNMENTAL ACTIVITIES	1,727,556	-	5,532	-	(1,722,024)	-	(1,722,024)
BUSINESS-TYPE ACTIVITIES							
WATER CONSERVATION	784,972	917,464	191,593	-	-	324,085	324,085
TOTAL BUSINESS-TYPE ACTIVITIES	784,972	917,464	191,593	-	-	324,085	324,085
TOTAL PRIMARY GOVERNMENT	\$ 2,512,528	\$ 917,464	\$ 197,125	\$ -	(1,722,024)	324,085	(1,397,939)
GENERAL REVENUES:							
					2,614,176	-	2,614,176
					267,847	-	267,847
					13,561	7,140	20,701
					<u>2,895,584</u>	<u>7,140</u>	<u>2,902,724</u>
					1,173,560	331,225	1,504,785
					<u>3,121,214</u>	<u>24,370,971</u>	<u>27,492,185</u>
					<u>\$ 4,294,774</u>	<u>\$ 24,702,196</u>	<u>\$ 28,996,970</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

DECEMBER 31, 2022

ASSETS	
CASH IN BANKS	\$ 3,998,674
ACCRUED INTEREST RECEIVABLE	586
TAXES RECEIVABLE	2,539,800
DEPOSITS	28,697
DUE FROM OTHER FUNDS	220,414
DUE FROM OTHER ENTITIES	28,030
	<hr/>
TOTAL ASSETS	<u>\$ 6,816,201</u>
LIABILITIES	
ACCOUNTS PAYABLE	\$ 18,912
ACCRUED EXPENSES	80,359
	<hr/>
TOTAL LIABILITIES	<u>99,271</u>
DEFERRED INFLOWS OF RESOURCES	
DEFERRED REVENUE - PROPERTY TAX	2,539,800
	<hr/>
FUND BALANCE	
RESTRICTED FOR EMERGENCIES - TABOR	52,300
ASSIGNED FOR FUTURE YEARS EXPENDITURES	1,135,400
UNASSIGNED	2,989,430
	<hr/>
TOTAL FUND BALANCE	<u>4,177,130</u>
	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 6,816,201</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2022

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

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$ 4,177,130
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN FUNDS.	
THE COST OF THE CAPITAL ASSET IS	150,603
ACCUMULATED DEPRECIATION IS	<u>(32,959)</u>
	<u>117,644</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 4,294,774</u></u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2022

REVENUES	
TAXES	\$ 2,882,023
REIMBURSEMENTS	5,532
MISCELLANEOUS	<u>13,561</u>
TOTAL REVENUES	<u>2,901,116</u>
EXPENDITURES	
GENERAL GOVERNMENT	1,721,578
CAPITAL OUTLAY	<u>19,300</u>
TOTAL REVENUES	<u>1,740,878</u>
REVENUES OVER (UNDER) EXPENDITURES	1,160,238
FUND BALANCE JANUARY 1	<u>3,016,892</u>
FUND BALANCE DECEMBER 31	<u>\$ 4,177,130</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, 2022

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

NET CHANGE IN FUND BALANCE	\$ 1,160,238
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS ARE ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE. THIS IS THE AMOUNT BY WHICH CAPITAL OUTLAYS DIFFER FROM DEPRECIATION IN THE CURRENT PERIOD.	
CAPITAL OUTLAY	19,300
DEPRECIATION EXPENSE	(5,978)
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,173,560

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2022

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
CURRENT ASSETS			
CASH	\$ 476,686	\$ 437,867	\$ 914,553
REIMBURSEMENT RECEIVABLES	7,519	80,030	87,549
LEASE RECEIVABLE	-	2,655	2,655
WATER INVENTORY	48,781	-	48,781
PREPAIDS	116,125	500	116,625
DUE FROM OTHER FUNDS	83,261	-	83,261
DUE FROM OTHER ENTITIES	7,943	-	7,943
TOTAL CURRENT ASSETS	740,315	521,052	1,261,367
RESTRICTED ASSETS			
RESTRICTED CASH	281,038	1,001,040	1,282,078
NONCURRENT ASSETS			
LEASE RECEIVABLE	-	61,097	61,097
CAPITAL ASSETS			
BUILDINGS AND OTHER - NET	76,046	192,491	268,537
LAND	20,143	-	20,143
WATER STOCK	6,902,576	-	6,902,576
NET CAPITAL ASSETS	6,998,765	192,491	7,191,256
INTANGIBLE ASSETS			
CONSERVATION EASEMENTS	18,588,836	-	18,588,836
TOTAL ASSETS	\$ 26,608,954	\$ 1,775,680	\$ 28,384,634
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	\$ 13,489	\$ 4,152	\$ 17,641
ACCRUED EXPENSES	10,812	7,417	18,229
DUE TO OTHER FUNDS	181,234	122,441	303,675
UNEARNED REVENUE	-	1,009,021	1,009,021
NOTES PAYABLE - CURRENT	159,651	-	159,651
TOTAL CURRENT LIABILITIES	365,186	1,143,031	1,508,217
NONCURRENT LIABILITIES			
NOTES PAYABLE	2,114,177	-	2,114,177
TOTAL LIABILITIES	2,479,363	1,143,031	3,622,394
DEFERRED INFLOW OF RESOURCES			
LEASE	-	60,044	60,044
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	4,724,937	192,491	4,917,428
RESTRICTED FOR STEWARDSHIP COSTS	177,161	-	177,161
RESTRICTED FOR DEBT RETIREMENT	103,877	-	103,877
UNRESTRICTED	19,123,616	380,114	19,503,730
TOTAL NET POSITION	24,129,591	572,605	24,702,196
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 26,608,954	\$ 1,775,680	\$ 28,384,634

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, 2022

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
OPERATING REVENUES			
LEASE INCOME	\$ 9,660	\$ 4,532	\$ 14,192
FEE INCOME	31,627	13,725	45,352
MANAGEMENT FEES AND REIMBURSEMENTS	634,356	223,564	857,920
TOTAL OPERATING REVENUES	675,643	241,821	917,464
OPERATING EXPENSES			
DRY UP AND REVEGETATION	15,129	-	15,129
SUPER DITCH	49,128	-	49,128
EASEMENTS	49,693	-	49,693
NEPA STORAGE	5,641	-	5,641
WATER QUALITY PROJECTS	-	3,694	3,694
DEPRECIATION	8,014	11,907	19,921
STORAGE FEES	115,166	-	115,166
PERSONNEL	109,255	77,091	186,346
SOIL QUALITY PROJECTS	-	2,521	2,521
WATER ASSESSMENTS	63,393	-	63,393
PROPERTY TAXES	4,168	1,044	5,212
REPAIRS AND MAINTENANCE	-	10,662	10,662
OTHER	13,105	16,886	29,991
TOTAL OPERATING EXPENSES	432,692	123,805	556,497
OPERATING INCOME	242,951	118,016	360,967
NONOPERATING REVENUES (EXPENSES)			
INTEREST AND OTHER INCOME	300	6,840	7,140
INTEREST EXPENSE	(36,882)	-	(36,882)
WATER CONSERVATION SERVICES	(7,519)	(184,074)	(191,593)
REIMBURSEMENT FOR SERVICES	7,519	184,074	191,593
TOTAL NONOPERATING REVENUES (EXPENSES)	(36,582)	6,840	(29,742)
CHANGE IN NET POSITION	206,369	124,856	331,225
NET POSITION JANUARY 1	23,923,222	447,749	24,370,971
NET POSITION DECEMBER 31	\$ 24,129,591	\$ 572,605	\$ 24,702,196

SEE NOTES TO FINANCIAL STATEMENTS

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2022

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER ACTIVITY	ENGINEERING	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIVED FROM CUSTOMERS	\$ 57,924	\$ 16,202	\$ 74,126
RECEIVED FROM INTERFUND ACTIVITIES	800,620	179,605	980,225
PAYMENTS FOR SUPPLIES, GOODS AND SERVICES	(316,109)	(32,559)	(348,668)
PAYMENTS TO EMPLOYEES	(107,111)	(74,856)	(181,967)
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	435,324	88,392	523,716
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
REIMBURSEMENT FOR SERVICES	14,420	175,887	190,307
PAYMENTS FOR WATER CONSERVATION SERVICES	(7,519)	(209,894)	(217,413)
NET CASH PROVIDED (USED) IN NONCAPITAL FINANCING ACTIVITIES	6,901	(34,007)	(27,106)
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES			
ACQUISITION OF CAPITAL ASSETS	-	-	-
LOAN PAYMENTS	(157,263)	-	(157,263)
INTEREST PAID	(36,971)	-	(36,971)
NET CASH PROVIDED (USED) IN CAPITAL & RELATED FINANCING ACTIVITIES	(194,234)	-	(194,234)
CASH FLOWS FROM INVESTING ACTIVITIES			
INTEREST RECEIVED AND OTHER	300	6,840	7,140
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	300	6,840	7,140
NET CHANGE IN CASH AND RESTRICTED CASH	248,291	61,225	309,516
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	509,433	1,377,682	1,887,115
CASH AND RESTRICTED CASH - END OF YEAR	\$ 757,724	\$ 1,438,907	\$ 2,196,631
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES			
OPERATING INCOME	\$ 242,951	\$ 118,016	\$ 360,967
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			
RECEIVABLES AND PREPAIDS	(1,950)	1,977	27
WATER INVENTORY	(1,788)	-	(1,788)
DUE FROM/TO OTHER FUNDS	166,264	(43,959)	122,305
ACCOUNTS PAYABLE & ACCRUED EXPENSES	5,196	4,983	10,179
DUE FROM/TO OTHER ENTITIES	16,637	-	16,637
DEFERRED INFLOW OF RESOURCES	-	(4,532)	(4,532)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 435,324	\$ 88,392	\$ 523,716

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, 2022, 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	\$ 476,686	\$ 437,867	\$ 914,553
Restricted Assets	<u>281,038</u>	<u>1,001,040</u>	<u>1,282,078</u>
Total Cash, Cash Equivalents, and Restricted Cash shown in the Statement of Cash Flows	<u>\$ 757,724</u>	<u>\$ 1,438,907</u>	<u>\$ 2,196,631</u>

Restricted Cash / Assets

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)

Restricted Cash / Assets (Continued)

Restricted cash balances at December 31, 2022 are restricted as follows:

	Water Activity Enterprise Fund	Lower Ark Valley Engineering Services Enterprise Fund
Cash Restricted for Stewardship Costs	\$ 177,161	\$ -
Cash Restricted for Debt Retirement	103,877	-
Cash Restricted for SEP Agreement	-	1,001,040
Total Restricted Cash / Assets	\$ 281,038	\$ 1,001,040

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, 2022, no allowance was noted. The full reimbursement outstanding balance for all funds is deemed current, collectable within a year.

Lease Receivable

Leased assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the District at or before the commencement of the lease term, less any lease incentives received from the District at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service.

Leases entered into by the District had an agreement that conveyed the right to use the asset, whether it be a building, land, vehicle, or equipment. The lease agreement was analyzed to determine the recognition of GASB statement No. 87 "Leases". Leases that met the guidelines of the lease standard were at least over a 12-month period and were over the District's defined threshold of \$5,000. If there is no stated rate in the lease contract (or if the stated rate is not the rate the District charges the lessee) and the implicit rate cannot be determined, the District uses its own estimated incremental borrowing rate as the discount rate to measure the lease receivable.

The lease receivable balance was \$63,752 for the year ended December 31, 2022. The deferred inflow of resources balance as of December 31, 2022 was \$60,044. See Note 4 – Lease Receivable and Note 14 – New Accounting Pronouncements for further details.

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 5 - 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.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 District has two types of items that qualify for reporting in this category.

Deferred Revenue - Property Taxes: The item, property taxes levied for subsequent years, arises only under a modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected.

Deferred Revenue – Leases: Lease related amounts are recognized at the inception of leases in which the District is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

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"

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position / Fund Balance (Continued)

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 Fund 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 1.) cash that is held in a restricted account which the cash may only be used to pay for stewardship costs incurred in complying with easement requirements, and 2.) cash that has been set aside for debt retirement per the loan covenants.

Retirement Plan

The District participates in a defined contribution plan that is administered by Vanguard Group, Inc. In a defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. The plan is a Simple IRA and 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 of age 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 \$15,077 for the year ended December 31, 2022.

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.

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH AND TEMPORARY CASH INVESTMENTS (Continued)

Deposits at December 31, 2022 had a bank balance of \$6,361,737 and a corresponding carrying balance as follows:

Insured Deposits	\$ 1,142,807
Covered by Public Deposit Protection Act	<u>5,052,498</u>
	<u>\$ 6,195,305</u>

Cash is reported as follows:

Cash and Cash Equivalents	\$ 4,913,227
Restricted Assets	<u>1,282,078</u>
	<u>\$ 6,195,305</u>

NOTE 3 – PROPERTY TAXES RECEIVABLE AND DEFERRED REVENUES

Taxes receivable represents 2022 property tax assessments, which are due in 2023. Deferred revenue in the same amount has also been recognized.

NOTE 4 – LEASE RECEIVABLE

The District, as a lessor, has entered into long-term lease agreement for retail space and facilities, which expires March 31, 2036 and includes two 5-year options to renew. During the year ended December 31, 2022, the District recognized \$2,476 and \$3,604 in lease revenue and interest revenue, respectively, pursuant to that contract. The future minimum lease receipts to be received from the aforementioned lease is as follows:

<u>Year Ending</u>	<u>Principal / Receivable</u>	<u>Interest</u>
2023	\$ 2,655	\$ 3,425
2024	2,844	3,236
2025	3,043	3,037
2026	3,710	2,826
2027	4,085	2,603
2028 – 2032	25,417	9,193
2033 – 2036	<u>21,998</u>	<u>1,912</u>
Total	<u>\$ 63,752</u>	<u>\$ 26,232</u>

NOTE 5 – 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	19,300	-	134,868
Accumulated Depreciation	<u>(26,981)</u>	<u>(5,978)</u>	-	<u>(32,959)</u>
	<u>88,587</u>	<u>13,322</u>	-	<u>101,909</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 104,322</u>	<u>\$ 13,322</u>	<u>\$ -</u>	<u>\$ 117,644</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – 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	442,001	-	-	442,001
Accumulated Depreciation	<u>(153,543)</u>	<u>(19,921)</u>	<u>-</u>	<u>(173,464)</u>
	<u>288,458</u>	<u>(19,921)</u>	<u>-</u>	<u>268,537</u>
<u>Business-Type Activities</u>				
Capital Assets - Net	<u>\$ 7,211,177</u>	<u>\$ (19,921)</u>	<u>\$ -</u>	<u>\$ 7,191,256</u>

For the year ended December 31, 2022, depreciation expense of \$5,978 was charged to general government in the governmental activities and \$19,921 to water conservation in the business-type activities.

NOTE 6 – NOTES PAYABLE

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>
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	169,574	24,660	194,234
2028-2032	887,315	83,853	971,168
2033-2035	<u>563,638</u>	<u>20,393</u>	<u>584,031</u>
	<u>\$ 2,273,828</u>	<u>\$ 252,541</u>	<u>\$ 2,526,369</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, 2022, the cash reserve account had a balance of \$103,877. As of December 31, 2022, 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, 2022:

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	\$ 1,868,053	\$ -	\$ (121,309)	\$ 1,746,744	\$ 123,068
Schiro	<u>563,038</u>	<u>-</u>	<u>(35,954)</u>	<u>527,084</u>	<u>36,583</u>
Totals	<u>\$ 2,431,091</u>	<u>\$ -</u>	<u>\$ (157,263)</u>	<u>\$ 2,273,828</u>	<u>\$ 159,651</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – NOTES PAYABLE (Continued)

For the year ended December 31, 2022, interest incurred and expensed in the Water Activity Enterprise Fund was \$36,882 with \$4,473 of the total reported as accrued interest payable.

NOTE 7 - 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 8 – 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 9 – INTER-FUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between the District funds for the reimbursement of expenditures. Related inter-fund receivables and payables are classified as "due from 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, 2022 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Activity Enterprise	\$ 181,234
General Fund	Engineering Services Enterprise	<u>39,180</u>
		<u>\$ 220,414</u>
Water Activity Enterprise	Engineering Services Enterprise	<u>\$ 83,261</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – LEASES

On February 16, 2022, the District entered into a supplemental agreement to extend the lease of 100 acre-feet of water rights for five additional years through December 31, 2026. 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, 2022 are as follows:

2023	\$	5,000
2024		5,000
2025		5,000
2026		<u>5,000</u>
Total	\$	<u>20,000</u>

NOTE 11 – 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, 2022. The total amount paid by the District in 2022 to Larkspur was \$44,458 and the total amount received from Larkspur was \$50,000. As of December 31, 2022, the balance due to Larkspur was \$0 and the amount due from Larkspur was \$35,973 and is reported in “due from other entities” on the Statement of Net Position for the Water Activity Enterprise Fund for \$7,943 and on the Balance Sheet of the General Fund for \$28,030.

NOTE 12 - 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 13 – 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 14 - 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 2022, the District adopted and implemented GASB Statement No.87, *Leases*. This resulted in the recognition of a lease receivable and deferred revenue – lease, that increased Lower Ark Valley Engineering Services Enterprise Fund’s total assets by \$63,752 and total deferred inflow of resources by \$60,044, respectively for 2022.

To be in accordance with GASB Statement No. 87 “*Leases*”, the District applied the provisions of the statement by retroactively restating financial statements for the earliest period presented (January 1, 2021). The following restatements were noted:

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Beginning Net Position: As a result of the implementation of GASB No. 87 “Leases”, the District restated beginning net position as follows:

	Lower Ark Valley Engineering Services Enterprise Fund
January 1, 2021 - Beginning Net Position, As Originally Stated	\$ 446,096
Cumulative effect of application of GASB No. 87 – Leases	1,653
January 1, 2021 - Beginning Net Position, As Restated	\$ 447,749

Lease Receivable, Deferred Inflow of Resources and Total Revenues: As a result of the implementation of GASB No. 87 “Leases”, the District restated 2021 balances in the Lower Ark Valley Engineering Services Enterprise Fund for the following accounts:

	Lower Ark Valley Engineering Services Enterprise Fund			
	Lease Receivable Current	Lease Receivable Noncurrent	Deferred Inflow of Resources	Operating & Nonoperating Revenues
As Originally Stated - 2021	\$ -	\$ -	\$ -	\$ 300,891
Cumulative effect of application of GASB No. 87 – Leases	2,477	63,752	(64,576)	1,653
As Restated - 2021	\$ 2,477	\$ 63,752	\$ (64,576)	\$ 302,544

REQUIRED SUPPLEMENTARY 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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
TAXES				
REAL PROPERTY TAXES	\$ 2,547,400	\$ 2,547,400	\$ 2,614,176	\$ 66,776
SPECIFIC OWNERSHIP	202,500	202,500	267,847	65,347
REIMBURSEMENTS	-	-	5,532	5,532
INTEREST & OTHER	17,100	17,100	13,561	(3,539)
TOTAL REVENUES	<u>2,767,000</u>	<u>2,767,000</u>	<u>2,901,116</u>	<u>134,116</u>
EXPENDITURES				
GENERAL GOVERNMENT	4,330,000	4,330,000	1,721,578	2,608,422
CAPITAL OUTLAY	30,300	30,300	19,300	11,000
CONTINGENCY	276,700	276,700	-	276,700
TOTAL EXPENDITURES	<u>4,637,000</u>	<u>4,637,000</u>	<u>1,740,878</u>	<u>2,896,122</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,870,000)	(1,870,000)	1,160,238	3,030,238
FUND BALANCE JANUARY 1	<u>3,016,892</u>	<u>3,016,892</u>	<u>3,016,892</u>	<u>-</u>
FUND BALANCE DECEMBER 31	<u>\$ 1,146,892</u>	<u>\$ 1,146,892</u>	<u>\$ 4,177,130</u>	<u>\$ 3,030,238</u>

SUPPLEMENTARY INFORMATION

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CASH IN BANKS	\$ 3,998,674	\$ 2,989,954
ACCRUED INTEREST RECEIVABLE	586	586
TAXES RECEIVABLE	2,539,800	2,547,500
DEPOSITS	28,697	25,439
DUE FROM OTHER FUNDS	220,414	98,109
DUE FROM OTHER ENTITIES	<u>28,030</u>	<u>29,802</u>
TOTAL ASSETS	<u>\$ 6,816,201</u>	<u>\$ 5,691,390</u>
LIABILITIES		
ACCOUNTS PAYABLE	\$ 18,912	\$ 20,317
ACCRUED EXPENSES	<u>80,359</u>	<u>106,681</u>
TOTAL LIABILITIES	<u>99,271</u>	<u>126,998</u>
DEFERRED INFLOWS OF RESOURCES		
DEFERRED REVENUE - PROPERTY TAX	<u>2,539,800</u>	<u>2,547,500</u>
FUND BALANCE		
RESTRICTED FOR EMERGENCIES - TABOR	52,300	79,000
ASSIGNED FOR FUTURE YEARS EXPENDITURES	1,135,400	1,870,000
UNASSIGNED	<u>2,989,430</u>	<u>1,067,892</u>
TOTAL FUND BALANCE	<u>4,177,130</u>	<u>3,016,892</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 6,816,201</u>	<u>\$ 5,691,390</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
TAXES	\$ 2,882,023	\$ 2,486,819
REIMBURSEMENTS	5,532	100,000
MISCELLANEOUS	<u>13,561</u>	<u>14,887</u>
TOTAL REVENUES	<u>2,901,116</u>	<u>2,601,706</u>
EXPENDITURES		
GENERAL GOVERNMENT	1,721,578	2,618,997
CAPITAL OUTLAY	<u>19,300</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,740,878</u>	<u>2,618,997</u>
REVENUES OVER (UNDER) EXPENDITURES	1,160,238	(17,291)
FUND BALANCE JANUARY 1	<u>3,016,892</u>	<u>3,034,183</u>
FUND BALANCE DECEMBER 31	<u><u>\$ 4,177,130</u></u>	<u><u>\$ 3,016,892</u></u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

WATER ACTIVITY ENTERPRISE FUND

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
CASH	\$ 476,686	\$ 243,535
REIMBURSEMENT RECEIVABLE	7,519	14,420
WATER INVENTORY	48,781	46,993
PREPAIDS	116,125	114,175
DUE FROM OTHER FUNDS	83,261	68,291
DUE FROM OTHER ENTITIES	7,943	24,580
TOTAL CURRENT ASSETS	<u>740,315</u>	<u>511,994</u>
RESTRICTED ASSETS		
CASH RESTRICTED FOR STEWARDSHIP COSTS	177,161	176,861
CASH RESTRICTED FOR DEBT RETIREMENT	103,877	89,037
TOTAL RESTRICTED ASSETS	<u>281,038</u>	<u>265,898</u>
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET	76,046	84,060
LAND	20,143	20,143
WATER STOCK	6,902,576	6,902,576
NET CAPITAL ASSETS	<u>6,998,765</u>	<u>7,006,779</u>
INTANGIBLE ASSETS		
CONSERVATION EASEMENTS	18,588,836	18,588,836
TOTAL ASSETS	<u>\$ 26,608,954</u>	<u>\$ 26,373,507</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 13,489	\$ 6,631
ACCRUED EXPENSES	6,339	8,001
ACCRUED INTEREST PAYABLE	4,473	4,562
DUE TO OTHER FUNDS	181,234	-
NOTES PAYABLE - CURRENT	159,651	157,263
TOTAL CURRENT LIABILITIES	365,186	176,457
NONCURRENT LIABILITIES		
NOTES PAYABLE	2,114,177	2,273,828
TOTAL NONCURRENT LIABILITIES	<u>2,114,177</u>	<u>2,273,828</u>
TOTAL LIABILITIES	<u>2,479,363</u>	<u>2,450,285</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	4,724,937	4,575,688
RESTRICTED FOR STEWARDSHIP COSTS	177,161	176,861
RESTRICTED FOR DEBT RETIREMENT	103,877	89,037
UNRESTRICTED	19,123,616	19,081,636
TOTAL NET POSITION	<u>24,129,591</u>	<u>23,923,222</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 26,608,954</u>	<u>\$ 26,373,507</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
WATER ACTIVITY ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
WATER LEASING	\$ 9,660	\$ 6,270
RULE 10 FEE INCOME	31,627	39,720
MANAGEMENT FEES AND REIMBURSEMENTS	634,356	1,682,426
TOTAL REVENUES	675,643	1,728,416
OPERATING EXPENSES		
DEFICIT IRRIGATION	-	49,000
DRY UP AND REVEGETATION	15,129	14,851
SUPER DITCH	49,128	64,735
EASEMENTS	49,693	49,504
NEPA STORAGE	5,641	1,150
DEPRECIATION	8,014	8,014
STORAGE FEES	115,166	116,225
PERSONNEL	109,255	80,283
WATER ASSESSMENTS	63,393	63,391
PROPERTY TAXES	4,168	3,695
OTHER	13,105	271
TOTAL OPERATING EXPENSES	432,692	451,119
OPERATING INCOME	242,951	1,277,297
NONOPERATING REVENUES (EXPENSES)		
OTHER INCOME	-	16,856
INTEREST INCOME	300	181
INTEREST EXPENSE	(36,882)	(39,037)
WATER CONSERVATION SERVICES	(7,519)	(67,122)
REIMBURSEMENT FOR SERVICES	7,519	67,122
TOTAL NONOPERATING REVENUES (EXPENSES)	(36,582)	(22,000)
CHANGE IN NET POSITION	206,369	1,255,297
NET POSITION JANUARY 1	23,923,222	22,667,925
NET POSITION DECEMBER 31	\$ 24,129,591	\$ 23,923,222

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

WATER ACTIVITY ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIVED FROM CUSTOMERS	\$ 57,924	\$ 35,958
RECEIVED FROM INTERFUND ACTIVITIES	800,620	780,063
PAYMENTS FOR SUPPLIES, GOODS, SERVICES	(316,109)	(368,240)
PAYMENTS TO EMPLOYEES	<u>(107,111)</u>	<u>(112,523)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>435,324</u>	<u>335,258</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
REIMBURSEMENT FOR SERVICES	14,420	171,507
PAYMENTS FOR WATER CONSERVATION SERVICES	<u>(7,519)</u>	<u>(67,122)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>6,901</u>	<u>104,385</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
LOAN PAYMENTS	(157,263)	(154,910)
INTEREST PAID	<u>(36,971)</u>	<u>(39,323)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(194,234)</u>	<u>(194,233)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST RECEIVED AND OTHER	<u>300</u>	<u>17,037</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>300</u>	<u>17,037</u>
NET CHANGE IN CASH AND RESTRICTED CASH	248,291	262,447
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	<u>509,433</u>	<u>246,986</u>
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 757,724</u>	<u>\$ 509,433</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 242,951	\$ 1,277,297
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION	8,014	8,014
CHANGES IN ASSETS AND LIABILITIES		
WATER INVENTORY	(1,788)	(4,803)
PREPAIDS	(1,950)	(1,925)
DUE FROM/TO OTHER FUNDS	166,264	(902,363)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	5,196	(30,930)
DUE FROM/TO OTHER ENTITIES	<u>16,637</u>	<u>(10,032)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 435,324</u>	<u>\$ 335,258</u>

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
CASH	\$ 437,867	\$ 377,682
REIMBURSEMENT RECEIVABLES	80,030	71,843
LEASE RECEIVABLE	2,655	2,477
PREPAIDS	500	-
TOTAL CURRENT ASSETS	<u>521,052</u>	<u>452,002</u>
RESTRICTED ASSETS		
CASH RESTRICTED FOR SEP AGREEMENT	<u>1,001,040</u>	<u>1,000,000</u>
NONCURRENT ASSETS		
LEASE RECEIVABLE	<u>61,097</u>	<u>63,752</u>
CAPITAL ASSETS		
BUILDINGS AND OTHER - NET	<u>192,491</u>	<u>204,398</u>
TOTAL ASSETS	<u>\$ 1,775,680</u>	<u>\$ 1,720,152</u>
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 4,152	\$ 27,225
ACCRUED EXPENSES	7,417	5,181
UNEARNED REVENUE	1,009,021	1,009,021
DUE TO OTHER FUNDS	<u>122,441</u>	<u>166,400</u>
TOTAL CURRENT LIABILITIES	<u>1,143,031</u>	<u>1,207,827</u>
DEFERRED INFLOW OF RESOURCES		
LEASE	<u>60,044</u>	<u>64,576</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	192,491	204,398
UNRESTRICTED	<u>380,114</u>	<u>243,351</u>
TOTAL NET POSITION	<u>572,605</u>	<u>447,749</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	<u>\$ 1,775,680</u>	<u>\$ 1,720,152</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, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
LEASE INCOME	\$ 4,532	\$ 6,894
FEE INCOME	13,725	12,338
MANAGEMENT FEES AND REIMBURSEMENTS	223,564	223,974
TOTAL REVENUES	241,821	243,206
OPERATING EXPENSES		
WATER QUALITY PROJECTS	3,694	11,772
DEPRECIATION	11,907	11,907
PERSONNEL	77,091	13,165
SOIL QUALITY PROJECTS	2,521	48,881
TAILWATER STUDY	-	543
POND STUDY	-	19,878
PROPERTY TAXES	1,044	1,043
REPAIRS AND MAINTENANCE	10,662	10,289
OTHER	16,886	11,722
TOTAL OPERATING EXPENSES	123,805	129,200
OPERATING INCOME	118,016	114,006
NONOPERATING REVENUES (EXPENSES)		
OTHER INCOME	2,197	10,973
INTEREST INCOME	4,643	2,814
IN-KIND CONTRIBUTION	-	23,000
WATER CONSERVATION SERVICES	(184,074)	(743,051)
REIMBURSEMENT FOR SERVICES	184,074	765,602
TOTAL NONOPERATING REVENUES (EXPENSES)	6,840	59,338
CHANGE IN NET POSITION	124,856	173,344
NET POSITION JANUARY 1 (AS RESTATED)	447,749	274,405
NET POSITION DECEMBER 31	\$ 572,605	\$ 447,749

LOWER ARKANSAS VALLEY WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

LOWER ARK VALLEY ENGINEERING SERVICES ENTERPRISE FUND

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIVED FROM CUSTOMERS	\$ 16,202	\$ 6,303
RECEIVED FROM INTERFUND ACTIVITIES	179,605	371,394
PAYMENTS FOR SUPPLIES, GOODS, SERVICES	(32,559)	(119,785)
PAYMENTS TO EMPLOYEES	<u>(74,856)</u>	<u>(37,487)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>88,392</u>	<u>220,425</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
REIMBURSEMENT FOR SERVICES	175,887	1,825,747
PAYMENTS FOR WATER CONSERVATION SERVICES	<u>(209,894)</u>	<u>(717,231)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(34,007)</u>	<u>1,108,516</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
ACQUISITION OF CAPITAL ASSETS	<u>-</u>	<u>(6,881)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(6,881)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST RECEIVED AND OTHER	<u>6,840</u>	<u>13,787</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>6,840</u>	<u>13,787</u>
NET CHANGE IN CASH	61,225	1,335,847
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	<u>1,377,682</u>	<u>41,835</u>
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 1,438,907</u>	<u>\$ 1,377,682</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 118,016	\$ 114,006
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
DEPRECIATION	11,907	11,907
CHANGES IN ASSETS AND LIABILITIES		
RECEIVABLES AND PREPAIDS	1,977	(66,049)
DUE FROM/TO OTHER FUNDS	(43,959)	147,420
ACCOUNTS PAYABLE & ACCRUED EXPENSES	4,983	(40,159)
UNEARNED REVENUES	-	(11,276)
DEFERRED INFLOW OF RESOURCES	<u>(4,532)</u>	<u>64,576</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 88,392</u>	<u>\$ 220,425</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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
WATER LEASING	\$ 5,000	\$ 5,000	\$ 9,660	\$ 4,660
FEE INCOME	41,000	41,000	31,627	(9,373)
MANAGEMENT FEES	1,745,500	1,745,500	634,356	(1,111,144)
REIMBURSEMENTS	25,000	25,000	7,519	(17,481)
INTEREST AND OTHER	-	-	300	300
TOTAL REVENUES	<u>1,816,500</u>	<u>1,816,500</u>	<u>683,462</u>	<u>(1,133,038)</u>
EXPENDITURES				
WATER LEASES	20,000	20,000	-	20,000
WATER AND NEPA STORAGE FEES	130,500	130,500	120,807	9,693
ARKANSAS IRRIGATION RULES	3,000	3,000	-	3,000
DRY UP AND REVEGETATION	69,500	69,500	15,129	54,371
SUPER DITCH	185,000	185,000	49,128	135,872
DEPRECIATION	-	-	8,014	(8,014)
GENERAL AND ADMINISTRATIVE	236,800	236,800	126,528	110,272
WATER ASSESSMENTS AND COSTS	71,000	71,000	63,393	7,607
WATER CONSERVATION SERVICES	-	-	7,519	(7,519)
INTEREST	34,200	34,200	36,882	(2,682)
WATER ACQUISITIONS	250,000	250,000	-	250,000
DEBT SERVICE	160,000	160,000	157,263	2,737
CONSERVATION EASEMENTS	95,000	95,000	49,693	45,307
CONTINGENCY	181,700	181,700	-	181,700
TOTAL EXPENDITURES	<u>1,436,700</u>	<u>1,436,700</u>	<u>634,356</u>	<u>802,344</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 379,800</u>	<u>\$ 379,800</u>	49,106	<u>\$ (330,694)</u>
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
PRINCIPAL PAID ON LOANS			<u>157,263</u>	
CHANGE IN NET POSITION			206,369	
NET POSITION JANUARY 1			<u>23,923,222</u>	
TOTAL NET POSITION DECEMBER 31			<u>\$ 24,129,591</u>	

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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
LEASE INCOME	\$ 9,000	\$ 9,000	\$ 4,532	\$ (4,468)
FEE INCOME	12,000	12,000	13,725	1,725
MANAGEMENT FEES	1,100,000	1,100,000	223,564	(876,436)
REIMBURSEMENT FOR SERVICES	375,000	375,000	184,074	(190,926)
OTHER	-	-	6,840	6,840
TOTAL REVENUES	<u>1,496,000</u>	<u>1,496,000</u>	<u>432,735</u>	<u>(1,063,265)</u>
EXPENDITURES				
WATER QUALITY PROJECTS	165,000	165,000	3,694	161,306
DEPRECIATION	-	-	11,907	(11,907)
GENERAL AND ADMINISTRATIVE	393,000	393,000	77,091	315,909
SOIL QUALITY PROJECTS	50,000	50,000	2,521	47,479
POLLUTANT / RESERVOIR TRADES	40,000	40,000	-	40,000
TAIL WATER STUDY	1,500	1,500	-	1,500
POND STUDY	17,000	17,000	-	17,000
PROPERTY TAXES	1,100	1,100	1,044	56
REPAIRS AND MAINTENANCE	21,000	21,000	10,662	10,338
OTHER	1,000	1,000	16,886	(15,886)
WATER CONSERVATION SERVICES	828,000	828,000	184,074	643,926
CAPITAL OUTLAY	-	-	-	-
CONTINGENCY	149,600	149,600	-	149,600
TOTAL EXPENDITURES	<u>1,667,200</u>	<u>1,667,200</u>	<u>307,879</u>	<u>1,359,321</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (171,200)</u>	<u>\$ (171,200)</u>	124,856	<u>\$ 296,056</u>
ADJUSTMENTS TO RECONCILE BUDGETARY BASIS TO GAAP BASIS				
CAPITAL ASSET PURCHASES			-	
CHANGE IN NET POSITION			124,856	
NET POSITION JANUARY 1			<u>447,749</u>	
TOTAL NET POSITION DECEMBER 31			<u>\$ 572,605</u>	